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# Customer experience and engagement in the South African retail sector

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# Title

Customer experience and engagement in the South African retail sector

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**WBS/SM2377273/867**

**A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management (MMSM)**

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# ABSTRACT


- **Context** The aim of this study was to conceptualise and validate a customer experience framework within the South African retail industry. A considerable amount of literature has focused on conversion rather than long-term loyalty and engagement outcomes. The South African retail industry is a mature one in which increasing competition and empowered customers require firms to create sustainable competitive advantage. The shift in power to consumers may be a potential threat or opportunity to firms, making it important to understand customer engagement. In light of this, this study endeavoured to understand the customer experience holistically, from the customers' perspective, and its effect on the customer perceived value-customer satisfaction-customer loyalty model and how this may affect customer engagement.

- **A brief statement of the problem** Customer experience is not clear in its conceptualisation. Studies that have been undertaken are primarily in the service environment. Customers' experiences in their decision-making journeys within the purchase funnel are a key component of their experience of the organisation. Technology is reducing both consumer decision-making journeys as well as the loyalty funnel, giving firms fewer opportunities to engender loyalty. Producing a superior value proposition to acquire and retain customers is an important goal for marketing practitioners. In order to do this, they need a clearer understanding of customer journeys.

- **The method of the data collection** A total of 792 respondents participated in the data collection process. The sample was collected from the University of the Witwatersrand database of students. Confirmatory factor analysis was used to check the efficacy of the data, and multiple regression analysis was then conducted.

- **The key findings** The study validates that there is a strong positive effect of customer experience on customer perceived value-customer satisfaction-customer loyalty. Online customer experience has a greater effect on customer perceived value than offline customer experience. The study also validates the causality of the relationships within the South African retail context. There is a strong positive relationship between customer perceived value and customer satisfaction, validating that these are separate constructs. The final hypothesis proposes that customer loyalty may have a positive effect on customer engagement, but the results show a negative and inverse relationship between these constructs.

- **The key message** The results of this study further strengthen the exigency for further conceptualisation and validation of customer experience frameworks in order to manage customer experiences optimally. The results also show that the combined effect of customer experiences in both the online and offline realms is important as these experiences have a strong positive effect on loyalty outcomes, thus validating the importance of the evolution of retail within this context into an omnichannel. Further research needs to be undertaken to assess the effect of customer experience on customer engagement, as this is increasingly becoming an essential element of customer acquisition goals for firms. Results of this study reinforce the importance of the assessment of customer perceived value as a concept separate from customer satisfaction, as literature has called for a holistic framework in which customer experience and customer perceived value may be evaluated.

# DECLARATION

I, __Nadine Munsamy_____, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management (ENVC) in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Nadine Munsamy

---

Signed at ……Fourways……

On the ……19th …….. day of ……February……. 2022…..

# DEDICATION

This is dedicated to my mother whose sacrifices allowed me to experience all the opportunities I have, and without whom I would not be who I am. This is also for my sister who listened to all my frustrations and triumphs and encouraged me to keep on going to the end, unwavering in her faith in me that I could do this – you are my rock.

I love you both very much.

# ACKNOWLEDGEMENTS

My deep appreciation goes to my supervisor Mr Neale Penman. Words cannot express my gratitude that you took me on late in the year and challenged me to think and grow in many ways. You also made the whole process a bearable one. I don't think I would have been as happy with my end product as I am without your assistance. Thank you for your time, insight and effort.

To my circle: Aakifah Louw, Kalvin Munusamy and Emlyn Singh who supported me and helped me remain sane through this process – my deepest gratitude.

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# CHAPTER 1. INTRODUCTION

## 1.1 Purpose of the study

> *"By taking a holistic view of the customer experience (pre-core-post), firms may be able to strengthen relationships with their most valuable customers and, in turn, increase customer retention, acquisition, positive word-of-mouth and profitability" (Voorhees et al., 2017, p. 269).*

Not considering the customer experience across all potential touch points may result in practitioners and researchers not being able to identify customers' needs accurately. This may cause missed opportunities in which to create more robust experiences for customers (Edelman & Singer, 2015; Voorhees et al., 2017). Therefore, this study focuses on the customer experience from an online and offline perspective, customer experience is operationalized through online and offline experiences.

Customer experience is not clear in its conceptualisation and is used in numerous contexts, with inadequate distinction from other concepts. Studies that have been undertaken are primarily in the service environment, with little research in the retail environment (Akroush & Mahadin, 2019; Jain, Aagja & Bagdare, 2017; Homburg, Jozic & Kuehnl, 2017).

The bulk of customer experience knowledge has been attained through practitioner-oriented journals or management books and as such focuses on managerial outcomes rather than theories that are intrinsic to antecedents and effects of customer experience (Mccoll-kennedy, et al., 2015). Customers' primary experience of an organisation is through their customer journeys, which are dynamic processes. They occur across the pre-purchase, purchase and post-purchase stages of the journey, or the purchase funnel. Customer experience is an accumulation over these phases and is continual; it also integrates previous customers' previous experiences with the firm over time (Lemon & Verhoef, 2016).

Customers' experiences in their decision-making journeys within the purchase funnel are becoming a key component of their experience of the organisation. This has led to opportunities which firms may exploit in order to develop sustainable competitive

advantage (Zare & Mahmoudi, 2020). Technological advances are rapid and ever changing, and organisations are forced to adopt new technologies quickly in order to gain competitive advantage or to compete with other organisations that may be first movers in this space (Kannan & Hongshuang, 2017). Therefore, this influences organisations' marketing mix. In addition to consumer behaviour, marketing practitioners have identified customer experience management as one of the main solutions to creating sustainable competitive advantage and value for consumers (Homburg et al., 2017).

This study proposes that value may be created for customers through their customer experiences (Edelman & Singer, 2015; Lemon & Verhoef, 2016; Jain et.al.,2017), therefore in order to create a compelling offering which will align to the organisations goals of acquisition or retention they must have an understanding of the customer experience through the customer journey (Lemon & Verhoef, 2016). This study proposes to understand the relationship between customer's experiences within the customer shopping journey and customers perceived value and how that affects customer satisfaction, loyalty and engagement.

Customer perceived value (CPV) is an antecedent of customer satisfaction, which is a critical predecessor of loyalty and customer engagement (Mothersbaugh & Hawkins, 2016; Akroush & Mahadin, 2019). When firms create journeys that increase customer satisfaction, they create value for customers, leading them to continue on the journey because they acquire benefits or value from the journey itself, as well as the product or service (Edelman & Singer, 2015; Kumar & Reinartz, 2016). Firms may view the customer journey as a product and should manage and refine it as they would their product/service offerings (Edelman & Singer, 2015).

Prior research has concentrated on the core service encounter or the purchase stage of customers' decision-making funnel. This study focused on the "linkage between the three encounter periods" (Voorhees et al., 2017, p. 270), i.e. the pre-purchase, purchase and post-purchase stages, as it is essential for resources to be allocated optimally across the whole customer journey in order to generate the optimal amount of value for customers (Lemon & Verhoef, 2016).

In light of this, this study endeavoured to understand the customer experience holistically by analysing the entire customer journey and its impact on the customer perceived value-

customer satisfaction-customer loyalty (CPV-CS-CL) model and how this may positively affect customer engagement (Harmeling, Moffet, Arnold & Carlson, 2017; Van Asperen, De Rooij & Dijkmans, 2017; Akroush & Mahadin, 2019). Essential to this is to provide customers with superior experiences uniformly to create CPV, as this may generate customer satisfaction, which may lead to loyalty and engagement (Fadi, 2019).

## 1.2 Context of the study

The customer journey is an important element of a customer's experience of the organisation (Lemon & Verhoef, 2016; Homburg et al., 2017; Jain et al., 2017). Value is created for both the customer and the organisation through these experiences (Homburg, Jozic, & Kuehnl, 2017). However the advent of digital devices and the internet, as well as increased penetration within the South African market of smartphones and fibre internet connections (Gilbert, 2019) have affected customers' purchase journeys.

This has resulted in shortened evaluation phases, taking customers to the loyalty loop in a shorter period of time (Edelman & Singer, 2015). The consequence of this is that firms have reduced time and opportunity to engender loyalty outcomes, making it imperative to manage the customer journey proactively (Edelman & Singer, 2015; Zare & Mahmoudi, 2020).

The number of shoppers utilising internet-enabled mobile devices is growing exponentially. According to the Independent Communications Authority of South Africa (ICASA), the growth of internet-enabled smartphones in South Africa grew from 43.2% in 2016 to 81.72% in 2018, with 49.6 million smartphone subscriptions in 2018. This high penetration rate in smartphone subscriptions could be because many people own more than one smartphone (Gilbert, 2019). This has led to increasing competition in the market with competitors having more channels to reach consumers and making entry into the market easier (Akroush & Mahadin, 2019). It has also led to more communication channels, giving customers access to more information to research shopping (Lemon & Verhoef, 2016).

Customer experience is essential in developing customers' perceptions of what they anticipate when dealing with a firm, as well as the value they derived from these experiences. Therefore, gaining deeper knowledge of customers' experiences may assist

a firm in differentiating itself from competitors and creating sustainable competitive advantage (Lemon & Verhoef, 2016; Zare & Mahmoudi, 2020).

Firms may derive value from customer interactions that are non-transactional. However, this also enables opportunities and threats in that customer experiences which are negative may also be shared easily. Customers are able to destroy value as well as create it, as the evolution and expansion of social media have added to the engagement behaviours of customers (Lemon & Verhoef, 2016). The onset of COVID-19 in the South African context has further modified the retail landscape (Wilson, Martino, Oberholzer, & Harding, 2019) as demands for social distancing and lockdowns increased the demand for online shopping experiences.

The advent of social media has modified how customers share information and interact with one another and the organisations' brands, and therefore digital platforms, have "facilitated novel market behaviours, interactions and experiences" (Lamberton & Stephan, 2016, p. 146). This has accelerated customers' needs and wants for a collaborative and harmonious omnichannel experience in a fast-moving consumer goods (FMCG) retail context (Parise, Guinan & Kafka, 2016).

The nature of the FMCG retail industry is a highly competitive one as these markets are homogeneous and offer the same goods and services as competitors; therefore, it may be difficult to establish CPV on offerings alone. Utilising the customer journey itself may be effective in order to acquire and optimise loyal customers' value in order to be profitable and sustainable (Lemon & Verhoef, 2016; Ou, Verhoef & Wiesel, 2017).

By evaluating customer journeys holistically, organisations may be able to improve and enhance customer satisfaction, which is an important antecedent of loyalty (Mothersbaugh & Hawkins, 2016). They do this by creating value for customers along critical points, enabling them to continue on the journey because they receive benefits or value from the journey itself, as well as the product or service (Kumar & Reinartz, 2016).

The context in which the industry exists is essential as the distinctive characteristics of the firm form customers' decision making and preferences. The FMCG category is one of low involvement. Due to the competitive nature of the industry, customers may have too many choices, which leads to them being unable to convert their perceptions of value into loyalty intentions (Ou et al., 2017).

Loyalty intentions will strengthen the relationships between the firm and customer (Vogel, Evanschitzky & Ramaseshan, 2008). Evaluating customers' perceived value through their experiences within this context may be an essential element in driving satisfaction and loyalty intentions (Lemon & Verhoef, 2016; Jain et al., 2017).

There are three primary drivers of customer equity that are important elements of loyalty intentions: value equity, brand equity and relationship equity (Rust et al., 2000 as cited by Ou et al., 2017). This study focused on two customer equity drivers, namely value equity and relationship equity, in order to strengthen loyalty outcomes. Value equity may be defined as "customers' objective assessments of the utility of goods/services based on 'what is given up' for 'what is received' (Ou et al., 2017, p. 338). Relationship equity examines customers' evaluation of the quality of their experience with a firm (Ou et al.,2017).

## 1.3 Problem statement

### 1.3.1 *Main problem*

There is very little literature on the evaluation of the customer perceived value-customer satisfaction-customer loyalty (CPV-CS-CL) relationship around customer experiences across different industries and contexts. There is also causal ambiguity around this relationship, and this study attempted to understand these relationships (Jain et al., 2017). Previous literature also focuses mainly on conversion rather than loyalty as a result of customer journeys (Lemon & Verhoef, 2016; Herhausen, Kleinlercher, Verhoef, Emrich, & Rudolph,2019)

The retail industry has advanced over the past decade, as customers have started utilising internet-enabled devices, causing an upsurge in the use of smartphones and social media (Zare & Mahmoudi, 2020). This has had an effect on conventional retail business models, the implementation of the marketing mix as well as shoppers' consumer behaviour (Zare & Mahmoudi, 2020). This has resulted in a critical driver in retail being "an increasing demand for a seamless experience between online, mobile and in-store shopping" (Fouroudi, Gupta, Sivarajah & Broderick, 2017, p. 271).

Internet-enabled devices impact omnichannel behaviours, such as facilitating research shopping and forming relationships between firms and customers. There are more possibilities of customer engagement with firms and each other on social media through internet-enabled cell phones (Rajkumar, 2017). The extent to which the online and offline customer journey affects customers' perception of value in a significant way has not been extensively researched (Lemon & Verhoef, 2016).

The main research problem may be summarised as follows:

> *There is a need to understand customers' experiences in an omnichannel context and how this effects the linkages in customer perceived value-customer satisfaction-customer loyalty. In addition, understanding how loyal customers as a result of their experiences may engage with firms and other customers to produce value is essential.*

### 1.3.2 *Sub-problem 1: How does customer perception of value in a firm's online and offline channels engender customer satisfaction and loyalty?*

It is essential to produce a compelling, superior value proposition to acquire customers and to maintain them. In order achieve this, firms must have a good understanding of customers' needs (Lemon & Verhoef, 2016). One of the most crucial aims of marketing is to build and then effectively communicate value or equity to customers, in order to engender customer satisfaction outcomes and customer loyalty (Kumar & Reinartz, 2016). CPV is essential to building effective strategies for long-term sustainability (Akroush & Mahadin, 2019).

Firms are increasingly making notable investments into online, offline and mobile channels in the form of mobile applications, search engines and social media platforms in order to attract customers, increase sales and engender long-term outcomes such as loyalty and customer satisfaction (Kannan, Reinartz & Verhoef, 2016). Internet-enabled devices are also modifying how customers interact with organisations and their customer journeys (Lemon & Verhoef, 2016). They allow consumers to switch easily between online and offline channels during the search and purchase phases and shape their own purchase journeys, in an omnichannel context (Parise et al., 2016; Herhausen et al., 2019).

Examining the relationship between customer experience with a retailer in its entirety and the effect of customer satisfaction as a result of CPV is crucial for engendering loyalty and customer engagement. Therefore, it is imperative to manage this process and for firms to acquire further knowledge of the factors that may influence CPV (Kumar & Reinartz, 2018).

There are many more avenues in which organisations may engender CPV and customer perceived satisfaction. CPV "should be used with satisfaction as it is a better predictor of consumer behaviour" (Fadi, 2019, p. 51). Satisfaction alone may not be enough to engender loyalty outcomes; consumers may be satisfied with their experience but their perceptions of the value of the offering they receive may be the driver of repurchase intentions (Fadi, 2019).

### 1.3.3 *Sub-problem 2: How do loyal customers engage with firms and other customers in order to produce value?*

Customers may connect with firms in various ways and, through these connections, also produce value. There are four elements of customer engagement value that are generated when customers interact with firms (Kumar et al., 2010). This study focused on one of these, namely customer influencer value, which relates to customers' actions to persuade other customers through word of mouth. Customer influencer value is "based on intrinsic motivation of the customer (as opposed to extrinsic rewards e.g., CRV)" (Kumar et al., 2010, p. 300).

Customer satisfaction and loyalty are essential to generate repeat purchases (Mothersbaugh & Hawkins, 2016). With the advent of technology, firms have many more routes to communicate with customers but so too do competitors (Kannan & Hongshuang, 2017). Therefore it is key for companies to facilitate customer satisfaction in order to grow their competitive advantage and reap the benefits of loyal customers, i.e. in the form of repeat purchases and electronic word of mouth; in addition, loyal customers pay less attention to competitor offers and prices (Zare & Mahmoudi, 2020).

The expansion of two-sided markets such as "search engines, social media, and user generated content" (Kannan & Hongshuang, 2017, p. 23) is also encouraging. This shift in consumer behaviour and organisations' use of the marketing mix creates value for

customers (Kannan & Hongshuang, 2017). Therefore, gaining further insight into this may allow firms to create strategies that may guide and produce superior experiences for customers which engender customer satisfaction and loyalty. This may incite customers to voluntarily utilise their own customer-owned resources to ultimately improve long-term firm performance (Harmeling et al., 2017; Pansari & Kumar, 2017).

## 1.4 Significance of the study

The study is both empirically and practically significant.

### 1.4.1 *Empirical significance*

The customer journey is an important element of a customer's experience of the organisation (Lemon & Verhoef, 2016; Homburg et al., 2017; Jain et al., 2017). According to Brynjolfsson, Hu and Rahman (2013, p. 23), "the retailing industry evolves towards a seamless 'omnichannel retailing' experience, the distinctions between physical and online will vanish, turning the world into a showroom without walls". This has presented firms with numerous opportunities to create value and sustainable competitive advantage through customer journeys (Rawson, Duncan & Jones, 2013; Edelman & Singer, 2015; Zare & Mahmoudi, 2020).

This study endeavoured to investigate the relationship between customers' experiences through their customer journeys within the omnichannel domain in both online and offline contexts. The findings of this study contribute to the customer experience phenomenon within an omnichannel context of an emerging market, specifically South Africa. South Africa has a highly competitive, mature and saturated retail industry (Wilson et al., 2019).

The advancement of technology is reducing the purchase funnel and moving customers into the loyalty loop more quickly. This results in firms having fewer opportunities to generate loyalty intentions (Edelman & Singer, 2015). This may be the primary reason why the Marketing Science Institute (Mela, 2018) have identified that a challenge in marketing research is understanding the elements that may have a positive relationship towards engendering loyalty during the customer journey.

Increased competition and empowered customers require firms to create sustainable competitive advantage such as acquiring satisfied and loyal customers in order to survive and grow in this environment. This is essential in the highly competitive South African retail market (Akroush & Mahadin, 2019).

It is vital for retailers to understand customer behaviour along the customer journey. In order for firms to ensure long-term performance, they need to focus on building loyalty rather than short-term sales outcomes. Literature to date has focused mainly on conversion and has neglected to evaluate loyalty as a result of customers' experiences (Lemon & Verhoef, 2016; Herhausen et al., 2019). The process of engendering loyalty through customers' experience of the firm is essential to maintain their sustainable competitive advantage and critical for business performance (Rawson, Duncan & Jones, 2013; Edelman & Singer, 2015; Kumar & Reinartz, 2016).

The need to develop and validate frameworks to manage customer experience holistically is important (Jain et al., 2017; Akroush & Mahadin, 2019). This quantitative study aimed to bridge this gap in order for the findings to be generalised across different industries and contexts. This study also investigated more robust customer experience metrics to be validated, as customer perceived value was investigated separately from the customer satisfaction concept (Oliver, 1999; Jain et al., 2017; Monferrer, Moliner & Estrada, 2019; Ali & Naushad, 2021).

In addition, this study sought to add to the existing literature and heed the call for further research on the causality of the CPV-CS-CL relationship in different markets and contexts (Jain et al., 2017). The customer experience phenomenon was evaluated in relation to CPV and its effect on customer satisfaction. Customer satisfaction and its effect on loyalty and engagement outcomes were also examined (Jain et al., 2017; Pansari & Kumar, 2017; Akroush & Mahadin, 2019).

### 1.4.2 *Practical significance*

Marketing professionals have identified customer experience management as one of the primary marketing strategies to foster sustainable competitive advantage through value creation for customers (Homburg et al., 2017). Customers are becoming aware of the

numerous advantages across the different channels. Firms are increasingly supplementing their networks with more channels in order to reach the customer more effectively.

It is becoming vital that firms differentiate the entirety of the customer journey across all their decision-making processes and channels (Verhoef, Kannan & Inman, 2015; Lemon & Verhoef, 2016). Understanding the elements that yield value for customers will allow for resources to be allocated optimally across the customer experience.

A gap in the literature has emerged that CPV is a separate construct from customer satisfaction (Oliver, 1999; Jain et al., 2017; Monferrer et al., 2019; Ali & Naushad, 2021). This is important in practice. Many studies utilise customer satisfaction as a proxy for CPV (Lemon & Verhoef, 2016). Therefore, an evaluation of the causality and validation of the CPV-CS-CL model has the additional benefit of substantiating the need for further loyalty models to include the CPV construct in addition to customer satisfaction. This will generate further insight into building stronger retention strategies.

There are many advantages that loyal customers offer to firms. Some of these include sustainable competitive advantage when there is intense competition such as that in the South African retail market. They are also the most profitable customers; therefore, it is essential to allocate marketing spend optimally to create even stronger bonds of loyalty (Cossio-Silva, Revilla-Camacho, Vega-Vasquez & Palacious-Florencio, 2016). Customer loyalty is a primary strategic goal as it is a catalyst for profitability and has a positive relationship to firms' performance (Akroush & Mahadin, 2019).

There is a need to expand loyalty models to include customer engagement in order to produce sustainable competitive advantage and to create differentiation (Pansari & Kumar, 2017). This will enable the creation of strategies that can enhance customer experience and extend customer relationships further than repeat purchases (Rajkumar, 2017). The shift in power to the consumer may be a potential threat or opportunity for organisations, making it important for firms to understand how customers engage with other customers (Kumar et al., 2010).

This study focused on one component of customer engagement, namely customer influencer value. This may affect the acquisition of potential customers and share of wallet as customers' recommendations may encourage greater purchase of products

(Kumar et al., 2010; Pansari & Kumar, 2017; Van Asperen et al., 2017; Kumar & Reinartz, 2018).

This study evaluated an expansion of the CPV-CS-CL model to include customer engagement and to assess the causality of this relationship. The results of the study will give marketing professionals insight into the propensity of loyal customers to engage using their own resources or customer-owned platforms (Rajkumar, 2017). It will also yield insights that may inform strategies that may augment "customer satisfaction, loyalty and ultimately, firm performance" (Harmeling et al., 2017, p. 313).

The expansion of the model to include customer engagement will enable further understanding of customers' experiences. This will assist firms in leveraging on touch points not within the firms' control, such as customer-owned or social/external touch points (Harmeling et al., 2017; Pansari & Kumar, 2017) in order to enhance customer experiences (Lemon & Verhoef, 2016).

## 1.5 Delimitations of the study

This study focused on customer perceived value as a result of the customer journey in both online and offline channels separately.

It then examined the causality of customer perceived value, customer satisfaction, customer loyalty and engagement.

It focused on customers' experiences when purchasing fast-moving consumer goods such as groceries only.

## 1.6 Definition of terms

Customer experience is defined as "the internal and subjective response customers have to any interaction with a company" (Stein & Ramaseshan, 2016, p. 8) and is expressed by marketers and academics as "a strategic process for creating holistic customer value, achieving differentiation and sustainable competitive advantage" (Jain et al., 2017, p. 642).

This is operationalised utilizing measures that make up online and offline expereinces. The measurement scales that were adapted in order to operationalise online customer experrince was limited to the following: the customer's skill, connectedness, customisation, ease of use, how beneficial the experience was and repurchase intentions (Rose, Clark, Samouel & Hair, 2012). Customer experience offline was operationalised through cognitive experiences, affective experiences, social experiences with other customers, social experiences they may have had with employees and how the store environment made them feel (Bustamante & Rubio, 2017).

Customer satisfaction is defined as a potential outcome of the customer experience which would look at the customer's cognitive evaluation of their experiences (Mothersbaugh & Hawkins, 2016). This is operationalised utilizing the following measurement scales: disconfirmation and post-purchase (Wirtz & Lee, 2003).

Loyalty may be defined as "a customer's psychological disposition toward an object". Within a customer's decision-making process, loyalty intentions would manifest as a customer's positive "attitude toward a firm or brand" (Vogel et al., 2008, p. 100).Loyalty is operationalised through the measurement scales that were adapted from two studies and limited to: conative and affective elements (El-Manstrly & Harrison, 2013; Van Asperen et al., 2017).

Customer engagement may be defined as "the creation of a deeper, more meaningful connection between the company and the customer, and one that endures over time. Engagement is also seen as a way to create customer interaction and participation" (Kumar, et al., 2010, p. 288). Engagement is operationalised using conative elements limited to engaging with other customers online, sharing posts, recommending the retailer to others and uploading product related content onto social media (Van Asperen et al., 2017).

## 1.7 Assumptions

The first assumption was that respondents would consent to participate in the study and that their responses would be accurate and complete and true to their experiences. The second assumption was that by utilising online surveys in order to collect the data, ample

responses would be collected in order to conduct the respective statistical analyses which would facilitate the investigation into the relationships between the constructs identified.

# CHAPTER 2. LITERATURE REVIEW

## 2.1 Introduction

This section will provide context for the customer experience phenomenon and customer satisfaction stemming from customer perceived value, as well as why it is important for a firm to engender loyalty and achieve customer engagement outcomes as long-term objectives.

Firstly, the theoretical review will provide context for the contributions that this study makes to the theories that ground this study. Next, through the empirical review, research gaps that this study sought to fill are identified.

## 2.2 Definition of topic or background discussion

### 2.2.1 *Theoretical review*

There are three theories that form the foundation of this study: equity theory, expectancy-disconfirmation theory and the theory of reasoned action.

#### a. *Equity Theory*

According to Vogel et al. (2008), value equity, brand equity and relationship equity positively impact customers' loyalty intentions to a firm and form a customer equity model. Value equity is primary in driving future sales and strengthening the relationships between customers and firms if customers' expectations are met or exceeded. Therefore, it was a focus of this study in the form of customer perceived value (CPV). CPV may generate "positive affective states that lead to positive attitudes such as satisfaction and loyalty" (Vogel et al., 2008, p. 100).

Relationship equity is an important driver of loyalty intentions (Vogel et al., 2008), and customer engagement may be of primary importance for relationship equity goals. This is linked to equity theory as it "maintains that perceived equity produces positive affective states that lead to positive attitudes, such as satisfaction and loyalty" (Vogel et al., 2008, p. 100). Therefore, CPV is critical as it is an antecedent of customer satisfaction, which

is a critical predecessor of loyalty and customer engagement (Mothersbaugh & Hawkins, 2016; Akroush & Mahadin, 2019).

### b. *Expectancy-disconfirmation Theory*

Expectancy-disconfirmation theory (EDT) also draws from cognitive dissonance theory, which may be defined as "a theory for matching the person's expectation of something or a performance with what he/she experience about this thing or this performance in the real world" (Elkhani & Bakri, 2006, p. 3). This may result in dissonance if the expectations do not match the experience. EDT can measure customer satisfaction stemming from the variance between a customer's perceived expectation and their perceived experience (Elkhani & Bakri, 2006).

Customer experience can be influenced by characteristics under the control of the firm, as well as external factors such as purpose of shopping or customer interactions (Stein & Ramaseshan, 2016). It may also be defined as "a multidimensional construct focusing on a customer's cogitative, emotional, behavioural, sensorial and social responses to a firm's offerings during the customer's entire purchase journey" (Lemon & Verhoef, 2016, p. 74).

Customer satisfaction is an outcome of customer experiences (Lemon & Verhoef, 2016; Pansari & Kumar, 2017). It is an important indicator of the firm's historical, present-day and future performance, and is entrenched in EDT. EDT proposes that if customers perceive that a product or service exceeds their expectations, the consumer is then satisfied or experiences a favourable disconfirmation.

However, if perceived expectations are not met, it results in dissatisfaction or an unfavourable disconfirmation (Lewin, 1938; Churchill & Surprenant as cited by Pansari & Kumar, 2017). This theory is also associated with relationship equity, because if customers compare their expectations to their experience favourably and they also think that they are receiving preferential treatment, they will likely experience satisfaction, which leads to loyalty (Vogel et al., 2008).

### c. *Theory of Reasoned Action*

Loyal customers will repeatedly purchase from a firm and disregard alternative solutions to their purchase missions, which is the theory of reasoned action (Fishbein & Azjen, 1975). It postulates that "loyalty intentions have an immediate influence on behaviour" (Vogel et al., 2008, p. 100).

An evolution of this theory (Ajzen, 2001)asserts that previous behaviour of a customer can explain their actual behaviour. This is known as the inertia effect and helps customers to accomplish satisfaction during the course of their purchase journey and also simplifies the decision-making process (Vogel et al., 2008).

Reasoned action theory (Fishbein & Ajzen, 1975) supports the relationships between perceptions, attitudes and intention behaviour as it proposes that intention behaviour is affected by attitudes and beliefs. Beliefs are characterised by an individual's perception of the results of consuming a product or service (Thomas & Dhanya, 2011) or their perceived value from the experience.

### d. *Theoretical Framework*

This study was therefore based on these three theoretical frameworks, which have been utilised in previous studies. The aim of this study was to determine the effect of the customer experience across online and offline customer channels on CPV and then to assess the effect of CPV on customer satisfaction, customer loyalty and customer engagement.

The theory of reasoned action and equity theory support the first two hypotheses that online and offline customer experiences will lead to CPV. Expectancy-disconfirmation theory supports the third hypothesis that CPV leads to customer satisfaction as well as the fourth hypothesis that customer satisfaction will lead to customer loyalty. The theory of reasoned action also supports the fourth and fifth hypotheses, which are that customer satisfaction will lead to customer loyalty and that customer loyalty will lead to customer engagement.

### 2.2.2 *Empirical review*

#### a. *Introduction*

One of the primary industries that disruptive technology such as the Internet of Things (IoT)will affect is the retail industry. This may create more challenges and opportunities for retailers which go beyond adding more channels with which to interact with customers (Fouroudi et al., 2017). Marketing professionals have supported customer experience management as one of the key marketing strategies within consumer industries to create value for consumers (Homburg et al., 2017).

Customers' journeys undertaken to fulfil their shopping missions are becoming a primary element of a customer's experience of the organisation (Zare & Mahmoudi, 2020). Digital technology has shifted the power to consumers – they are able to perform extensive "research shopping" at a minimum cost. This has empowered them to create their own customer journeys (Edelman & Singer, 2015; Lemon & Verhoef, 2016; Homburg et al., 2017; Kumar & Reinartz, 2018) and has resulted in a shift in the management of customers (Zare & Mahmoudi, 2020).

#### b. *Customer Experience and Value*

Empirical evidence suggests that customers' journeys are becoming more complex and managing this process is therefore crucial in order to create value for customers (Jain et al., 2017; Homburg et al., 2017; Herhausen et al., 2019; Zare & Mahmoudi, 2020). It is important to evaluate customer experiences in online and offline channels which lead to customer value, a key driver in customer equity management (Homburg et al., 2017; Jain et al., 2017). Previously, firms utilised customers as assets for the generation and creation of value for themselves rather than producing value for customers (Lemon & Verhoef, 2016).

Value equity is a key component that drives future sales, and is crucial for relationships between customers and firms (Vogel et al., 2008). CPV is "customers' net valuation of the perceived benefits accrued from an offering that is based on the costs they are willing to give up for the needs they are seeking to satisfy" (Kumar & Reinartz, 2016, p. 37).

Experiences are idiosyncratic and in the mind of the individual who is engaged (Lemon & Verhoef, 2016). This may be linked to equity theory as it proposes that if customers perceive value from an experience, this leads to positive emotional states that result in positive attitudes towards the firm (Vogel et al., 2008). Therefore, it is essential to understand the antecedents of CPV from a customer's perspective (Lemon & Verhoef, 2016), in order to manage this process more effectively (Homburg et al., 2017; Jain et al., 2017; Akroush & Mahadin, 2017; Zare & Mahmoudi, 2020).

### c. *Customer Satisfaction*

Customers' perceptions of the value of the offering they receive may be the driver of repurchase intentions (Fadi, 2019). However, CPV "should be used with satisfaction as it is a better predictor of consumer behaviour" (Fadi, 2019, p. 51). How channels may affect CPV is an important antecedent of customer satisfaction (Mothersbaugh & Hawkins, 2016).

Retailers are investing in adding more channels, media and devices to their marketing mix (Kannan et al., 2016). However, there is a gap in understanding the drivers of customer satisfaction across online and offline channels (Hult, Sharma, Morgeson & Zang, 2019). Customer satisfaction is crucial in order to evaluate firms' performance; this is entrenched in EDT (Pansari & Kumar, 2017). A cornerstone of customer experience is being able to quantify and track it. This may be done through customer satisfaction (Lemon & Verhoef, 2016).

### d. *Loyalty*

The context in which the industry exists affects customers' decision making and preferences. The retail FMCG industry is one of low involvement, and due to the competitive nature of the industry in South Africa (Wilson et al., 2019), customers may have too many options, which may lead to them being unable to rationalise their choices (Ou et al., 2017). This makes it challenging for customers to be loyal to a firm based on their previous experiences. Customer satisfaction, an important antecedent of loyalty, may provide insight into creating enough value for customers to alleviate this (Jain et al., 2017).

The expansion in ecommerce (Kannan et al., 2016; Lemon & Verhoef, 2016; Zare & Mahmoudi, 2020) has altered consumer behaviour due to factors such as accessibility and more options in terms of products and services. This has led to increased competition, which impacts customer retention for both online and offline retailers. Therefore, customer experiences become essential in order to engender loyalty (Akroush & Mahadin, 2019; Zare & Mahmoudi, 2020).

Loyalty is a multidimensional concept and has two categories: behavioural (cognitive) and attitudinal (affective) (Vogel et al., 2008; Cossio-Silver et al., 2016). When a customer repeats a purchase, they are demonstrating behavioural loyalty. Attitudinal loyalty is distinct to each customer and is made up of different emotions; it moves beyond repeat purchases (Cossio-Silver et al., 2016; Van Asperen et al., 2017). It is an ongoing process and begins with being loyal at a cognitive or conscious level based on a person's belief that a firm's offering is superior to that of competitors.

This may be a consequence of previous experiences with the firm's offerings (Lemon & Verhoef, 2016), and these positive experiences may accrue, resulting in customer loyalty (Bayraktar & Yildirim, 2019), then moving to being affective in nature, then conative or amenable, and eventually inciting customers to act and overcome impediments to fulfil their mission (Van Asperen et al., 2017). Conative loyalty, as defined by Van Asperen et al. (2017, p. 5), is "customers' intention to repurchase and a willingness to recommend or express positive word of mouth".

Understanding the elements that may engender loyalty during the customer journey is one of the challenges in marketing research (Mela, 2018). This study provides marketing managers with empirical evidence of the drivers and antecedents of customer loyalty, which may be utilised to develop strategies to enhance customer loyalty (Akroush & Mahadin, 2019). Generating long-term loyalty outcomes is critical for business performance (Kumar & Reinartz, 2016).

### e. *Engagement*

It is essential that the firm identify the ways that customers engage with other customers (Lemon & Verhoef, 2016). In addition to purchase behaviour, customers may generate or destroy value for firms by sharing positive or negative experiences, or opinions and thoughts with others. This interaction could potentially affect, either positively or

negatively, customers' behaviour, attitudes and decisions as well as reactions to products and services (Kumar et al., 2010; Brodie, Hollebeek, Juric & Ilic, 2011; Harmeling et al., 2017).

Customer engagement marketing or engagement marketing may be defined as "the firm's deliberate effort to motivate, empower and measure a customer's voluntary contribution to its marketing functions, beyond a core, economic transaction (i.e., customer engagement)" (Harmeling et al., 2017, p. 312). Under this emerging approach, engagement marketing is a predominantly strategic approach to view customer and stakeholder interactions (Pansari & Kumar, 2017).

Customers have become active participants in numerous marketing functions, such as customer acquisition, retention, co-creators of value, marketing communications and many more (Brodie et al., 2011; Pansari & Kumar, 2017). This may be driven by internal or external reasons and may also occur through activities the firm initiates or not (Harmeling et al., 2017).

Customers may offer value to the firm beyond transactional value (Brodie et al., 2011; Pansari & Kumar, 2017; Harmeling et al., 2017) through four customer-owned resources: network assets, persuasion capital, knowledge stores and creativity (Harmeling et al., 2017). There are two categories of engagement marketing, i.e. task-based and experiential. This study focused on experiential marketing, which may be defined as " the firm's attempt to drive pleasurable experiences with customers outside the core transaction, such that these events motivate voluntary, autonomous customer contributions" (Harmeling et al., 2017, p. 313).

Most firms do not know how to build engagement strategies because they do not know how to measure customer engagement. Customers' may share their experiences either positive or negative with other people within their social network. This may affect other customers towards the firm's products and services. Therefore, it is essential that the firm identify the ways that customers engage with other customers before understanding and quantifying customer engagement (Kumar et al., 2010; Harmeling et al., 2017).

Firms are creating strategies that can enhance customer experience and extend customer relationships beyond repeat purchases (Rajkumar, 2017). The shift in power to consumers may be a potential threat or opportunity for organisations, and it is imperative to

understand how customers engage with firms (Kumar et al., 2010). Customers obtained through referrals are cheaper than customers acquired through other means, as well as more valuable to an organisation.

Therefore, it is essential to understand customer engagement. The dissemination of information through word-of-mouth is crucial in converting potential customers into newly acquired customers (Kumar & Reinartz, 2018).

## 2.3 Customer experience in an online and offline channel context

In order to acquire customers and to maintain them, it is important to create a better value proposition than competitors. To do this, firms must have a good understanding of customers' needs (Lemon & Verhoef, 2016). It is essential to communicate value or equity to customers effectively as this will lead to customer satisfaction outcomes and customer loyalty (Kumar & Reinartz, 2016).

CPV is essential to building effective strategies for long-term sustainability (Akroush & Mahadin, 2019). There is a shift towards creating positive customer experiences; historically firms viewed customers as assets for the generation and creation of value for themselves (Lemon & Verhoef, 2016).

Forming a comprehensive understanding of customer experiences and customer journeys over time is crucial for firms as customers are able to interact through numerous touch points with the firm. These experiences occur in both online and offline environments (Lemon & Verhoef, 2016).

Omnichannel development has broadened the scope of the multichannel concept in that digitisation has resulted in channels merging (Herhausen et al., 2019). In this study customer experience through the customer journeys is first examined from an online and offline perspective and then its effect on CPV is determined, which is entrenched in equity theory (Akroush & Mahadin, 2019).

Literature highlights that it is important to understand the antecedents of CPV as well as the behavioural outcomes of the customer experience phenomenon. This will facilitate the management of this process more effectively (Homburg et al., 2017; Jain et al., 2017; Akroush & Mahadin, 2019; Zare & Mahmoudi, 2020).

Customers' experience may be affected by attributes that are external and cannot be controlled by the firm, in addition to firm owned resources (Stein & Ramaseshan, 2016). In light of this it is important for firms to understand the purchase journey from a customer point of view.

The notable expansion in e-commerce has altered consumer behaviour (Fouroudi et al., 2017). It has allowed customers accessibility and more options in terms of products and services. This has created more competition, which impacts customer retention for both online and offline retailers (Akroush & Mahadin, 2019). In light of this, customer experiences become essential for maintaining a sustainable competitive advantage (Rawson, Duncan & Jones, 2013; Edelman & Singer, 2015).

The internet provides firms with a platform to reach more customers more effectively. Therefore, it is important to explore the effect of both online and offline customer experience regarding satisfaction, loyalty and engagement outcomes (Harmeling et al., 2017; Pansari & Kumar, 2017; Venkatesan, 2017) as many firms have started moving towards a hybrid of online and offline channels (Ieva & Ziliani, 2017; Zare & Mahmoudi, 2020).

Firms are increasingly utilising online channels in order to grow customer engagement as e-commerce and e-commerce technologies expand (Zare & Mahmoudi, 2020) and mobile device penetration continues to increase (Gilbert, 2019). Social media expansion enables firms to augment customer experiences wherever and whenever customers engage with firms in their decision-making process (Kumar & Reinartz, 2016).

### 2.3.1 *Customer experiences and customer perceived value*

"Customer experience (CX) is always critical to success, but during uncertain times, this can be a significant differentiator for retailers, as consumers demand a different experience relevant to their situation" (Rampathy, Moerdyk & Schaefer, 2020, p. 20). Customer experience through their customer journeys is essential in developing customers' perceptions of the value they derive from these experiences. Therefore, gaining deeper knowledge of customers' experiences is essential (Lemon & Verhoef, 2016; Zare & Mahmoudi, 2020).

It is important to understand the antecedents of CPV, in order to manage this process more effectively (Homburg et al., 2017; Jain et al., 2017; Akroush & Mahadin, 2019; Zare & Mahmoudi, 2020). CPV is vital as it effects the profitability of firms (Cuong & Khoi, 2019).

Traditional brick-and-mortar stores are adding online and digital channels, and online retailers are starting to move into the physical realm by opening stores in order to provide their customers with experiences that they cannot create online, both with the intention of creating "a highly personalized, consistent and integrated shopping experience across all points of contact between retailers and customers" (Bolton et al., 2018, p. 784). In the current climate in the South African context, retailers that provided for capital for e-commerce expansion prior to the onset of COVID-19 and that were first movers in this space will reap the benefits of this (Rampathy et al., 2020).

Online retail in South Africa is growing rapidly, and was expected to surpass R14 billion in 2018, which made up 1.4% of total retail in South Africa, and was projected to reach 2% by 2022. In 2018 the online growth was 25% greater than projected growth (Wilson et al., 2019). Online retail sales grew by approximately 40% during the lockdown period driven by many businesses adopting online channels as well as consumers who would not have typically entered this space (Globenewswire, 2020).

This has allowed retailers to identify more opportunities to engage with customers to create value for both, which has implications for retailers' promotional strategies (Kannan & Hongshuang, 2017). Online channels have a significant effect on purchase decisions (Batra & Keller, 2016) as they provide customers with relevant information in a convenient, cost-effective way (Li, Abbasi, Cheema & Abraham, 2020).

In light of this, it is important for firms to understand the purchase journey from a customer's point of view (Lemon & Verhoef, 2016; Wan, Wang, Zhang & Cao, 2017; Herhausen et al., 2019) both in an online and offline context and not in isolation. By understanding customer behaviour in online and offline environments, this study will assist organisations in co-creating a more robust and superior customer experience by "delivering content-in-context, or the right information at the right time and place" (Parise et al., 2016, p. 422).

Value may be seen as a reciprocal concept, as firms need to create perceived value for customers in order to be profitable, but to do this, they must provide value to customers through marketing mix elements which make up a customer's experience of the organisation (Lemon & Verhoef, 2016; Kumar & Reinartz, 2016). In light of this, firms should view the customer journey as a product and should manage and refine it as they would their product/service offerings (Rawson et al., 2013; Edelman & Singer, 2015). Customer experience may be managed comprehensively to create value for customers in order to reap the benefits of differentiating the firm from competitors, creating sustainable competitive advantage, customer satisfaction and loyalty (Kumar & Reinartz, 2016; Jain et al., 2017).

There are three types of value, i.e. utilitarian (Babin, Darden & Griffin, 1994), hedonic and social (Sweeney & Soutar, 2001). Utilitarian value is goal oriented and relates to completing the shopping goal in an effective and efficient way. Hedonic value focuses on the emotional or affective elements of the customer's experience (Li et al., 2020). Social value is the value that is derived through "the product's social status and social self-esteem." (Kuppelwieser, Klaus, Manthiou & Hollebeek, 2021, p. 6).

Given that this study dealt with customer experiences during the purchase journey of FMCG, the focus was on hedonic and utilitarian value. This study aligns with Zeithaml's definition (1988) of value: CPV is the customer's general evaluation of the utility of a product, based on a customer's perception of what they received when they used the product or service compared to what they paid for that product or service (Van Tonder & Petzer, 2018).

According to Leroi-Werelds (2019), CPV is crucial to a customer's initial decision-making process and plays an important role in the post-purchase phase, as their assessment of the value that is received shapes their satisfaction, repurchase intentions and word-of-mouth outcomes. As a result, in order to create a compelling customer experience, value should be created within the context of the customer journey (Rawson et al., 2013; Edelman & Singer, 2015; Kuppelwieser et al., 2021). There is a dearth of literature linking customer experience and CPV, and so based on this gap, the link between these constructs as well as how these influence consumer behaviour outcomes or engagement were investigated in this study.

Gaining insight into the nature and progression of CPV is essential in order to create and execute exceptional marketing strategies. Therefore, it has become an important consideration within practice and theory (Kumar & Reinartz, 2016; Kuppelwieser et al., 2021). Understanding customer experience and how it relates to CPV and consumer behaviour outcomes provides vital theoretical insight into customer experiences (Kuppelwieser et al., 2021).

Prior studies have focused mainly on CPV in relation to customer satisfaction and loyalty, which this study also sought to investigate within the context of South African retail, as there is a gap across different contexts and industries (Jain et al., 2017; Akroush & Mahadin, 2019). However, this study goes a step further to also assess engagement, in order to bridge the gap in the current literature. This is of value as all of these concepts combined have a direct effect on firms' performance (Kumar & Reinartz, 2016; Kuppelwieser et al., 2021).

**Hypothesis 1 and 2**

Thus the following hypotheses are proposed, and will be dealt with together in later chapters:

H1: There is a positive relationship between online customer experiences and customer perceived value.

H2: There is a positive relationship between offline customer experiences and customer perceived value.

### 2.3.2 *Customer perceived value and customer satisfaction*

Within the South African retail context, when customers perceive that the offering they have received is of high value, behavioural outcomes such as customer satisfaction occur (Kumar & Reinartz, 2016). Given the maturity of the South African retail market, it is imperative for business success and suitability to communicate the correct value propositions to customers (Wilson et al., 2019).

Perceived value and customer satisfaction are two separate concepts (Sweeney & Soutar, 2001), as customers perceive value across different stages of the purchase journey or their

experience, including the pre-purchase stage. Customer satisfaction occurs at the post-purchase stage. Therefore, perceived value may occur whether the customer purchases the item or not. Lemon and Verhoef (2016) have highlighted that despite the importance of this construct in practice, empirical studies which include this construct in their models are lacking and, instead, many use customer satisfaction as a proxy.

Many empirical studies on customer satisfaction have been undertaken and there is no conclusive definition of this construct yet. Customer satisfaction may be seen as a customer's assessment of the pleasure they received from consuming a product or service, including their levels of over-fulfilment or under fulfilment, or their sense of comfort after they have consumed a product or service (Oliver, 1999; Monferrer et al., 2019; Ali & Naushad, 2021). Therefore, satisfaction occurs as a result of previous interactions with the firm or product and service (Van Tonder & Petzer, 2018). This is based on expectation-disconfirmation theory (Elkhani & Bakri, 2006).

A great deal of literature has established the importance of customer satisfaction in firm performance, as satisfied customers would behave in a more favourable manner towards the firm and this may have a direct effect on the firm's performance in the form of repurchase (Pansari & Kumar, 2017). Customer satisfaction is crucial for engendering loyalty and customer engagement; therefore it is imperative to manage this process and for firms to gain deeper insight into the factors that influence customer satisfaction (Kumar & Reinartz, 2018).

**Hypothesis 3**

Thus the following hypothesis is proposed:

H3: There is a positive relationship between customer perceived value and customer satisfaction.

### *2.3.3 Customer Satisfaction and Customer Loyalty*

Loyalty is a multidimensional concept and in order to incite action within customers, it must evolve to being conative in nature. Conative loyalty, as defined by Van Asperen et al. (2017, p. 5), is "customers' intention to repurchase and a willingness to recommend or express positive word of mouth".

Attitudinal loyalty is defined as "a personal attitude in that different emotions make up the loyalty of consumers toward a product, a service or a retailer. Even if the customer does not repeat the purchase but recommends the services of their suppliers to other customers the attitudinal loyalty is clear" (Cossio-Silva et al., 2016, p. 1622).

Loyalty has an element of being affective in nature. Emotions are essential as consumer behaviour stems from emotions, and if a consumer has an affective attachment to a product or service, the probability of them endorsing that product or service to other consumers is higher. They will also be more willing to provide feedback to firms on their products and services as well as engage on social media platforms about the firm's offerings. Therefore, emotions such as customer satisfaction are an antecedent of customer engagement and an indirect contribution of value that customers add to firms (Pansari & Kumar, 2017).

It is imperative to understand the antecedents of loyalty so that firms may properly manage this process. Therefore, investigation of the customer journey holistically was a priority in this study, coupled with the investigation of CPV as it relates to customer satisfaction, an important antecedent of loyalty (Jain et al., 2017). It is essential for firms to understand the value that customers have to the firm holistically as effective engagement marketing may allow for augmented customer satisfaction and loyalty, which will lead to long-term firm performance (Pansari & Kumar, 2017; Harmeling et al., 2017).

With the advent of e-commerce in the South African retail environment driven by the COVID pandemic as well as the Gen Z youth market, which makes up approximately a quarter of the South African population (Wilson et al., 2019), consumer behaviour has altered. This is reliant on a few factors: accessibility and more options in terms of products and services. This has created more competition, which impacts customer retention for both online and offline retailers. Therefore customer experiences that result in customer satisfaction become important for maintaining a sustainable competitive advantage and to engender loyalty (Zare & Mahmoudi, 2020).

The internet is a platform that firms may use to reach more customers more effectively and therefore it is important to explore the effect of the online customer experience on customer loyalty outcomes, as many firms start moving towards a hybrid of online and offline channels (Ieva & Ziliani, 2017; Zare & Mahmoudi, 2020). Retaining customers is

less costly than acquiring new ones, and therefore firms must engender loyalty through every interaction with customers (Zare & Mahmoudi, 2020).

Loyal customers have more potential to engage in word-of-mouth behaviour and express their positive experiences to others (Cossio-Silva et al., 2016). Customers also derive reciprocal value from being loyal, as there is enhanced trust built between the customer and firm, which decreases uncertainty they may feel about the product or service.

Numerous studies have shown that keeping customers is more cost effective than acquiring new ones, therefore engendering loyalty with every experience that a customer has with the firm is vital to ensuring profitability (Zare & Mahmoudi, 2020). There are also social benefits such as being part of a prestigious brand which may enhance the customer's self-concept (Van Asperen et al., 2017).

Customer satisfaction and loyalty outcomes are crucial to generate repeat purchases. With today's technological advances, firms now have many more ways to communicate with customers, but competitors have access to these channels as well (Bayraktar & Yildirim, 2019). Therefore, it is of primary importance that firms engender customer satisfaction in order to strengthen their competitive advantage and garner the advantages of loyal customers (Zare & Mahmoudi, 2020).

**Hypothesis 4**

Therefore, the following hypothesis is proposed:

H4: There is a positive relationship between customer satisfaction and loyalty.

## 2.4 The effect of customer loyalty on customer engagement

Customers now have the ability to connect with firms in numerous ways. This has resulted in a shift in consumer behaviour which effects firms' use of the marketing mix to create value (Kannan & Hongshuang, 2017). Further insight into this will enable firms to create strategies that produce superior experiences for customers, in order to generate customer satisfaction and loyalty. This will ultimately improve long-term firm performance (Harmeling et al., 2017; Pansari & Kumar, 2017).

"Overall customer engagement attempts to distinguish customer attitudes and behaviours that go beyond purchase" (Lemon & Verhoef, 2016, p. 73). Recommending products, services or the brand is also a form of loyalty, and therefore customers' willingness to engage with firms is linked to loyalty (Cossio-Silva et al., 2016; Van Asperen et al., 2017).

Customer loyalty has been widely investigated (Dick & Basu, 1994; Oliver, 1999; Kumar et al., 2010; Kamran-Disfani, Mantrala, Izquierdo-Yusta & Martinez-Ruiz, 2017). However, the role that customer engagement plays and its effect on loyalty is an important emerging topic within literature (Monferrer et al., 2019).

According to Pansari and Kumar (2017), customer engagement is becoming more critical as customer satisfaction on its own is not enough to build loyalty. They propose that customer engagement should be included into models that explain loyalty and call for further research to determine the antecedents and effects of customer engagement.

Loyalty has an affective component. This is essential as if a consumer has affective attachment to a product or service, they are more likely to endorse that product or service to their social network. In addition, they may be more likely to provide feedback to firms on their opinion of their experience and engage on social media platforms about the firm's offerings. Therefore, emotions such as customer satisfaction are an antecedent of customer engagement and an indirect contribution of value that customers add to firms (Pansari & Kumar, 2017).

It is also vital to understand the consequences of loyalty as well as the antecedent's so that firms may properly manage this process. Therefore, investigation of the customer journey holistically was a priority in this study.

With the advent of e-commerce in the South African retail environment driven by the COVID pandemic as well as the Gen Z youth market, which makes up approximately a quarter of the South African population (Wilson et al., 2019), consumer behaviour has altered. The internet is a platform that firms may use to reach more customers more effectively and therefore it is important to explore the effect of the customer experience on customer loyalty and engagement outcomes (Ieva & Ziliani, 2017; Zare & Mahmoudi, 2020). A customer's first touch point with the firm is an important part of the customer's experience and a firm's acquisition strategy, as these interactions also communicate and

mould customers' expectations. Customer-initiated contact as a result of loyalty behaviour outcomes may be classified as one such point of contact. Therefore, it is essential to gain insight into this aspect, as it will allow for strategies to be created to drive acquisition, retention and share of wallet outcomes (Voorhees et al., 2017).

This may be viewed as a way to create more significant relationships between customers and firms that last longer, as well as a means to foster interaction and involvement between customers and firms (Kumar et al., 2010). Customers are "pseudo-marketers, often with greater influence, lower costs, and more effective reach than their firm-based counterparts" (Kozinets et al., 2010 as cited in Harmeling et al., 2017).

When customers engage on online and offline platforms, they engage with their social networks. This increases the reach of the firm in addition to also reaching more diverse audiences that they may not be able to with the resources they have. This may allow for a competitive advantage if leveraged effectively. Customer persuasion capital, or customer influencer value, may be used as a measure of the "degree of trust, goodwill, and influence a customer has with other existing or potential customers (Harmeling et al., 2017, p. 316).

**Hypothesis 5**

Thus the following hypothesis is proposed:

H5: There is a positive relationship between customer loyalty and customer engagement.

## 2.5 Conceptual framework

"The marketing environment has radically transformed into one in which the customer can exert influence over more marketing functions than ever before, altering the requirements for competitive success" (Harmeling et al., 2017, p. 332). This makes it imperative for organisations to ensure that they gain insight into the creation of superior experiences which establish long-term relationships with customers and that they are proactive in the management and tracking of customers effectively (Lemon & Verhoef, 2016; Harmeling et al., 2017).

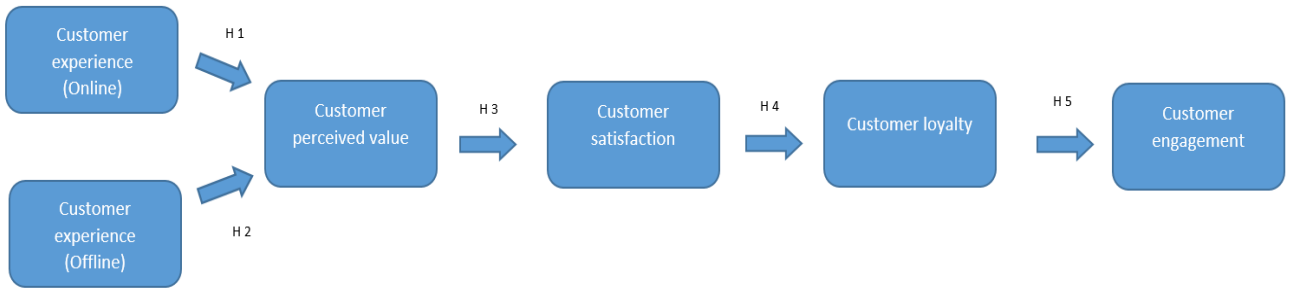
The results of this study provide insight into customer value, which is a key driver in customer equity management. Identifying customer experiences which lead to the CPV-CS-CL model is vital for providing marketing managers with empirical evidence of the drivers and antecedents of customer loyalty which may be utilised to develop strategies to enhance customer loyalty (Akroush & Mahadin, 2019).

Given the numerous advantages of customer engagement in an online context, evaluating the interaction between customer loyalty and customer engagement becomes important. In order to produce sustainable competitive advantage and to create differentiation, customer satisfaction and loyalty need to be expanded to include customer engagement (Pansari & Kumar, 2017).

Thus the following conceptual model is proposed:

**Figure 1:**

Conceptual Framework




## 2.6 Conclusion of literature review

Forming a comprehensive understanding of customer experiences and customer journeys is crucial for firms as these experiences are evolving (Lemon & Verhoef, 2016; Appel et al., 2020). Understanding the online and offline customer journey allows for better comprehension of the elements that the firm may influence that will enhance customer experiences (Lemon & Verhoef, 2016).

The customers' decision-making journey has also evolved in that a loyalty loop has become part of the overall journey (Edelman & Singer, 2015), and customer experience may lead to perceived customer value and customer satisfaction (Lemon & Verhoef, 2016). This may engender loyalty (Vogel et al., 2008; Van Asperen et al., 2017; Akroush & Mahadin, 2019) to the firm and cause positive customer engagement outcomes, such as increased purchases, repeat purchases or loyalty in the form of positive word-of-mouth. If customers do not perceive value from the experience with the firm, their decision-making process may begin again (Lemon & Verhoef, 2016).

Digital tools are enabling organisations to adapt their processes in order to create value via novel customer experiences as well as their interactions with other customers. This has led to an increase in the number of touch points as increased numbers of offline shoppers move online (Wilson et al., 2019; Gilbert, 2019). This is due to younger digitally savvy consumers becoming buyers and older consumers changing their behaviour because of technological advances and environmental factors, such as the COVID-19 pandemic, that are encouraging this shift (Kannan & Hongshuang, 2017).

Klaus and Maklan (2013) suggest that customer experience has a greater effect than satisfaction on customer loyalty and word-of-mouth outcomes, making it imperative to include customer experience when assessing the efficacy of strategies in order to engender loyalty and engagement behaviour. Customer experience must be managed comprehensively and be an all-encompassing ongoing process that aims to create value for customers. In order to reap the benefits of differentiating from competitors and creating sustainable competitive advantage, engendering customer satisfaction, loyalty and engagement (Jain et al., 2017; Harmeling et al., 2017).

## Table 1:

Summary of Literature Review

| Hypothesis | Author | Journal | Year | Theme |
|---|---|---|---|---|
| Sub-Problem 1: How does customer perception of value in a firm's online and offline channels engender customer satisfaction and loyalty? | | | | |
| **H1: There is a positive relationship between online customer experiences and customer perceived value** | Brynjolfsson, Hu & Rahman | *MIT Sloan Management Review* | 2013 | Online and offline channels are merging. This should be utilised to create sustainable competitive advantage. |
| | Rawson, Duncan & Jones | *Harvard Business Review* | 2013 | Customer journey in its entirety is a way to create sustainable competitive advantage. |
| | Verhoef, Kannan & Inman | *Journal of Retailing* | 2015 | Multichannel retailing is moving towards omnichannel retailing, which is an essential next development in retailing and will affect how retailers operate. |
| **H2: There is a positive relationship between offline customer experiences and customer perceived value** | Edelman & Singer | *Harvard Business Review* | 2015 | There is a shift in strategy to view the customer journey as an important value creator and source of sustainable competitive advantage. |
| | Lemon & Verhoef | *Journal of Marketing* | 2016 | Study consolidates multiple studies and proposes future research on customer experience, from the perspective of the customer. |
| | Homburg, Jozic & Kuehnl | *Journal of the Academic Marketing Science* | 2017 | Importance of customer experience for firm performance identified, literature is fragmented, resulting in no clear concept of customer experience. |
| | Jain, Aagja & Bagdare | *Journal of Service Theory and Practice* | 2017 | Customer experience must be managed as a comprehensive strategic process to create customer value, differentiation, customer satisfaction, loyalty and competitive advantage to enhance firm performance. CPV-CS-CL model should be validated in different contexts. |
| | Barwitz & Maas | *Journal of Interactive Marketing* | 2018 | Firms find it challenging to generate the insights required to provide their customers with superior experiences along the customer journey, as technology has caused proliferation of channels. To provide customers with superior experiences, firms must understand their path to purchase. |
| | Zare & Mahmoudi | *International Journal of Advanced Engineering, Management and Science* | 2020 | Creating effective customer experiences is key for sustainable competitive advantage and to distinguish brands from each other. There are few solutions to manage the customers' experiences, which will affect the firm because of the increasing importance of the online customer experience regarding loyalty. |
| **H3: There is a positive relationship between customer perceived value and customer satisfaction** | Vogel, Evanschitzky & Ramaseshan | *Journal of Marketing* | 2009 | Value equity is one of the principal factors of long-term loyalty intentions. |
| | Kumar & Reinartz | *Journal of Marketing* | 2016 | Value is a two-way concept. Firms must create value for customers resulting in profit. Customer journeys create experiences which add to their perceived value; customers then add value to firms in the form of customer engagement word-of-mouth. Customer journey is an important value creator. |
| | Kumar & Reinartz | Online book | 2018 | Customers gain benefits through purchasing and consuming products and services; they decide on the journey that will maximise their perceived benefits and minimise undesirable outcomes. |

| | | | | |
|---|---|---|---|---|
| | Kuppelwieser, Klaus, Manthiou & Hollebeek | *Journal of Services Marketing* | 2021 | Understanding customer experience and how it relates to CPV and consumer behaviour outcomes provides important theoretical insight into customer experiences. |
| **H4: There is a positive relationship between customer satisfaction and loyalty** | Lemon & Verhoef | *Journal of Marketing* | 2016 | It is essential to quantify and track customer experience, and customer satisfaction is one means of doing so. Customer satisfaction is separate from CPV. |
| | Pansari & Kumar | *Journal of the Academy of Marketing Science* | 2017 | Customer satisfaction is critical for assessing firm performance; customer satisfaction and emotion are antecedents of customer engagement. This is moderated by the type of industry in which the firm operates. |
| | Jain, Aagja & Bagdare | *Journal of Service Theory and Practice* | 2017 | Customer experience must be managed as a holistic strategic process for creating customer value, differentiation, customer satisfaction, loyalty and competitive advantage to enhance firm performance. CPV-CS-CL model should be validated in different contexts. |
| | Fadi | *International Journal of Management and Applied Science* | 2019 | CPV should be evaluated with customer satisfaction as it predicts behaviour more accurately than either concept separately. |
| | Cossio-Silva, Revilla-Camacho, Vega-Vasquez & Palacious-Florencio | *Journal of Business Research* | 2016 | Loyalty is one of the best intangible assets firms can own and is a huge source of potential for differentiation and sustainable competitive advantage. Customer participation benefits the firm in terms of increasing customer satisfaction and creating value. |
| | Homburg, Jozic, & Kuehnl | *Journal of the Academic Marketing Science* | 2017 | Customer experience is essential to not only generate short-term sales but also long-term loyalty outcomes. |
| | Akroush & Mahadin | *Journal of Internet Research* | 2019 | Loyalty is important in an emerging market context. With increasing internet and cellphone penetration comes increased competition, and achieving sustainable competitive advantage in the form of CPV-CS-CL is important to investigate across different contexts. |
| | Zare & Mahmoudi | *International Journal of Advanced Engineering, Management and Science* | 2020 | Customer retention is a problem because of increased competition due to technological advances. There is a gap in empirical evidence on online customers; experience and how this affects loyalty. |
| Sub-Problem 2: How do loyal customers engage with firms and other customers in order to produce value? | | | | |
| **H5: There is a positive relationship between customer loyalty and customer engagement** | Kumar, Aksoy, Donkers, Venkatesan, Weisel & Tilmanns | *Journal of Service Research* | 2010 | Customers attribute many benefits to the firm beyond transactional value. Customer value framework consisting of four elements was developed. |
| | Venkatesan | *Journal of the Academy of Marketing Science* | 2017 | Mobile and social media engagement has changed communication and relationships between firms and customers. It is important to develop strategies that create relationships beyond the transactional. |
| | Pansari & Kumar | *Journal of the Academy of Marketing Science* | 2017 | It is important to develop frameworks for customer engagement as they have a positive impact on firm performance. |
| | Harmeling, Moffet, Arnold & Carlson | *Journal of the Academy of Marketing Science* | 2017 | Customers contribute to marketing functions such as acquisition, retention and product innovation, and have become marketers themselves with influence and reach at lower costs than the firm. Firms should utilise this opportunity to improve their own performance by managing this more effectively. |

# CHAPTER 3. RESEARCH METHODOLOGY

In this chapter the research methodology that was employed is highlighted (3.1), followed by the research design (3.2), the characteristics of the population and sample and sampling methods employed (3.3), the research instrument administered (3.4), the data collection approach (3.5), data analysis and interpretation (3.6), limitations of this study (3.7), external and internal validity as well as reliability of the study (3.8).

## 3.1 Research methodology/paradigm

Methodology may be defined as the technique to manage research and scientific investigation. After applying decision theory and evaluating the outcomes of each method that could have been employed for this study, i.e. qualitative, quantitative or mixed method, the quantitative method was selected. The reasons are discussed below.

The quantitative approach enables the measurement of constructs precisely. For this study it was used to measure attitudes, behaviours and opinions of customer experiences in relation to customer perceived value, customer satisfaction and customer loyalty, which lead to customer engagement (Cooper & Schindler, 2014).

A quantitative study is beneficial in that the results may be generalised. Given that the objective of this research was to add empirical evidence to the customer experience phenomenon, this was the most effective method. Researcher involvement is also minimal and therefore bias may be controlled. This method takes into account the skill of the researcher in conducting the different techniques that may be employed. It is also dominated by computerised analysis and this analysis may be ongoing through the project, thus making allowances for any slow responses that may occur (Cooper & Schindler, 2014).

## 3.2 Research design

The research strategy employed was a cross-sectional quantitative survey, which collected primary data in order to test current theory within the South African retail context (Cooper & Schindler, 2014). This research design is linked to the deductive research approach (Saunders, Lewis, & Thornhill, 2009). This provides insight into

frequency, i.e. how many, how often, how much, as well as when and who types of questions. It also provides results which may be generalised, which will add value to current literature across different contexts (Cooper & Schindler, 2014).

A survey research strategy allows for substantial amounts of data to be collected from a relatively large sample population in a cost-effective way and may be standardised, which lends more credibility to this strategy (Saunders et al., 2009). Decision rules were employed to determine the associated costs in terms of monetary and time value and the researcher's skill set versus the quality of the data that could be collected when choosing the research strategy (Cooper & Schindler, 2014).

This strategy also reduces researcher reliance on waiting for others for information, thus allowing for more control over the timeline for completing the analysis of the study. Utilising this strategy may allow for identification of factors that may influence relationships between the variables being studied in order to validate the conceptual model proposed (Saunders et al., 2009).

There are some potential drawbacks to utilising this strategy, such as that the questionnaire is limited in the number of questions that may be asked to ensure a good response rate. The quality of data is also very reliant on the research instrument; therefore, appropriate controls must be put in place to ensure that bias is kept to a minimum. It is also challenging to create a questionnaire that will collect the data required to sufficiently answer the research questions posed (Saunders et al., 2009).

The design of the questionnaire is essential to ensure a good response rate in addition to ensuring validity and reliability. To ensure an optimal response rate, validity and reliability, the layout of the questionnaire was taken into account and a clear description was given of the purpose of the questionnaire. A pilot test was conducted and the execution of the questionnaires to respondents was well planned (Saunders et al., 2009).

## 3.3 Population and sample

### 3.3.1 *Population*

It is important to identify the characteristics of the target population during the planning phase of the research project (Cooper & Schindler, 2014). The population for this study was limited to respondents enrolled at the University of the Witwatersrand who had completed shopping journeys for FMCG items within the that ended in a sale within a multichannel South African retailer in the month prior to the survey. The purchase could have been online or in a physical store or both. The respondents could be from anywhere in the country, as long as they had access to the internet either via web browsers or their internet-enabled mobile devices.

The latest statistics suggest that the internet penetration rate within South Africa is 7.4 million people (Gilbert, 2019). The database of students of the University of the Witwatersrand was used for this study and a survey was created on the Qualtrics platform and sent out to respondents who were currently enrolled at the university.

The target population characteristics for the study were as defined below:

- Age: Respondents had to be 18 years or older.
- Nationality and geographic location: They had to be enrolled at the University of the Witwatersrand. Due to the COVID-19 pandemic, this was an online survey and so they could be from any geographic location.
- Industry: Respondents could be from any industry or even unemployed and studying full time. They had to have completed a shopping journey for FMCG in the 30 days prior to the survey.

### 3.3.2 *Sample and sampling method*

Sampling entails choosing segments of the population so that inferences may be made about the entire population (Cooper & Schindler, 2014). In quantitative studies, larger sample sizes are preferred in order to have a more representative sample. However, due

to limiting factors such as time, money, access to the sample population elements and their availability, as well as more accurate results, sampling techniques are essential to alleviate some of these factors (Saunders et al., 2009).

There are two sampling techniques, probability and non-probability sampling. Non-probability sampling, specifically convenience sampling, was used in this study. Due to the COVID-19 restrictions and regulations, time and accessibility constraints remained a concern as the infection rates rose and the country moved into higher levels of lockdown. These two methods addressed these concerns.

As this was an online survey utilising the University of the Witwatersrand database of students who were over the age of 18 across all faculties, the sample population was drawn from 40 178 students enrolled at the time of the study. The sample size is an important consideration when designing a study. The general rule of thumb to ensure statistical power of 200, which is the approximation of the sample size that is optimal for analysis (Kyriazos, 2018). However, through the data collection process 792 usable responses were received and therefore utilised to ensure that the results were more robust.

Confirmatory factor analysis (CFA), which is a form of structural equation modelling (SEM), was used. Many studies propose that 200 is the minimum sample size to perform SEM analysis (Karakaya-Ozyer & Aksu-Dunya, 2018). However, according to Kyriazos (2018), sample sizes are characterised as follows: 50 (very poor), 100 (poor), 200 (fair), 300 (good), 500 (very good) and 1 000 (excellent). The target in the study was 500 responses to ensure that the final usable responses were 300 or more.

Convenience sampling was used, which "has no controls to ensure precision" (Cooper & Schindler, 2014, p. 359). To achieve the objective of this study, which was to understand online and offline customer experiences in a retail context, this method was most useful to ensure a representative sample of respondents who had completed the customer journey. This method is also the most cost-effective one (Cooper & Schindler, 2014).

**Table 2:**

Profile of Respondents

| Description of Respondent Type | Number of Students |
|---|---|
| Students enrolled at the University of the Witwatersrand | 40 178 |

## 3.4 The research instrument

The research instrument chosen for this study was a questionnaire. To ensure efficacy of this instrument, it was designed to ensure standardised questions. As this was an exploratory study, this was an important consideration (Saunders et al., 2009).

The research instrument utilised a 7-point Likert scale to gather the information, with possible selections ranging from 1 = strongly agree to 7 = strongly disagree (Cooper & Schindler, 2014). The number of responses was restricted so as to improve the response rates, as the primary reason for low response rates are respondent fatigue and time constraints (Ou et al., 2017).

The structure of the research instrument included screening questions to ensure that the appropriate respondents as per criteria set out for the study were adhered to. The questionnaire was limited to students who were over the age of 18, and had completed a shopping journey for FMCG, such as food and toiletries, within the 30 days prior to the survey. Question 2 was a nominal scale that collected data to ensure that respondents were of the appropriate age, combined with a ratio scale asking for respondents' actual age in years.

Question 2.3 was added to ensure that customers had completed a shopping journey that resulted in a sale within the month prior to the survey to ensure that recall or perception bias was as low as possible. The sale had to be complete so that the post-purchase phase could also be evaluated. The time frame specified was to account for the general trend of customers shopping monthly, weekly or bi-weekly. This ensured that customers could still recall their journeys sufficiently to answer the questionnaire accurately.

Question 3.1 was inserted for the optimal design of the questionnaire. If respondents chose either online or offline, they were taken to only the relevant sections of the questionnaire. If they responded that they had completed a shopping journey both online and offline, then they were asked to answer both sections. This was to reduce respondent fatigue and their answer time.

Question 4 measured the first independent variable, i.e. customer experience in a physical store. determined the customer's offline experiences specifically limited to cognitive experiences, affective experiences, social experiences with other customers, social experiences they may have had with employees and how the store environment made them feel (Bustamante & Rubio, 2017)

Questions 5 determined the customer's online experiences. The measurement scales were adapted and limited to the following: the customer's skill, connectedness, customisation, ease of use, how beneficial the experience was and repurchase intentions (Rose, Clark, Samouel & Hair, 2012). Question 6 measured customer perceived value specifically limited to the following measurement scales: quality, price, and reputation (Petrick, 2002).

The two elements of value that this study focused on were utilitarian value and hedonic value (Babin et al., 1994); social value was excluded (Kuppelwieser et al., 2021). Utilitarian value is the utility that the customer may receive from the product's perceived quality and anticipated performance (Sweeney & Soutar, 2001). Hedonic value encompasses the utility that a person receives through the feelings or affective states produced when the product is consumed (Sweeney & Soutar, 2001).

Question 7 measured customer satisfaction using the following scales: disconfirmation and post-purchase (Wirtz & Lee, 2003). Question 8 measured loyalty, the measurement scale was adapted from two studies and limited to: conative and affective elements (El-Manstrly & Harrison, 2013; Van Asperen et al., 2017). Question 9 measured customer engagement limited to engaging with other customers online, sharing posts, recommending the retailer to others and uploading product related content onto social media (Van Asperen et al., 2017).

Question 10 measured demographic data which included: gender, employment status, level of education and monthly income.

**Table 3:**

Measurement Scales

| Constructs | Title and Author | Author/s | Journal | Year |
|---|---|---|---|---|
| Online customer experience | Online customer experience in e-retailing: An empirical model of antecedents and outcomes | Rose, Clark, Samouel & Hair | *Journal of Retailing* | 2012 |
| Offline customer experience | Measuring customer experience in physical retail environments | Bustamante & Rubio | *Journal of Service Management* | 2017 |
| Customer perceived value | Development of a multi-dimensional scale for measuring the perceived value of a service | Petrick | *Journal of Leisure Research* | 2002 |
| Customer satisfaction | An examination of the quality and context-specific applicability of commonly used customer satisfaction measures | Wirtz & Lee | *Journal of Service Research* | 2003 |
| Customer loyalty | • Engagement-based loyalty: The effects of social media engagement on customer loyalty in the travel industry | Van Asperen, De Rooij & Dijkmans | *International Journal of Hospitality and Tourism* | 2017 |
| | • A critical examination of service loyalty measures | El-Manstrly & Harrison | *Journal of Marketing Management* | 2013 |
| Customer engagement | Engagement-based loyalty: The effects of social media engagement on customer loyalty in the travel industry | Van Asperen, De Rooij & Dijkmans | *International Journal of Hospitality and Tourism* | 2017 |

*Note*: The measurement scales utilised in this study were adapted from the above journal articles.

The final section of the questionnaire related to the customer demographic profile. It was added at the end of the questionnaire so that the most important questions were answered first, and responses could still be used if questions on demographics were not answered. In terms of analysis, the data that was relevant was regarding the relationships being

evaluated. Literature suggests that customer characteristics are important for behavioural outcomes. Questions on income and age are necessary because some measures refer to price.

## 3.5 Procedure for data collection

The research instrument was online and self-administered utilising the University of the Witwatersrand student database of 40 178 students.

## 3.6 Data analysis and interpretation

Existing measurement models were utilised for online and offline customer experience, CPV, customer satisfaction, loyalty and engagement. Confirmatory factor analysis (CFA) was undertaken in order to substantiate the numerous measurement models. Factor analysis is a multivariate process that seeks to identify the underlying variables that may exist within a latent construct (Field, 2009). CFA is category of SEM that is utilised to test measurement models, i.e. to assess the relationships between observed measures or indicators and latent variables or factors. CFA validates hypotheses that have been tested previously (Field, 2009).

One of the gaps that was highlighted in the literature review is that the CPV-CS-CL supposition needs to be tested in the South African retail context and that the causal ambiguity within this model must be addressed. There is minimal defined theory on the relationship between all three constructs combined (Akroush & Mahadin, 2019; Jain et al., 2017). The effect of loyalty on customer engagement was assessed. Therefore, the CFA model enabled exploratory research for further theory development in order to add to the existing literature (Sarstedt, Ringle & Hair, 2020). This also results in a greater need to assess all possible relationships that may exist, including latent relationships and not just to establish model fit (Hair Jr., Black, Babin, & Anderson, 2010).

### *3.6.1 Data preparation and cleaning*

The Qualtrics platform was used to collect the data and then an .xlsx file was imported into SPSS version 27. The data cleaning and coding was done in SPSS. The data

exploration was undertaken with the objective of understanding the distribution of the data in order to determine its effectiveness for the required analysis.

The process was applied as follows:

1. Unnecessary identifiers and variables were removed.
2. Consent was checked as a filtering mechanism for who to include in the study. The selection criteria were that only respondents over the age of 18 who had completed a shopping journey either online, offline or both for FMCG would be eligible to participate in the survey.
3. A missing value analysis was conducted (Field, 2009). It was essential to interpret the missing value analysis with more consideration as the survey had a complex logical structure. The survey segmented users according to shopping preferences among the three options of online, offline or blended. Some users only had online experiences, some only offline and others had experiences in both offline and online. This implies that the missing values in the analysis do not necessarily indicate a shortcoming in the dataset but are as a result of the architecture of the survey.
4. The data types among the variables were checked to ensure that they were represented correctly as numerical or categorical data (Field, 2009).
5. Some data submitted as belonging to other categories was categorised to fit into listed categories where relevant.

### *3.6.2 Data coding and reshaping*

The following process was followed to code the data:

1. Text data was recoded to numbers.
2. Variables were coded with acronyms instead of questions for ease of analysis.
3. Extra columns were inserted as required during analysis.

### *3.6.3 Descriptive statistics*

Descriptive statistics were utilised to discuss the primary themes of the research through graphs and tables in order to quantify:

1. The customer characteristics of respondents

2. The shopping journey distribution between online, online and both offline and online respondents

### *3.6.4 Measurement model validation through CFA*

Existing measurement models were used for online customer experience, offline customer experience, CPV and customer satisfaction, loyalty and engagement. Therefore, CFA was undertaken in order to validate the different measurement models. Factor analysis is a multivariate procedure and tries to find the underlying variables within a latent construct (Field, 2009). CFA also confirms previously tested hypotheses and exploratory factor analysis evaluates factor loadings of variables that have not been previously tested (Field, 2009).

The model was evaluated using CFA. The distribution had to be normal for the variables to ensure homoscedasticity (Ford, 2015). The multivariate normality was assessed by utilising the Mardia test (Korkmaz, Goksuluk & Zararsi, 2014) and internal consistency using Cronbach's alpha.

The measurement model was then evaluated by assessing reliability and validity of the constructs through convergent and divergent validity (Faller, Kohlmann, Zwingmann & Maurischat, 2006). Estimated parameters in the model (Suhr, 2011) and an assessment of the goodness-of-fit of the model were then evaluated using chi square (Hu & Bentley, 1999), RMSEA (Steiger, 2007), CFI (Hoe, 2008), GFI, NNFI, TLI, RFI and AGFI (Hooper, Coughlan & Mullen, 2008). Path analysis was then conducted before presenting and interpreting the results (Suhr, 2011).

### *3.6.5 Inferential statistics*

#### *3.6.5.1. Sub-Problem 1 and Hypotheses 1, 2 and 3 and 4 Analysis*

**Sub-Problem 1:** *How does customer perception of value in a firm's online and offline channels engender customer satisfaction and loyalty?*

**Hypothesis 1:** There is a positive relationship between online customer experiences and customer perceived value.

**Hypothesis 2:** There is a positive relationship between offline customer experiences and customer perceived value.

**Hypothesis 3:** There is a positive relationship between customer perceived value and customer satisfaction.

**Hypothesis 4:** There is a positive relationship between customer satisfaction and loyalty.

**Analysis:** CFA was used to check the efficacy of data by determining convergent and divergent validity. Multivariate normality was then assessed and fit indices were evaluated. Regressions for hypothesis testing were then run.

#### *3.6.5.2. Sub-Problem 2 and Hypothesis 5 Analysis*

**Sub- Problem 2:** *How do loyal customers engage with firms and other customers in order to produce value?*

**Hypothesis 5:** There is a positive relationship between customer loyalty and customer engagement.

**Analysis:** A CFA test model was used to check the efficacy of data by determining convergent and divergent validity. Multivariate normality was then assessed and fit indices were evaluated. Regressions for hypothesis testing were then run.

## 3.7 Limitations of the study

- Causal studies are difficult as results may only be inferred and not stated with 100% certainty.
- Due to the confidentiality of the respondents' loyalty, outcome measures were not linked to demographic information.

## 3.8 Validity and reliability

### 3.8.1 *External validity*

"The external validity of research findings is the data's ability to be generalised across persons, settings, and times" (Cooper & Schindler, 2014, p. 257). Validity may also be substituted for credibility and calls attention to the "rational connection between the test questions and the measured subject" (Zare & Mahmoudi, 2020, p. 211).

As part of conducting CFA, the constructs for convergent validity and collinearity were tested through establishing discriminant validity (Hair et al., 2014; Sarstedt et al., 2020). To achieve this, composite reliability and Cronbach's alpha were employed in order to establish internal consistency and then the factor loadings and the average variance (AVE) methods were considered to assess convergent validity.

Discriminant validity identifies the extent to which factors are uncorrelated. This was assessed utilising the Fornell and Larcker (1971) method. The square root of each AVE in the diagonal was compared with the correlation coefficients (off-diagonal) for each construct (Hair et al., 2014). This method evaluates the square root of the AVE extracted with the correlation of latent constructs. The square root of each construct's AVE should have a value greater than the correlations with other latent constructs, as this will demonstrate that the latent construct better explains the variance of its own indicator rather than the variance of other latent constructs (Hair et al., 2014).

Interfactor correlations were applied to assess collinearity. The interfactor relationship should be below the threshold of 0.85. This shows that the constructs are not too correlated (Field, 2009).

### 3.8.2 *Internal validity*

Internal validity is " the ability of a research instrument to measure what it is purported to measure" (Cooper & Schindler, 2014, p. 257). Therefore, internal validity measures the consistency of results that the research instrument will produce under the same conditions. Cronbach's alpha was used in order to evaluate the internal validity of the

research instrument, i.e. the questionnaire. The closer to 1 the results of Cronbach's alpha, the more consistent the questions (Zare & Mahmoudi, 2020).

Given that the constructs within this study had been validated before, the researcher opted not to do exploratory factor analysis, but used the existing constructs for the analysis. However, before conducting CFA, the constructs were tested for convergent and divergent validity. To achieve this, composite reliability and AVE methods were used to assess these metrics (Field, 2013), presented in Chapter 4. In order to assess the model's divergent validity, the interfactor correlations were compared to the AVE (Hair et al., 2014). Interfactor correlations were applied to assess collinearity.

### 3.8.3 *Reliability*

"Reliability has to do with the accuracy and precision of a measurement procedure" (Cooper & Schindler, 2014, p. 257). The research scales that were utilised in this study were tested and considered reliable within other studies or contexts. In addition, a pilot study was undertaken to examine if the procedure and measurement scales within the instrument worked well in a South African retail context (Cooper & Schindler, 2014).

Random sampling is the method by which respondents were chosen as the survey was sent to 40 187 students enrolled at the University of the Witwatersrand at the time of the study. Only probability samples may allow for estimates that are precise as well as allowing for generalisation of findings. Due to the fact that this was a causal study, this was an important factor; it also kept sampling errors to a minimum (Cooper & Schindler, 2014).

The following statistics were used to test the significance and goodness-of-fit: chi-square (Hu & Bentley, 1999), RMSEA, which should be less than 0.06 with a 90% confidence interval (Steiger, 2007), CFI, which should have a value of 0.90 or higher (Hoe, 2008), TLI and SRMR, which should be greater than 0.90 in order for the model to have achieved goodness-of-fit (Hooper et al., 2008).

### 3.8.4 *Ethical Considerations*

It is essential for ethical issues to be taken into account when designing and implementing research (Wagner et al., 2012) This may often call for the researcher to balance the need for scientific knowledge with the rights of the respondents being studied (Neuman, 2014). Bryman (2012, p.135) highlighted four ethical principles that occur frequently in social research, "whether there is harm to the participants; whether there is a lack of informed consent; whether there is an invasion of privacy; and whether deception is involved." Below are how the ethical considerations were adhered to in this study (Bryman, 2012).

Deception encompasses things around self-declaration and touches on instances when researcher does not fully represent their work as what it is, in order to negate this effect the study provided the participants with information about the researcher and aim of the study prior to the start of the questionnaire, this was contained on the cover letter of the questionnaire, in addition the author of this study did not have any financial gain from this research , as there were no sponsors to this study and therefore the researcher had only an academic interest in this study.

Another important consideration to this study is that it is the responsibility of the researcher is to ensure that the no harm comes to the participants of the study directly as a result of their involvement (Wagner et al., 2012). In this instance the study got ethical committee clearance from the Wits Business School Faculty Academic Ethics Committee. They reviewed the research proposal and questionnaire and granted ethical clearance before the research was conducted, specifically to ensure that no harm would be caused to respondents.

Informed consent is also an ethical concern which encompasses a respondent right to refuse to participate in the study, this was negated by including a consent form, in which respondents were made aware of the purpose of the study and asked for voluntary participation.

The final ethical consideration is around privacy, this study negated this effect by not asking for any identifying information from participants therefore making the study completely anonymous. Demographics which were sensitive such as income were collected however no names were asked to be revealed. In addition, securing the data is

also essential for data privacy, the information is stored electronically and password protected to ensure this.

# CHAPTER 4. PRESENTATION OF RESULTS

## 4.1 Introduction

The results of this study are presented in this chapter. This is spilt into two sections, i.e. descriptive and inferential statistics. Descriptive statistics will describe key variables in the data and test the measurement model, whereas inferential statistics will be focused on hypothesis testing.

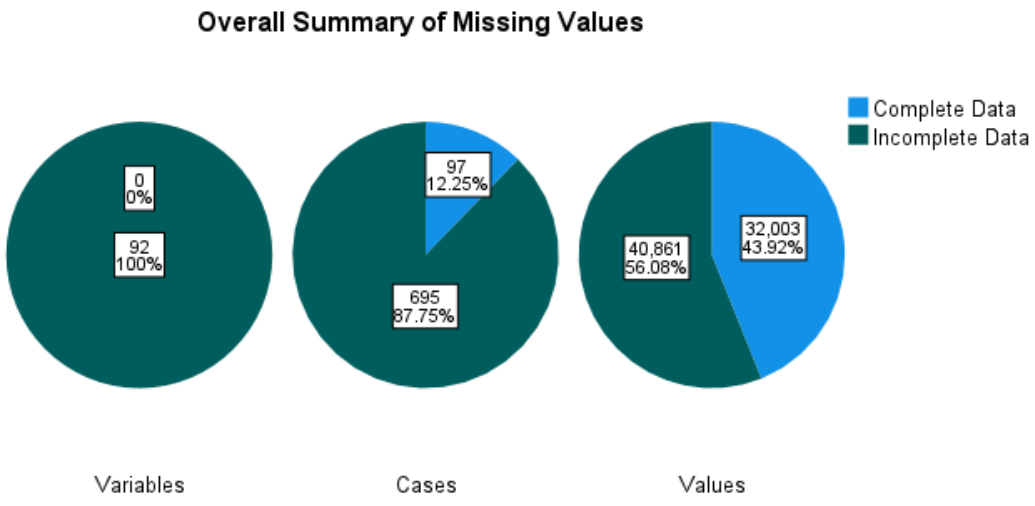
## 4.2 Data preparation and cleaning

A total of 792 respondents participated in the data collection process. The respondents were divided into three groups, i.e. online-only customers, physical-only customers and online-offline (both) customers.

Figure 2 below shows the results from the missing value analysis utilising the "Analyse Patterns" function within SPSS to understand the distribution of missing values in the data.

**Figure 2:**

Analysis of Missing Values



The green region of each pie chart represents incomplete data. There were incomplete cases due to the branching logical architecture of the survey which implied that some respondents would answer some questions and not others, depending on their previous choices. In this case respondents would be directed to certain sections of the survey if they chose either online, offline or both online and offline customer shopping journeys.

From Figure 2 above, it can be seen that 12.25% of the respondents produced complete data and this can be interpreted as those respondents who experienced both online and offline shopping, whereas the rest experienced either one of them.

## 4.3 Descriptive statistics

### 4.3.1 *Age*

Table 4 below represents the frequency of responses by age bracket. The majority of the respondents fell into the 18-25 years (56.9%) and 25-34 (21.7%) years age brackets. This was expected as the survey was only distributed to the University of the Witwatersrand database.

**Table 4:**

Age Distribution of Sample

| Age Descriptors | Percentage |
|---|---|
| 18-24 years old | 56.9 |
| 25-34 years old | 21.7 |
| 35-44 years old | 13.3 |
| 45 years or older | 5.7 |
| Missing data | 2.4 |

### 4.3.2 *Gender*

Table 5 below represents the respondents who chose to disclose their gender. The gender distribution of the sample was skewed towards female respondents (30%). Male respondents made up 15.7% of the sample. Of the 792 responses collected and used, only 45.9% of respondents replied to this question.

**Table 5:**

Gender Distribution of Sample

| Gender Descriptors | Percentage |
|---|---|
| Male | 15.7 |
| Female | 30.2 |
| Missing data | 54.2 |

### 4.3.3 *Employment*

Table 6 below represents the employment distribution. Most respondents who chose to answer this question were unemployed (20.1%), but full-time employed respondents made up 13.9% of the sample. This is due to the bias inherent in the study as the sample was drawn from the University of the Witwatersrand database, and 56.9% of the sample were in the age bracket 18-24 years.

**Table 6:**

Employment Distribution of Sample

| Employment Descriptors | Percentage |
|---|---|
| Working full time | 13.9 |
| Working part time - Freelancing | 6.4 |
| Retired | 0.3 |
| Unemployed | 20.1 |
| Housewife/househusband | 0.5 |
| Prefer not to say | 3.4 |

| | |
|---|---|
| Missing data | 55.4 |

### 4.3.4 *Household monthly income*

Table 7 below depicts the responses received on monthly household income. Only 45% of respondents chose to answer this question, which could be expected as students may not know the total monthly income of their household. However, of those who responded, the biggest contribution was in the less than R10 000 bracket.

**Table 7:**

Household Monthly Income Distribution of Sample

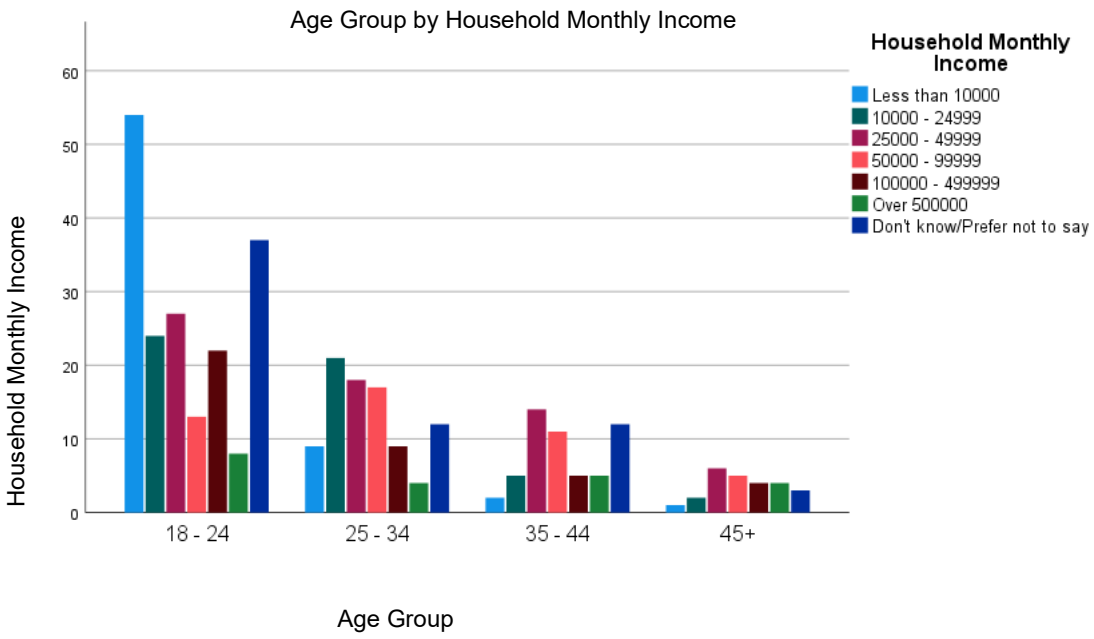
| Income Descriptors | Percentage |
|---|---|
| Less than R10 000 | 8.3 |
| R10 000-R24 999 | 6.6 |
| R25 000-R49 999 | 8.2 |
| R50 000-R99 999 | 5.8 |
| R100 000-R499 999 | 5.1 |
| Over R500 000 | 2.7 |
| Prefer not to say | 8.1 |
| Missing data | 55.3 |

### 4.3.5 *Monthly income and age*

Figure 3 below depicts a cross-tabulation of monthly household income across the different age groups. In the age group 18-24 years (56.9%), the highest income was less than R10 000. The second highest was R25 000 – R49 999.

**Figure 3:**

Cross-tabulation Income versus Age Distribution of Research Sample

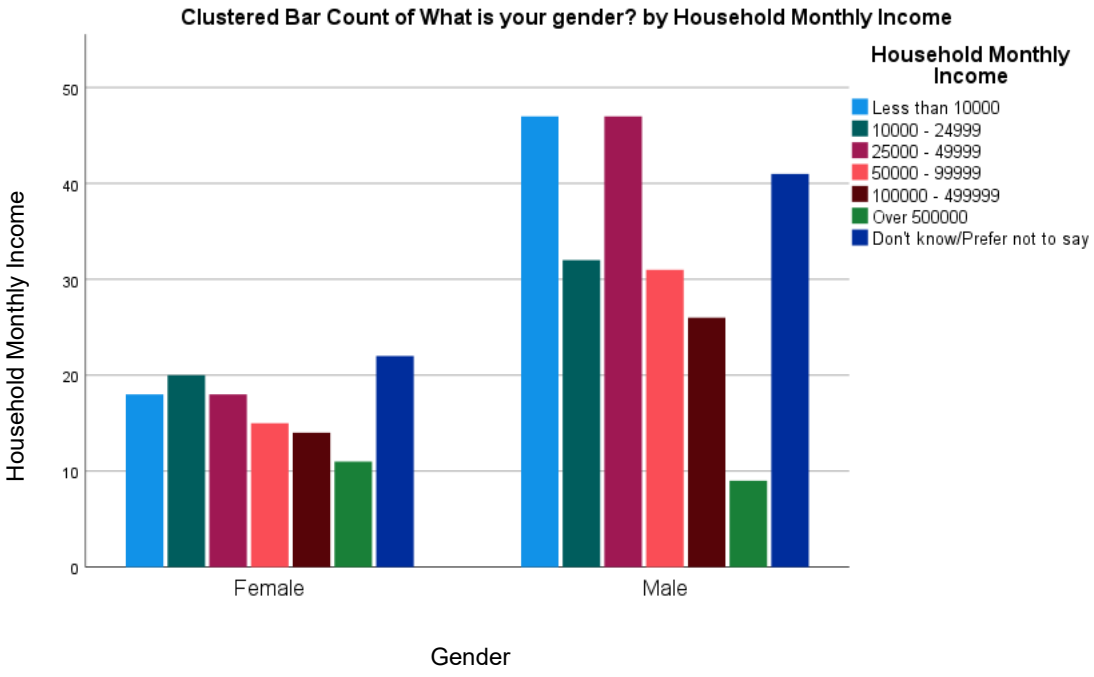



### 4.3.6 *Gender and monthly income*

Figure 4 below depicts a cross-tabulation of income across gender. As discussed above, respondents were skewed towards female respondents, who made up 30.2% of the respondents, i.e. twice the males (15.7%). Most responses from males were in the R10 000 – R24 999 bracket versus female respondents, who were almost equally distributed across the less than R10 000 bracket and R25 000 – R49 999 bracket.

**Figure 4:**

Cross-tabulation Gender versus Income Distribution of Research Sample




### 4.3.7 *Online and offline shopping journey analysis*

Table 8 below shows the split between online, offline and both online and offline shopping journeys. The results are skewed towards in-store purchases mainly (52%) and 26.6% of respondents had purchased both in-store and online.

**Table 8:**

Shopping Journey Distribution

| Shopping Journey Descriptors | Percentage |
|---|---|
| In a store only | 52.8 |
| Online only | 2.5 |
| Both in a store and online | 26.6 |
| Missing data | 18.1 |

## 4.4 Evaluating distribution of the variables

Please refer to Appendix B representing the QQ-plots (Ford, 2015). These show that distribution was normal, and thus the homoscedasticity assumption was achieved for each relationship hypothesised.

## 4.5 Testing the measurement model

To successfully evaluate the validity of the measurement model, discriminant and convergent validity were utilised. Discriminant validity considers the degree to which factors that measure the constructs are distinct from one another (Field, 2013).

### 4.5.1 *Internal consistency*

Internal consistency is essential in order to ensure that the study may be able to be replicated, without the involvement of the current researcher. This was evaluated using Cronbach's alpha.

The results are as follows:

Offline customer experience (CX) was made up of the following variables: cognitive (CO), affective (AFF), social experience (SOE) and physical (PHY). Online CX was made up of the following variables: ease of use (EOU), skill (SKI), connectedness, customisation (CUS), beneficial (BEN) and repurchase intention (REI). Customer perceived value (CPV) was made up the following variables: quality (QUA), price (PRI) and reputation (REP). Customer satisfaction (CS) was made up of conative value (CNT). Loyalty (CL) was made up of feelings (LOY) and engagement was also made up of feelings (ENG).

**Table 9:**

Cronbach's Alpha

| Variables | Cronbach's Alpha |
|---|---|
| *Offline Customer Experience* | |
| Cognitive (CO) | .917 |
| Affective (AFF) | .938 |
| Social experience (SOE) | .868 |
| Physical (PHY) | .911 |
| *Online Customer Experience* | |
| Ease of use (EOU) | .793 |
| Skill (SKI) | .868 |
| Connectedness (CON) | .681 |
| Customisation (CUS) | .911 |
| Beneficial (BEN) | .838 |
| Repurchase intention (REI) | .887 |
| *Customer Perceived Value* | |
| Quality (QUA) | .860 |

| | |
|---|---|
| Price (PRI) | .906 |
| Reputation(REP) | .878 |
| *Satisfaction, Loyalty and Engagement* | |
| Conative(CNT) | .912 |
| Feelings (LOY) | .805 |
| Feelings (ENG) | .913 |

From Table 9 above it can be seen that Cronbach's alpha is above 0.65 (Hair et al., 2010). This implies that there was sufficient internal consistency to keep all items for this construct.

### 4.5.2 *Confirmatory factor analysis*

CFA was conducted in order to evaluate the measurement model and to assess the reliability and validity of the constructs. To effectively assess the validity of the measurement model, convergent validity and discriminant validity were evaluated. Discriminant validity measures the degree to which factors that are supposed to measure a specific construct are actually unrelated or distinct, or in other words if there are any collinearity concerns (Hair et al., 2014; Sarstedt et al., 2020).

**Table 10:**

Measurement Model

| | |
|---|---|
| **Equation 1** | CO =~ CO2 + CO3 + CO4 + CO5 + CO6 + CO7 |
| **Equation 2** | AFF =~ AFF1 + AFF2 + AFF3 + AFF4 + AFF5 + AFF6 + AFF7 |
| **Equation 3** | PHY =~ PHY1 + PHY2 + PHY 3 + PHY4 + PHY5 |
| **Equation 4** | EOU =~ SKI1 + SKI2 + SKI3 |
| **Equation 5** | BEN =~ BEN1 + BEN2 + BEN3 |
| **Equation 6** | REI =~ REI1 + REI2 + REI3 + REI4 |
| **Equation 7** | QUA =~ QUA2 + QUA3 + QUA4 |
| **Equation 8** | PRI =~ PRI1 + PRI2 + PRI3 + PRI4+ PRI6 |
| **Equation 9** | REP =~ REP1 + REP2 + REP3 + REP5 |
| **Equation 10** | CNT =~ CNT1 + CNT2 + CNT3 |

| | |
|---|---|
| **Equation 11** | ENG =~ ENG1 + ENG2 + ENG3 + ENG4 |
| **Equation 12** | LOY =~ LOY1 + LOY2 + LOY3 |

**Figure 5:**

Conceptual Model with Second-order Factors

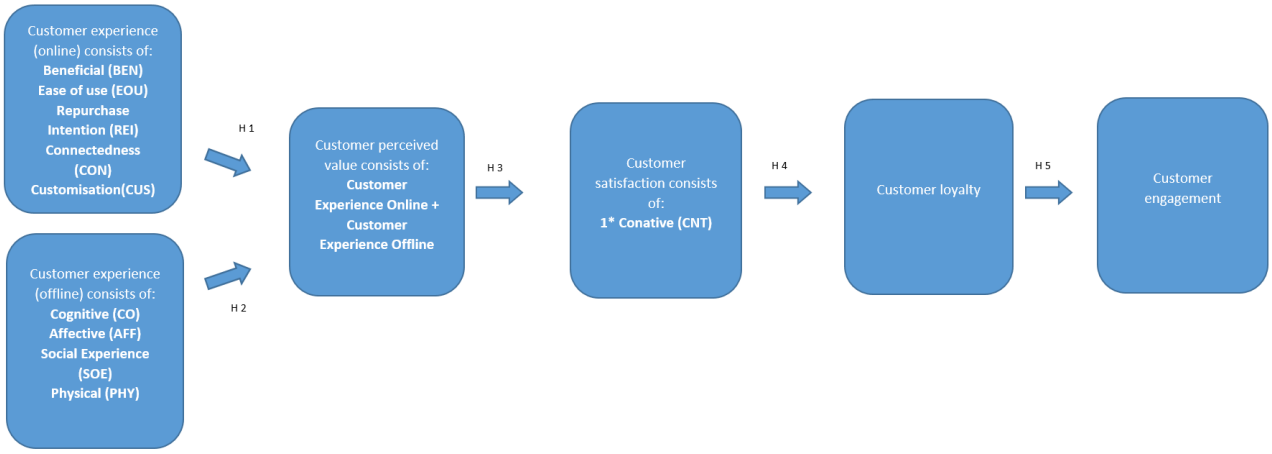
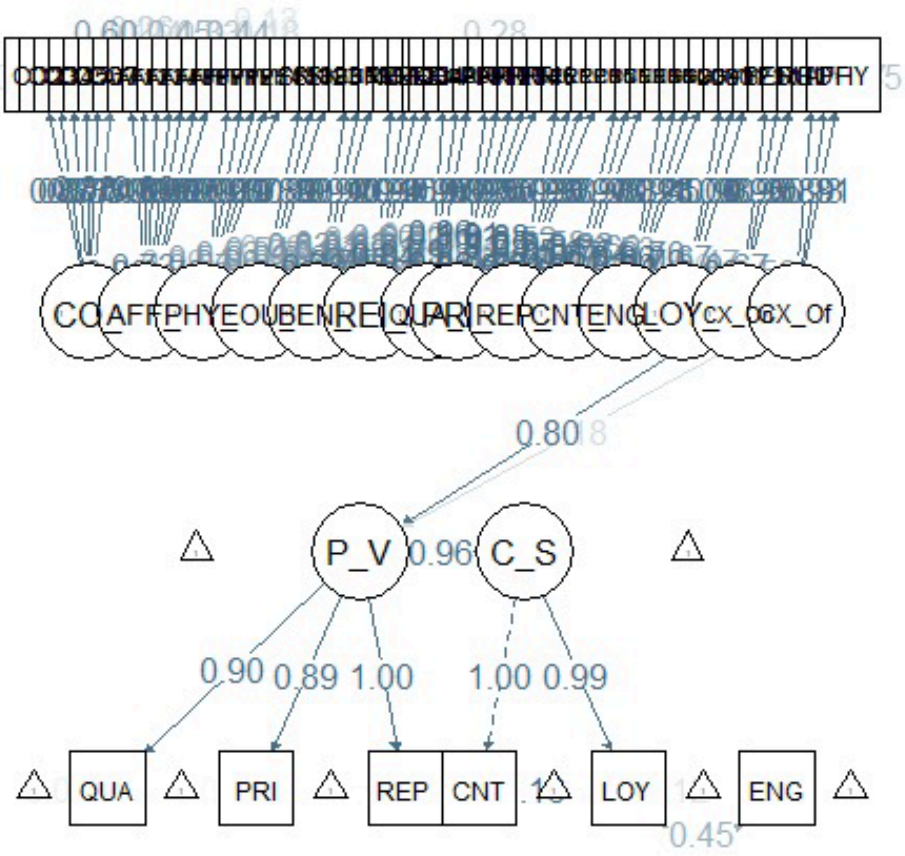



**Figure 6:**

CFA Model




### 4.5.3 *Evaluating convergent validity*

#### a. *Composite Reliability*

Composite reliability estimates the extent to which a set of latent construct indicators share in their measurement of a construct. Average variance (AVE) extracted is the amount of common variance among latent construct indicators (Hair, Sarstedt, Hopkins, & Kuppleweiser, 2014).

It can be seen in Table 11 below that all the factors have a composite reliability above the threshold of 0.6 (Field, 2009).

**Table 11:**

Composite Reliability

| Factor | Composite Reliability ρc. > 0.6 | Cronbach's Alpha > 0.7 |
|---|---|---|
| Cognitive (CO) | 0.917 | 0.917 |
| Affective (AFF) | 0.940 | 0.938 |
| Physical (PHY) | 0.911 | 0.911 |
| Ease of use (EOU) | 0.887 | 0.793 |
| Beneficial (BEN) | 0.843 | 0.838 |
| Repurchase intention (REI) | 0.881 | 0.887 |
| Quality (QUA) | 0.884 | 0.860 |
| Price (PRI) | 0.898 | 0.906 |
| Reputation (REP) | 0.873 | 0.878 |
| Conative (CNT) | 0.937 | 0.912 |

### b. *Average Variance Extracted*

AVE is an estimate of how much of the variation of its indicators is due to the assumed latent variable (Hair et al., 2014). The method utilised to evaluate discriminant validity was the Fornell and Larcker (1981) standard. The error variation would be 1 – AVE.

Only first-order factors were considered and higher-order factors were ignored. Table 12 shows that all factors were above 0.5, which is the acceptable minimum threshold (Hair et al., 2014).

As can be seen in Tables 11 and 12 below, each factor satisfied the requirement for composite reliability, Cronbach's alpha and AVE, and therefore convergent validity has been proven.

**Table 12:**

Average Variance Extracted

| Factor | AVE > 0.5 |
|---|---|
| CO | 0.6462551 |
| AFF | 0.6705139 |
| PHY | 0.6523101 |
| EOU | 0.5299022 |
| BEN | 0.6679976 |
| REI | 0.6666147 |
| QUA | 0.7201889 |
| PRI | 0.6548138 |
| REP | 0.6361085 |
| CNT | 0.8355382 |

### c. *Testing Collinearity and Discriminant Validity by Comparing the Square Root of AVE and the Interfactor Correlations*

The bivariate correlations between the latent factors show that the interfactor relationships were below the threshold of 0.85 (Field, 2009), which is acceptable and beneficial. This shows that the constructs are not too correlated. If they had been, it may have resulted in multicollinearity (Field, 2009).

Refer to Appendix C where the results of the interfactor correlations are presented. All the factors passed and they exhibited discriminant validity. All factors had a square root of their AVE that was greater than all their interfactor correlations. Additionally, the square roots of the AVE for each latent variable were greater than each of the construct's correlation with other constructs. Both conditions for AVE and the interfactor correlations are satisfied, and therefore discriminate validity was established.

## 4.6 Multivariate normality

In this case the value of kurtosis is in the acceptable range, showing multivariate normality (between +2 and -2) (Korkmaz et al., 2014). Refer to Appendix D for results. The p-value is also above 0.05, which further demonstrates multivariate normality (George & Mallery, 2012).

In summary, the measurement model displays sufficient reliability, convergent validity and discriminant validity. Multivariate normality was established and therefore the researcher went on to assess the fit indices (Suhr, 2011).

## 4.7 Fit indices

The degree of freedom for the model was 1199, which is positive as expected (Suhr, 2011).

## 4.8 Goodness-of-fit

The parameters in the model were estimated and the goodness-of-fit was assessed.

Using Lavaan version 0.6-9, the researcher tested the model fit. CFI (Hoe, 2008) and TLI (Hooper et al., 2008) were both greater than the minimum threshold of 0.90. The indices were 0.933 and 0.928, respectively.

The output also showed that the RMSEA (Steiger, 2007) was 0.043, below 0.07 as expected. The SRMR was 0.079, which is below 0.08 (Hooper et al., 2008) as expected. Refer to Appendix E for results.

## 4.9 Standardised path coefficient latent variables

Refer to tables below for the relevant factor loadings. A p-value < 0.05 indicates that an indicator variable contributes statistically significantly to the factor.

Second-order latent factors are those factors that are only composed of first-order latent factors and not the indicator variables directly.

**Table 13:**

Factor Loadings for Online Customer Experience

| Online Customer Experience Factors | Estimate | Std Err | z-value | P(>\|z\|) | Std lv | Std all |
|---|---|---|---|---|---|---|
| Benefits (BEN) | 1.110 | 0.244 | 4.549 | 0.000 | 0.743 | 0.743 |
| Ease of use (EOU) | 0.975 | 0.206 | 4.740 | 0.000 | 0.698 | 0.698 |
| Repurchase intention (REI) | 1.051 | 0.214 | 4.898 | 0.000 | 0.724 | 0.724 |

The second-order factor of online customer experience is composed of three contributing factors which are benefits (BEN), ease of use (EOU) and repurchase intention (REI). As can be seen from Table 13 above, BEN had the highest contribution to the online customer experience of 0.743, and EOU the lowest at 0.69.

**Table 14:**

Factor Loadings for Offline Customer Experience

| Offline Customer Experience Factors | Estimate | Std Err | z-value | P(>\|z\|) | Std lv | Std all |
|---|---|---|---|---|---|---|
| Cognitive (CO) | 1.253 | 0.109 | 11.472 | 0.000 | 0.782 | 0.782 |
| Affective (AFF) | 2.134 | 0.280 | 7.631 | 0.000 | 0.905 | 0.905 |
| Physical environment (PHY) | 1.536 | 0.157 | 9.781 | 0.000 | 0.838 | 0.838 |

The second-order factor of offline customer experience is composed of three factors which are cognitive elements (CO), affective elements (AFF) and the physical environment (PHY). As can be seen from Table 14 above, affective elements had the highest contribution to the offline customer experience (0.95) and cognitive elements accounted for the lowest contribution at 0.782.

**Table 15:**

Factor Loadings for Customer Perceived Value

| Customer Perceived Value | Estimate | Std Err | z-value | P(>\|z\|) | Std lv | Std all |
|---|---|---|---|---|---|---|
| Quality (QUA) | 0.486 | 0.094 | 5.140 | 0.000 | 0.668 | 0.668 |
| Price (PRI) | 0.286 | 0.060 | 4.790 | 0.000 | 0.468 | 0.468 |
| Reputation (REP) | 0.562 | 0.107 | 5.233 | 0.000 | 0.721 | 0.721 |

The second-order factor of customer perceived value is composed of three elements: quality (QUA), price (PRI) and reputation (REP). Price had the lowest contribution to CPV at 0.468, whereas reputation was the highest contributing factor at 0.71.

**Table 16:**

Factor Loadings for Customer Satisfaction

| Customer Satisfaction | Estimate | Std Err | z-value | P(>\|z\|) | Std lv | Std all |
|---|---|---|---|---|---|---|
| Conative (CNT) | 1.000 | | | 0.000 | 1.00 | 1.00 |

Customer satisfaction is synonymous with the conative factor as it is the only constituent factor in the model.

## 4.10 Effect of customer experience across online and offline channels on CPV, customer satisfaction and loyalty

### 4.10.1 *Results pertaining to hypothesis 1*

$H_0$: There is no relationship between online customer experiences (CX_Online) and customer perceived value.

$H_1$: There is a positive relationship between online customer experiences (CX_Online) and customer perceived value.

As can be seen in Table 17 below, CX_Online has a statistically significant effect on CPV, given that the p-value is 0.000, which is less than 0.05. The standardised coefficient for CX_Online is 0.626.

CX_Online has a directly proportional effect on CPV. In other words, if CX_Online is increased by 1 unit, then customer perceived value will increase by 0.626.

**Table 17:**

Customer Perceived Value and Online Customer Experience

| Perceived Value and | Estimate | Std Err | z-value | P(>\|z\|) | Std lv | Std all |
|---|---|---|---|---|---|---|
| CX_Online | 1.158 | 0.319 | 3.630 | 0.000 | 0.626 | 0.626 |

*Note:* Results for the regression analysis between online customer experiences and customer perceived value

**CPV = 0.626*CX_Online**

Given that CX-Online has a statistically significant effect on CPV, the null hypothesis is rejected and the conclusion is that a unit increase in CX_Online results in a 0.626 unit increase in CPV.

### 4.10.2 *Results pertaining to hypothesis 2*

$H_0$: There is no relationship between offline customer experiences (CX_Offline) and customer perceived value.

$H_1$: There is a positive relationship between offline customer experiences (CX_Offline) and customer perceived value.

As can be seen in Table 18 below, CX_Offline has a statistically significant effect on perceived value, given that the p-value is 0.000, which is less than 0.05. The standardised coefficient for CX_Offline is 0.497.

CX_Offline has a directly proportional effect on perceived value. In other words, if CX_Offline is increased by 1 unit, then CPV will increase by 0.497.

**Table 18:**

Customer Perceived Value and Offline Customer Experience

| Perceived Value and | Estimate | Std Err | z-value | P(>\|z\|) | Std lv | Std all |
|---|---|---|---|---|---|---|
| CX_Offline | 0.920 | 0.208 | 4.425 | 0.000 | 0.497 | 0.497 |

*Note:* Results for the regression analysis between offline customer experiences and customer perceived value

**Perceived value = 0.497*CX_Offline**

Given that CX_Offline has a statistically significant effect on CPV, the null hypothesis is rejected and the conclusion is that a unit increase in CX_Offline results in a 0.497 unit increase in CPV.

### 4.10.3 *Results pertaining to hypothesis 3*

$H_0$: There is no relationship between customer perceived value and customer satisfaction.

$H_1$: There is a positive relationship between customer perceived value and customer satisfaction.

As can be seen in Table 19 below, CPV has a statistically significant effect on customer satisfaction, given that the p-value is 0.000, which is less than 0.05. The standardised coefficient for CPV is 0.802.

CPV has a directly proportional effect on customer satisfaction. In other words, if CPV is increased by 1 unit, then customer satisfaction increases by 0.802.

**Table 19:**

Customer Perceived Value and Customer Satisfaction

| Customer Satisfaction and | Estimate | Std Err | z-value | P(>\|z\|) | Std lv | Std all |
|---|---|---|---|---|---|---|
| Perceived Value | 0.726 | 0.158 | 4.607 | 0.000 | 0.802 | 0.802 |

*Note:* Results for the regression analysis between customer perceived value and customer satisfaction

**Customer Satisfaction = 0.802*Perceived Value**

Given that CPV has a statistically significant effect on customer satisfaction, the null hypothesis is rejected and the conclusion is that a unit increase in CPV results in a 0.802 unit increase in customer satisfaction.

### 4.10.4 *Results pertaining to hypothesis 4*

$H_0$: There is no relationship between customer satisfaction and loyalty.

$H_1$: There is a positive relationship between customer satisfaction and loyalty.

As can be seen in Table 20 below, customer satisfaction has a statistically significant effect on loyalty, given that the p-value is 0.000, which is less than 0.05. The standardised coefficient for customer satisfaction is 0.924.

Customer satisfaction has a directly proportional effect on loyalty. In other words, if customer satisfaction is increased by 1 unit, then loyalty increases by 0.924.

**Table 20:**

Customer Satisfaction and Loyalty

| Loyalty and | Estimate | Std Err | z-value | P(>\|z\|) | Std lv | Std all |
|---|---|---|---|---|---|---|
| Customer Satisfaction | 1.448 | 0.162 | 8.945 | 0.000 | 0.924 | 0.924 |

*Note:* Results for the regression analysis between customer satisfaction and loyalty

**Loyalty = 0.924*Customer Satisfaction**

Given that customer satisfaction has a statistically significant effect on loyalty, the null hypothesis is rejected and the conclusion is that a unit increase in customer satisfaction results in a 0.924 unit increase in loyalty.

## 4.11 Effect of customer loyalty on customer engagement

### *Results pertaining to Hypothesis 5*

$H_0$: There is no relationship between customer loyalty and customer engagement.

$H_1$: There is a positive relationship between customer loyalty and customer engagement.

As can be seen in Table 21 below, loyalty does not have a statistically significant effect on customer engagement, given that the p-value is 0.681, which is over 0.05. The standardised coefficient for loyalty is -0.027.

Loyalty therefore has an inversely proportional effect on engagement. In other words, if loyalty is increased by 1 unit, then engagement decreases by -0.027.

**Table 21:**

Loyalty and Engagement

| Engagement and | Estimate | Std Err | z-value | P(>\|z\|) | Std lv | Std all |
|---|---|---|---|---|---|---|
| Loyalty | -0.010 | 0.025 | -0.411 | 0.681 | -0.027 | -0.027 |

*Note:* Results for the regression analysis between loyalty and engagement

Given that loyalty does not have a statistically significant effect on engagement, the null hypothesis is accepted that loyalty has no effect on customer engagement.

## 4.12 Summary of the results

The objective of this study was to understand the effect of customers' experiences (both online and offline) on customer perceived value, customer satisfaction, loyalty and engagement in a South African retail context given that the products sold are homogeneous. Therefore, businesses must engage customers in other ways in order to be sustainable and competitive (Jain et al., 2017, Akroush & Mahadin, 2019).

In addition, the South African retail market is a mature, highly competitive market, and the increased internet penetration has allowed for many more entrants into this market. Literature and marketing practitioners have proposed utilising the customer journey itself in order to effectively acquire and optimise loyal customer value in order to be profitable and sustainable (Lemon & Verhoef, 2016; Ou et al., 2017).

**Table 22:**

Summary of Results

| Hypothesis | Standardised Estimate | z-values | p-value | Remarks |
|---|---|---|---|---|
| $H1_a$: Online and CPV | 0.626 | 3.810 | 0.0000 | Supported |
| $H1_b$: Offline and CPV | 0.497 | 4.624 | 0.0000 | Supported |
| $H2_a$: PV & CS | 0.802 | 4.984 | 0.0000 | Supported |
| $H3_a$: CS & LOY | 0.924 | 3.232 | 0.0000 | Supported |
| $H4_a$: LOY & ENG | -0.027 | -0.027 | 0.681 > 0.05 | Not Supported |

# CHAPTER 5. DISCUSSION OF THE RESULTS

## 5.1 Introduction

The results of the study will be discussed and interpreted in this chapter. Consequently, the structure of this chapter will first focus on the potential impact that the demographic profile of the sample had on the key variables and hypothesised relationships in the study (5.2). The results will be interpreted in the context of the literature. In section 5.3 the results are interpreted in relation to each hypothesis within research sub-problem 1 and section 5.4 deals with sub-problem 2. Possible explanations are offered for any differences and similarities seen in the results in reference to past academic studies as well as observed trends in marketing within this field. A summary of the discussion is given in section 5.5.

## 5.2 Demographic profile of respondents

The sample size of this study has a bias in that the sample was skewed towards a population that was in the 18-24-year age bracket (56.9%). However, in an analysis of the shopping channel taken on their shopping journeys, 52.8% of the sample shopped in the offline channel only, 26.6% shopped in both the online and offline channels and only 2.5% shopped in a purely online channel. This result gives credibility to the proposition that brick-and-mortar retail is evolving rather than declining, and that these two channels are merging.

According to Stats SA (2019), almost third of the South African population (17.84 million) is estimated to be made up of youth or people aged between aged 18–34 years. With 28.6% of the population living in Gauteng. Millennials are those born between 1980 and 1994, and will soon no longer be seen as the youth market, the age bracket of which is 27-41 years old.

Therefore, the Gen Z market or those born between 1995 and 2009 (12-26 years old) are becoming the new youth market, even though millennials will remain an important market due to their numbers within the workforce. As a portion of the Gen Z market is

now entering the workforce, Gen Z is emerging as an important market to ensure sustainability of businesses (Wilson et al., 2019).

According to other studies which reported a similar age bias due to sampling within a student population, it has been noted that despite their lack of income, students are more likely to make independent purchasing decisions without parental interference in their consumption patterns (Kim, Kim & Shin, 2019). Therefore, this age bias may not have a significant effect on the results, given that parents of the Gen Z population are most likely to be millennials.

Gen Z also have an important characteristic in that they are the digital generation, as they grew up in a world of cellphones, the internet and social media. Therefore, the evaluation of how technology is changing consumer behaviour is essential. They also have very distinct characteristics when compared to millennials (Wilson et al., 2019).

"Theoretical and empirical research on the holistic customer experience typically focuses on either the digital or social realm and uses the physical realm as a reference condition" (Bolton et al., 2018, p. 794). Customer experience is determined by a combination of touch points. Customers are becoming omnichannel shoppers using multiple channels in the physical, digital and social realms. Therefore, this study has focused on online and offline channels separately, with social media forming part of the online channel. Given the shift in consumer profiles from millennial to Gen Z, it is important for retailers to look at their business as a whole (Parise et al., 2016). In order to compete effectively, it is essential to have an understanding of how these three realms interact and connect (Lemon & Verhoef, 2016).

Therefore, the retail market must adapt to this new and increasingly important consumer (Wilson et al., 2019). In light of this, the skewness toward the 18-24-year-old age bracket may allow for insight into this emerging segment of the market.

## 5.3 Sub-problem 1 discussion: How does customer perception of value in a firm's online and offline channels engender customer satisfaction and loyalty?

The first sub-problem of this study was to determine the effect of customers' online and offline customer experiences on their perception of value, customer satisfaction and loyalty. In terms of the specific hypotheses, the first hypothesis predicted a positive relationship between online customer experiences and CPV; the second hypothesis predicted a positive relationship between offline customer experiences and CPV.

Evaluation of the current study data through CFA and multiple regression analysis provided supported for both hypotheses. However, the results have shown that online customer experiences have a greater effect on CPV than offline customer experiences.

Also linked to the first sub-problem are two further hypotheses. The third hypothesis predicted that CPV has a positive effect on customer satisfaction. The fourth hypothesis predicted that customer satisfaction has a positive effect on customer loyalty. The results are discussed below.

### 5.3.1 *Hypothesis 1 and 2: Relationship between online and offline customer experiences and customer perceived value*

*$H1_0$: There is no relationship between online customer experiences and customer perceived value.*

*H1: There is a positive relationship between online customer experiences and customer perceived value.*

*$H2_0$: There is no relationship between offline customer experiences and customer perceived value.*

*H2: There is a positive relationship between offline customer experiences and customer perceived value.*

**Table 23:**

Customer Perceived Value and Customer Experience

| Perceived Value and | Estimate | Std Err | z-value | P(>\|z\|) | Std lv | Std all |
|---|---|---|---|---|---|---|
| CX_Online | 1.158 | 0.319 | 3.630 | 0.000 | 0.626 | 0.626 |
| CX_Offline | 0.920 | 0.208 | 4.425 | 0.000 | 0.497 | 0.497 |

*Note:* Results for the regression analysis between online and offline customer experiences and customer perceived value

Confirmation of the first hypothesis in the study through regression analysis provides evidence that online customer experience directly effects CPV. The results show that online customer experiences have a greater effect on CPV than offline customer experiences, as increasing online customer experiences results in a 0.626 (p-value = 0.000) increase in CPV. However, an increase in offline customer experiences results in a 0.497 (p-value = 0.000) increase in CPV.

- ***Given that CX-Online has a statistically significant effect on CPV, the null hypothesis is rejected in this instance***
- ***Given that CX_Offline has a statistically significant effect on CPV, the null hypothesis is rejected in this instance***

As customers become aware of the advantages across online and offline channels, additional channels are being added in order to expedite omnichannel experiences. It is becoming vital that firms understand customer experiences in the different channels in order to create value for customers (Lemon & Verhoef, 2016; Lee & Jung, 2020).This will allow firms to build strategies and allocate resources to online customer experience activities that will have a greater impact on CPV (Kumar & Reinartz, 2016).

Firms that capitalise on synergies along the entirety of the customer journey capture innumerable advantages; some of them include enhanced customer satisfaction, increased revenue and greater retention (Rawson et al., 2013; Edelman & Singer, 2015). This also enables better understanding of the customer experience in an online and offline context separately that the firm may utilise to enhance customer experiences (Lemon & Verhoef, 2016).

This is in line with the literature. For instance, Kuppelwieser et al. (2021) found that customer experience played an essential role in CPV. Their study was undertaken in the United Kingdom and utilised customers from an existing panel from three industries, i.e. banking, professional services and retail. They assessed CPV as a multidimensional concept, examining social value, utilitarian value and hedonic value. The current study evaluated two elements of customer perceived value, i.e. hedonic and utilitarian value, but the results also show a significant positive relationship between customer experience and CPV.

According to Hussadintorn Na Ayutthaya and Koomsap (2019), integrating CPV in designing customer experience has the effect of improving the resultant customer satisfaction and loyalty outcomes of customer experience. They highlight that the perceptions that customers have of the value they receive from the firm affect firm performance (Kumar & Reinartz, 2016; Lemon & Verhoef, 2016).

They also point out that there are few studies which propose a holistic framework in which customer experience and CPV may be evaluated. This study has filled this gap and the resulting strong positive relationship between customer experience and CPV provides further empirical evidence to substantiate this (Hussadintorn Na Ayutthaya & Koomsap, 2019).

CPV is a separate construct from customer satisfaction (Sweeney & Soutar, 2001). However, literature fails to include CPV as a separate construct and rather utilises customer satisfaction as a proxy, even though it is essential in practice (Lemon & Verhoef, 2016). The results of this study highlight that both online and offline customer experience have a statistically significant effect on CPV, thus validating the need for further models incorporating this construct. Given that many studies utilise proxies for CPV beyond customer satisfaction, such as quality and perceived benefits (Lemon & Verhoef, 2016), the rest of this section deals with evaluating the results of this study in comparison with other studies.

Jain et al. (2017) proposed that conceptualisation and validation of customer experience are vital for customer experience management. The results of this current study have shown the strong positive relationship between customer experience and CPV, thereby reinforcing the need for the conceptualisation of this phenomenon. Empirical evidence in

this study has shown the important consequences of customer experiences and the difference between the online and offline experiences in the South African retail market. This makes a contribution to the current literature on the experiential value concept and provides insight into customer value – a key driver in customer equity management (Vogel et al., 2008).

The results of this study also support those of El-Adly and Eid (2016), who assessed the relationship between the physical shopping environment and CPV and its effect on customer satisfaction and loyalty within the context of the United Arab Emirates. There is an abundance of malls in this context, creating intense competition, which may mirror the current South African retail sector.

They found a strong positive relationship between the physical mall environment and CPV (standardised estimate = 0.729, p-value < 0.001). This is in contrast with the current study, which found that in an omnichannel context within South African retail, online customer experiences have a greater effect on CPV than offline customer experiences (standardised coefficient = 0.497). This makes it imperative for firms to allocate resources to generating CPV accordingly.

Kusumawati and Rahayu (2020) found a strong positive relationship between experience quality and CPV (path coefficient value = 0.772, t-value = 20.682, p-value = 0.000). The context of their study was in natural outdoor cafés in Malang, and therefore only the physical environment and its effect on CPV were assessed. This is supported by the current study's findings that customer experience has a strong positive effect on CPV (Kusumawati & Rahayu, 2020).

Thomas and Dhanya (2011) assessed the effect of product quality, service quality and contextual experience on CPV. Contextual experience may serve as a substitute for customer experience either in an online or offline context. They also proposed that creating value for customers is an important source of competitive advantage for firms, as does this study. They put forward that "memorable experience becomes one of the major determinants of customer perceived value" (Thomas & Dhanya, 2011, p. 309). The context of their study was the retail coffee industry.

Their findings showed that contextual experience had a significant positive impact on perceived value (regression weight = 0.386), more so than product quality (0.271) and

service quality (0.071). Therefore, this supports the importance of cultivating exceptional experiences as a source of competitive advantage as is proposed in this study. In addition, perceived value was proven to have a significant effect on preference. Preference had a positive effect on future intention, which may be a proxy for loyalty in this study.

Research undertaken by Chinomona, Masinge and Sandada (2014) was conducted in the South African retail context. They identified the same gap in research that this study has. They evaluated the effect of e-service quality, customer satisfaction and CPV on customer loyalty, utilising a sample of consumers in the Gauteng province of South Africa, similar to the current study. However, due to the weakness of the current study in the sample size age being biased towards a younger age group, their study may allow the results to be generalised to other age groups.

E-service quality in their study is a proxy for online customer experience. Their sample characteristics were made up of 41.3% of students, but their age split was relatively even and unbiased towards the under 25 age group, with 28.7% of the population under 26 and 71.3% of the population being 27 or over. E-service quality is a substitute for customers' online shopping experience. The results of their study showed a strong positive relationship between e-service quality and CPV (standardised coefficient = 0.827; t-value = 20.6056).

Therefore, there is enough empirical evidence to support the findings of this study and to validate the results that customer experience in both online and offline contexts have a strong positive effect on CPV.

**Table 24:**

Summary of Findings between Customer Perceived Value and Customer Experience

| Author | Industry | Key Finding | Type of Study |
|---|---|---|---|
| Thomas & Dhanya (2011) | Retail industry, Taiwan – contextual experience a proxy for offline customer experience | Conceptual experience positively affects CPV more than service and product quality and has a direct effect on CPV; this is in line with the positive antecedent relationship that this current study has also identified | Empirical study |

| | | | |
|---|---|---|---|
| Chinomona, Masinge & Sandada (2014) | Retail industry, South Africa - service quality in online shopping journey-in this context a proxy for online customer experience | Service quality accounted for 82.7% of the perceived value; that online customer experience is an antecedent of CPV is confirmed. This study was in the same context as the current study and 41.3% of the population were students. With almost 30% of their population being below 25, in comparison to this study which had 56.9% of the population below 24. This may allow for generalisation of this study's results across the age brackets. | Empirical study |
| Kusumawati & Rahayu (2020) | Service industry, outdoor cafés in Malang - quality experience in this context a proxy for offline customer experience | Quality experience had a significant positive effect on CPV. | Empirical study |
| Kuppelwieser , Klaus, Manthiou & Hollebeek, (2021) | Banking, professional services and retail industries, UK - customers from an existing panel | There is a link between CPV and customer experience; in accordance with this study. | Empirical study |
| Hussadintorn Na Ayutthaya & Koomsap (2019) | IT industry, broadband service for on boarding new customers- in this context is proxy for online customer experience | Understanding how customers perceive value is essential for business success as this must be utilised to design an optimal customer experience to build a competitive advantage. There are only a few frameworks which evaluate customer experience management and CPV. | Case study |
| El-Adly & Eid (2016) | Retail industry, United Arab Emirates- in this context proxy for offline customer experience | Malls are a proxy for offline customer experience, and has a strong positive affect on CPV. In contrast to this study which showed that online customer experiences have a greater effect on CPV. It is therefore vital to assess the effects of both channels on CPV in order to allocate resources optimally. | Empirical study |

### 5.3.2 *Hypothesis 3: Relationship between customer perceived value and customer satisfaction*

*$H3_0$: There is no relationship between customer perceived value and customer satisfaction.*

*$H3_1$: There is a positive relationship between customer perceived value and customer satisfaction.*

**Table 25:**

Customer Perceived Value and Customer Satisfaction

| Customer Satisfaction and | Estimate | Std Err | z-value | P(>\|z\|) | Std lv | Std all |
|---|---|---|---|---|---|---|
| Perceived Value | 0.726 | 0.158 | 4.607 | 0.000 | 0.802 | 0.802 |

*Note:* Results for the regression analysis between customer perceived value and customer satisfaction

Confirmation of the third hypothesis in the study through CFA and multiple regression analysis provides evidence that CPV directly affects customer satisfaction. It has a statistically significant effect on customer satisfaction, given that the p-value is 0.000, which is less than 0.05. The standardised coefficient for CPV is 0.802.

- ***CPV has a statistically significant effect on customer satisfaction, thus the null hypothesis is rejected***

a. ***Online Customer Experience Context***

Support for the third hypothesis is consistent with findings from previous studies in the same context. Results from the study conducted by Chinomona et al. (2014) showed that increased CPV results in a positive effect on customer satisfaction (standardised coefficient = 0.687; t-value = 5.0946). The current study shows a higher influence of CPV on customer satisfaction, but this may be explained by the fact that this study evaluated both online and offline experiences and their effect on CPV and not online experiences only.

Results from Akroush and Mahadin (2019) also support the positive significant relationship between CPV and customer satisfaction. Their study was conducted in the Middle Eastern information and communications technology sector, which is also a maturing and highly competitive emerging market similar to the South African retail market. Their study considered the effect of CPV on customer satisfaction (functional and technical) and customer loyalty (behavioural, attitudinal and cognitive) through an intervariable approach and tested the variables as multidimensional constructs.

This is in contrast to the current study, which only considered CPV as a multidimensional construct, i.e. utilitarian, hedonic and social elements, and its effect on customer satisfaction. However, taking into account the overall result, their study supports the finding that CPV has a significant effect on customer satisfaction and is an important antecedent of customer satisfaction (Akroush & Mahadin, 2019).

Gan and Wang (2017) determined that a significant and strong positive relationship exists between the different types of value, i.e. hedonic, utilitarian and social value, and customer satisfaction. Their study was conducted within the social commerce context which the authors defined as consumers using technology to assist them in purchasing products and goods in both online and offline channels. They identified that all three types of value had a significant and positive effect on customer satisfaction.

Hedonic value (path coefficient = 0.469) had the most significant effect on CPV, with utilitarian value the second greatest effect (standard coefficient = 0.269) and then social value (standard coefficient = 0.124). This current study only focused on hedonic and utilitarian value and the same strong positive antecedent relationship was found, with 80.2% of customer satisfaction being explained by CPV.

This is supported by the current study as customer experience in online and offline channels was examined individually given the effect that technology is having on the marketing mix elements. The current study also found that online customer experience (path coefficient = 0.626, p-value = 0.000) had a greater effect on CPV than offline experience (path coefficient = 0.497, p-value = 0.000). In addition, the sample used in the previous study was also a younger population (20-29 years old), as they identified that the majority of online shoppers and social media users are within this age bracket; therefore, comparisons may be drawn between the studies (Gan & Wang, 2017).

Kim et al. (2019) found that the effect of perceived value on satisfaction in an online context was significant with a path coefficient of 0.868 (p-value = 0.000). This is very similar to the results of this current study with a path coefficient of 0.802 and a p-value of 0.000. These two studies are similar in that both samples were taken from student populations and this may account for the similarity in the strength of this relationship. The online context is significant as previously discussed when it was noted that online customer experience had a greater effect on CPV than offline customer experience.

### b. *Offline Customer Experience Context*

There is also support for the third hypothesis from studies in other contexts. For instance, Kusumawati and Rahayu (2020) utilised a population of customers who purchased products and services provided by outdoor cafés, the challenges that these types of businesses faced in attracting customers and building long-term relationships with them due to the homogeneous offerings in terms of products. These mirror the challenges faced within the retail environment context in the current study.

Their study found a significant and positive effect of CPV on customer satisfaction (standardised coefficient = 0.330, p-value =0.000, which is less than 0.5). The present study's findings show that within the South African retail industry, the relationship between CPV and customer satisfaction is far more significant than as found in any of the other studies (standardised coefficient = 0.802; p-value = 0.000).

The results of the current study are also in line with research undertaken by Cuong and Khoi (2019), who found that perceived value had a positive effect on customer satisfaction. Their study was in the context of convenience stores in Vietnam, and specifically examined the effect of brand image on CPV and then its effect on customer satisfaction and loyalty. In the context of their study CPV was characterised by the advantage that customers experienced from buying a specific brand sold by the convenience store.

Brand image may be linked to social value, as value is a multidimensional concept (El-Adly & Eid, 2016). Given that multiple stores carry the same brands, understanding CPV is important to generate customer satisfaction and loyalty in order to compete sustainably.

The competitive environment of Cuong and Khoi's study was also fierce, which mirrors the current South African retail sector. They found that perceived value had a positive effect on customer satisfaction and the f2 effect size for the relationship between perceived value and customer satisfaction was relatively high (0.330, p-value = 0.000). The current study result is in line with this, that CPV has a significant effect on customer satisfaction (standardised coefficient = 0.802).

El-Adly and Eid (2016) also found a strong positive relationship between CPV and customer satisfaction (standard estimate = 0.435, p-value < 0.0001) within the context of

the physical retail space. The current study has shown a much more significant effect of CPV on customer satisfaction (standardised coefficient = 0.802), but this may be due to CPV being a second-order construct made up of online and offline customer experience.

The significance of this finding reinforces the importance of creating CPV in both environments in order to maximise customer satisfaction. A great deal of literature supports the argument for an omnichannel approach to create sustainable competitive advantage (Rawson et al., 2013; Edelman & Singer, 2015; Lemon & Verhoef, 2016).

Thus it can be concluded that customers will achieve satisfaction when they receive what is aligned with their expectations of the value they should have received.

**Table 26:**

Summary of Findings between Customer Percieved Value and Customer Satisfaction

| Author | Industry | Key Finding | Type of Study |
|---|---|---|---|
| Chinomona, Masinge & Sandada (2014) | Retail, South Africa - service quality in online shopping journey is proxy for online customer experience | There is a strong positive antecedent relationship between CPV and customer satisfaction. CPV accounted for 68.7% of the resulting customer satisfaction. This was not as high as the current study and could be explained by the fact that the current study considered the combined effect of an omnichannel experience and not online customer experience in isolation. | Empirical study |
| El-Adly & Eid (2016) | Retail industry, United Arab Emirates, which is a proxy for offline customer experience | There is a strong positive relationship between CPV and customer satisfaction. | Empirical study |

| | | | |
|---|---|---|---|
| Gan & Wang (2017) | Retail industry, China – social commerce defined as consumers using technology to purchase goods in either online or offline contexts. Social commerce is a proxy for customer experience in both online and offline channels or an omnichannel approach. | Value is a multidimensional concept (hedonic, social and utilitarian) and there is a strong positive relationship between CPV and customer satisfaction. Hedonic value followed by utilitarian value had the strongest influences on customer satisfaction. They also used a younger sample (20-29 years old). | |
| Kim, Kim & Shin (2019) | Online retail industry, South Korea, which is a proxy for online customer experience | Both studies' populations were students, but their study population was high school students, i.e. younger than 18 or teenagers. CPV had a strong positive relationship with customer satisfaction. CPV explained 86.8% of the resulting customer satisfaction. | Empirical study |
| Cuong & Khoi (2019) | Retail industry, Vietnam - convenience stores are a proxy for offline customer experience | Brand image is a proxy for social value or CPV. There is a strong positive relationship between CPV and customer satisfaction. | Empirical study |
| Akroush & Mahadin (2019) | Information and technology industry, Middle East, which may be a proxy for online customer experience | CPV positively affects customer satisfaction and there is a strong antecedent relationship between CPV and customer satisfaction. | Empirical study |
| Kusumawati & Rahayu (2020) | Service industry, outdoor cafés in Malang - quality experience in this context is a proxy for offline customer experience | There is a significant positive relationship between CPV and customer satisfaction. | Empirical study |

### 5.3.3 *Hypothesis 4: Relationship between customer satisfaction and customer loyalty*

*$H4_0$: There is no relationship between customer satisfaction and customer loyalty.*

*$H4_1$: There is a positive relationship between customer satisfaction and customer loyalty.*

**Table 27:**

Customer Satisfaction and Customer Loyalty

| Loyalty and | Estimate | Std Err | z-value | P(>\|z\|) | Std lv | Std all |
|---|---|---|---|---|---|---|
| Customer Satisfaction | 1.448 | 0.162 | 8.945 | 0.000 | 0.924 | 0.924 |

*Note:* Results for the regression analysis between customer satisfaction and loyalty

Confirmation of the fourth hypothesis in the study through CFA and regression analysis provides evidence that customer satisfaction directly affects customer loyalty. Customer satisfaction It has a statistically significant effect on loyalty, given that the p-value is 0.000, which is less than 0.05. The standardised coefficient for customer satisfaction is 0.924.

- ***Customer satisfaction has a statistically significant effect on loyalty, thus the null hypothesis is rejected***

a. ***Customer Satisfaction-Customer Loyalty Relationship in Different Contexts***

Support for the fourth hypothesis is found in previous studies. In the study conducted by Kusumawati and Rahayu (2020) who utilised SEM as an inferential statistical technique, a significant positive relationship was found between customer satisfaction and customer loyalty (path coefficient = 0.425, p-value = 0.000, t-value = 5.923), in contrast to this current study which showed a stronger relationship between these constructs (path coefficient = 0.924, p-value = 0.000). This may be due to the nature of the model as their study only assessed the physical environment and its effect on CPV, customer satisfaction and loyalty.

Thomas (2014) also found a strong positive relationship between customer satisfaction and customer loyalty, and 87.3% of the variance in the customer loyalty could be attributed to customer satisfaction. The context of that study was an emerging market, i.e. India, and data was collected from customers in leading supermarkets within that context.

At the time of the study the Indian government was planning to allow the entry of significant foreign retailers into the market; this is the context that the South African retail

market faces currently with the entry of Amazon. This makes it imperative that current retailers build loyal customers to achieve sustainability.

The current study shows a stronger relationship between customer satisfaction and customer loyalty, which may be because the model proposed in Thomas' study only evaluated store image or elements that made up the physical environment as the predominant customer experience. The current study considered a more robust customer experience as it evaluated customer experience as an omnichannel concept. CPV within the current study is a second-order factor made up of online and offline experiences and the causal relationship between this construct was then linked to customer satisfaction and loyalty.

Research undertaken by Beneke, Hayworth, Hobson and Mia (2012) within the South African retail context showed a strong positive relationship between customer satisfaction and customer loyalty (beta = 0.38, t-stat = 6.82, p-value < 0.05, confidence level = 10%). Their study reinforced that the South African retail sector is a saturated market which has resulted in fierce competition. With organic growth opportunities becoming sparser, it is becoming more important to engender customer loyalty. The South African retail sector has become even more competitive, with numerous online retailers also entering the country, making it even more imperative that firms build effective strategies to compete sustainably (Beneke et al., 2012).

Leninkumar (2017) also highlighted a significant positive correlation between customer satisfaction and loyalty and that customer satisfaction is an antecedent of customer loyalty (path coefficient = 0.601, p-value = 0.000). That study was undertaken in the context of an emerging market, i.e. the banking sector of Sri Lanka, where hyper-competition exists. This mirrors the current environment within the South African retail sector, but the current study revealed a much stronger relationship between customer satisfaction and loyalty, with customer satisfaction accounting for 92% of customer loyalty.

This may be attributed to the difference between the banking and retail sectors. The nature of the retail sector is much more homogeneous, with retailers selling the same products and, in many cases, services. In contrast, the banking sector may have many offerings with subtle differences and therefore the degree of homogeneity in this sector is

less. Therefore, level of satisfaction based on the offerings may vary, leading to varied levels of loyalty.

Cuong and Khoi (2019) revealed that customer satisfaction had a positive effect on customer loyalty. However, the f2 effect size for the relationship customer satisfaction-customer loyalty was medium (0.189). This is in contrast to this current study, which showed a significant positive relationship between customer satisfaction and loyalty (standardised coefficient = 0.924).

El-Adly and Eid (2016) also found that customer satisfaction was a strong antecedent of customer loyalty within the context of a physical retail environment. They proposed that the more value customers perceive in these physical environments, the more satisfied they are, which results in customers being loyal. Customer satisfaction explained 62.3% of the loyalty experienced by customers.

This is in contrast to the current study, which yielded the result that a 1-unit increase in customer satisfaction would result in a 0.924-unit increase in loyalty. The results of this study have shown a much more significant impact of customer satisfaction on customer loyalty and could be accounted for by the inclusion of both offline and online customer experiences which led to CPV and customer satisfaction.

The difference in these results may lie in the model, as the current study focused primarily on utilitarian and hedonic value and excluded the social aspect, whereas Cuong and Khoi (2019) focused on the social identity aspect of the customer experience. These results show further insight into the different aspects of value that firms may utilise in order to drive customer loyalty, which in turn extends their sustainability in highly competitive markets. According to these results, focusing on hedonic and utilitarian aspects will have a stronger impact on loyalty.

### b. *Loyalty as a Multidimensional Concept*

The results of the present study are similar to other studies. Kamran-Disfani et al. (2017) also highlighted the importance for retailers to engender loyalty, as retail channels have proliferated due to many different store formats. The context of their study was the

Spanish market and two types of physical store formats were assessed, in contrast to the current study which assessed online and offline or physical channels.

Another difference is that they studied the effect of customer satisfaction on behavioural and attitudinal loyalty separately, rather than as one concept. They discovered that satisfaction had a significant effect on attitudinal loyalty ($\beta = 0.511$, $p < 0.01$), attitudinal loyalty significantly affected behavioural loyalty ($\beta = 0.856$, $p < 0.01$); however, there was no direct effect of customer satisfaction on behavioural loyalty.

In contrast, the current study found both behavioural and attitudinal elements that operationalised the loyalty construct and the results show a significant positive relationship between the constructs (standard coefficient = 0.924, p-value = 0.000). This may be due to the fact that the attitudinal elements strengthened the effect of the behavioural elements as well as the fact that online customer experience was also evaluated, strengthening the effects of the constructs within the model.

Thus it may be concluded that customer satisfaction is a strong antecedent of customer loyalty across many contexts, including the South African retail industry. The studies that had findings in line with this study were also predominantly in the offline customer experience context. However, all results of the Kamran-Disfani study showed that this relationship was not as strong as the one in the current study, which examined the customer satisfaction-customer loyalty relationship in an omnichannel context.

**Table 28:**

Summary of Findings between Customer Satisfaction and Loyalty

| Author | Industry | Key Finding | Type of Study |
|---|---|---|---|
| Beneke, Hayworth, Hobson & Mia (2012) | Retail, South Africa | There is a positive relationship between customer satisfaction and customer loyalty in the same highly competitive market, which has only grown more competitive since 2012. | Empirical study |
| Thomas (2014) | Retail, India - only store image elements made up customer experience which is a proxy for offline customer experience | There is a strong positive relationship between customer satisfaction and loyalty. However, the strength of this relationship was weaker than in the current study; the reason may be that Thomas' study only examined store image elements, whereas the current study examined an omnichannel customer experience. | Empirical study |

| | | | |
|---|---|---|---|
| El-Adly & Eid (2016) | Retail industry, United Arab Emirates, which is a proxy for offline customer experience | There is a strong positive relationship between customer satisfaction and customer loyalty. Satisfaction explained 62.3% of the resulting loyalty. This is in line with the current study results that customer satisfaction is an antecedent of loyalty. | Empirical study |
| Leninkumar (2017) | Banking industry, Sri Lanka | There is a strong positive relationship between customer satisfaction and loyalty, with 60.1% of loyalty being driven by customer satisfaction. This may be attributed to the differences in the sectors, as banking may have subtle differences in their offerings, whereas retail has homogeneous product offerings. | |
| Kamran-Disfani, Mantrala, Izquierdo-Yusta & Martinez-Ruiz (2017) | Retail industry, Spain - only physical store formats were evaluated, which are a proxy for offline customer experience | Customer satisfaction has a significant effect on attitudinal loyalty but no effect on behavioural loyalty. This is in contrast to this current study, which considered both types of loyalty as one concept and showed that 92.4% of loyalty in this context could be explained by customer satisfaction. | Empirical study |
| Cuong & Khoi (2019) | Retail industry, Vietnam - convenience stores are a proxy for offline customer experience | The relationship between customer satisfaction and customer loyalty was medium (0.189), in contrast to this study which found a significant positive relationship between customer satisfaction and loyalty (standardised coefficient = 0.924). This may be explained by the fact that they focused on the social value aspect, whereas the current study only evaluated utilitarian and hedonic value. | Empirical study |
| Kusumawati & Rahayu (2020) | Service industry, outdoor cafés in Malang - quality experience is a proxy for offline customer experience | There is a significant positive relationship between customer satisfaction and customer loyalty, but was less significant in comparison to the current study. | Empirical study |

## 5.4 Sub-problem 2 discussion: How do loyal customers engage with firms and other customers in order to produce value?

The second sub-problem of this study was to understand how loyal customers engage with the firm and other customers in order to produce value. In terms of the specific hypotheses, the fifth hypothesis predicted a positive relationship between customer loyalty and customer engagement. Examination of the current study data through CFA and regression analysis shows that there is no statistically significant relationship between these constructs; therefore, the null hypothesis is accepted. The results are discussed below.

### *Hypothesis 5: Relationship between customer loyalty and customer engagement*

*$H5_0$: There is no relationship between loyalty and customer engagement.*

*$H5_1$: There is a positive relationship between loyalty and customer engagement.*

**Table 29:**

Loyalty and Engagement

| Engagement and | Estimate | Std Err | z-value | P(>\|z\|) | Std lv | Std all |
|---|---|---|---|---|---|---|
| Loyalty | -0.010 | 0.025 | -0.411 | 0.681 | -0.027 | -0.027 |

*Note:* Results for the regression analysis between loyalty and engagement

Loyalty does not have a statistically significant effect on customer engagement, given that the p-value is 0.681, which is more than 0.05. The standardised coefficient for CPV is -0.027. Loyalty therefore has an inversely proportional effect on engagement. In other words, if loyalty is increased by 1 unit, then engagement decreases by -0.027.

- ***Loyalty does not have a statistically significant effect on customer engagement, thus the null hypothesis is accepted in this case***

In order to produce sustainable competitive advantage and to create differentiation, customer satisfaction and loyalty need to be expanded to include customer engagement (Pansari & Kumar, 2017). Literature has established the strong positive relationship between customer satisfaction and customer loyalty (Cossio-Silva et al., 2016; Van Asperen et al., 2017; Jain et al., 2017). Customer engagement focuses on customer behaviour that surpasses purchase (Brodie et al., 2011) and evaluates customers' value to the firm, which is non-transactional (Monferrer et al., 2019).

This model was expanded to include customer engagement, as loyalty in this study has an attitudinal aspect, which means that if a customer recommends the product or service, loyalty is present. This may be a substitute for customer engagement (Cossio-Silva et al., 2016). Therefore, a positive relationship was expected between customer loyalty and customer engagement.

Previous literature has highlighted that customers' experiences through their purchasing journey with the firm may be positive or negative. If these experiences are positive, they may lead to customer satisfaction and emotions about the firm. These positive feelings will most likely lead to repurchase intention as well as generate non-transactional behaviour such as engagement (Monferrer et al., 2019). Therefore, it was expected that the relationship between CPV, customer satisfaction, customer loyalty and customer engagement would be a positive one.

Loyal customers are  the most profitable customers within the firm (Kumar & Reinartz, 2018). Therefore, it is essential that firms focus not only on creating loyal customers, but also engendering attitudinal loyalty outcomes such as customer engagement. Pansari and Kumar (2017, p. 295) propose that "when a relationship is satisfied and has emotional bonding, it then progresses to the stage of 'engagement'". Numerous studies highlight that engaged customers could lead to a sustainable competitive advantage for the firm (Brodie et al., 2011).

According to Kamran-Disfani et al. (2017), customer satisfaction had a positive significant effect on attitudinal loyalty ($\beta = 0.511$, $p < 0.01$). In the context of their study, attitudinal loyalty was defined as "the customer's propensity to recommend a store or brand and hold generally positive attitudes" and behavioural loyalty as "actions that would result from those attitudes" (Kamran-Disfani et al., 2017, p. 17). Therefore, the

definition of attitudinal loyalty was similar to the definition of engagement used in this study. The findings of this current study show an inverse effect of customer loyalty to engagement.

Given that the results of this study show that customer loyalty does not have a statistically significant relationship to customer engagement and there is evidence in the literature of customer engagement being an antecedent of customer loyalty, an alternate model was then proposed and investigated utilising CFA. The alternate model considered the following relationship: CX-CPV-CS-CE-CL. However, this study proved that statistically customer loyalty affects customer engagement, and not the inverse relationship as was expected.

## 5.5 Conclusion

In conclusion, the results of this study support the predictions of the first four hypotheses and contradict the fifth hypothesis. Customers' experiences in both online and offline contexts had a significant positive relationship to customer perceived value. The research findings were discussed in view of previous studies in both the South African context and other industries and countries that were in line with the results of this study. Theoretical evidence supports the third hypothesis as well, that customer perceived value and customer satisfaction are indeed separate concepts that do have a direct positive effect on each other.

The fourth hypothesis was supported in that customer satisfaction is an antecedent of customer loyalty and has a strong positive effect on it. The fifth hypothesis, however, was not supported and further investigation into an alternate model provided support for the original model in that customer loyalty is an antecedent of customer engagement, albeit not with a statistically significant effect. The model fit of the alternate model could not be established with significance, after having conducted exploratory factor analysis to establish model fit and assess the new model providing support for the original findings.

# CHAPTER 6. CONCLUSIONS AND RECOMMENDATIONS

## 6.1 Introduction

This chapter introduces the conclusions of this study. The findings of the research are summarised and the conclusions are proposed in the context of other published studies (6.2). The theoretical and practical implications are then summarised in the recommendations (6.3). Finally, suggestions for areas of future research are made (6.4).

## 6.2 Conclusions of the study

The objective of the study was to evaluate how customers' experiences affect their perception of value in a firm's online and offline channels and whether this has a positive relationship on customer satisfaction and consequently loyalty. Therefore, an assessment of the causality of the model was undertaken to evaluate the customer perceived value-customer satisfaction-customer loyalty relationships.

The model adopted is a progressive model that is made up of different elements, customer experience is proposed as the mechanism to create customer perceived value which may have influenced the other variables proposed in the model i.e. customer satisfaction, loyalty and customer engagement. However, they are different concepts that are related in order to give practioners guidance as to what elements they may utilize in order to engender satisfaction, loyalty and engagement outcomes which may in line with their objectives be it customer acquisition or retention goals.

Furthermore, this study evaluated if there is a positive relationship between customer loyalty and customer engagement within the South African retail context. Jain et al. (2017) proposed the customer experience model CPV-CS-CL, and this study included customer engagement in order to expand the model (Pansari & Kumar, 2017).

Jain et al. (2017), Hussadintorn Na Ayutthaya and Koomsap (2019) and Kuppelwieser et al. (2021) propose expanding customer experience models to include CPV. The results of

this study support these assertions as a strong positive relationship was found between customer experience in an online and offline context and CPV. Additionally, a strong positive relationship was found between CPV and customer satisfaction within the context of this study. This validates existing literature which highlights that CPV is a separate construct from customer satisfaction (Sweeney & Soutar, 2001).

Based on the results of this study, customer experience in an offline and online context does have a direct positive effect on CPV. However, it is important to note that there is a difference in the effect of each experience on CPV. Online customer experience had a greater effect (standardised coefficient = 0.626, p-value = 0.000) on CPV than offline customer experience (standardised coefficient = 0.497, p-value = 0.000).

There is a great deal of literature on the effect of the offline or physical customer experience on CPV, but there is a gap in literature on the online customer experience and its effect on CPV. In many cases service quality or contextual experience had to be used as a proxy in order to draw comparisons of results in support of the findings of this study in other contexts.

Results from studies which only evaluated offline customer experience on CPV showed a higher effect of offline customer experience than the current study: Kusumawati and Rahayu (2020): standardised coefficient = 0.772, p-value = 0.000; El-Adly and Eid (2016): standardised coefficient = 0.729, p-value < 0.001. Thomas and Dhanya (2011) also reported that contextual experience had a significant positive impact on perceived value (regression weight = 0.386), more so than product or service quality.

Therefore, the results of this study show that in the South African retail market, offline customer experience had a strong positive relationship with CPV but only represented 49.7% of the effect on CPV. This is in contrast to studies in other contexts which showed a much higher weighting of customer experience in physical environments on CPV. This may be explained by the sample size being skewed to a younger age group and over a quarter of the sample (26.6%) having shopped in both online and offline channels together. Therefore, there would be a mediating effect of online channels on the CPV generated through offline channels.

In contrast, research done by Chinomona et al. (2014) within the South African retail context is supported by the results that the current study produced as they evaluated the

effect of online customer experience on CPV. They found a strong positive relationship between e-service quality and CPV (standardised coefficient = 0.827).

The characteristics of the sample skewed towards Gen Z (56.9%), who may display a larger propensity for research shopping. This may account for the online customer experience not having such a high weighting as the previous study within the same context that only assessed online shopping and not a combination of both.

The current study proved the strong positive and antecedent relationship between CPV and customer satisfaction within the South African retail context. Previous studies also established a strong positive relationship between CPV and customer satisfaction in a highly competitive context similar to the South African retail market (El-Adly & Eid, 2016; Gan & Wan, 2017; Akroush & Mahadin, 2019; Cuong & Khoi, 2019; Kim et al., 2019).

In this study CPV is a second-order factor that is composed of both customer experience online and customer experience offline. In light of this, the expectation that the strength of the relationship between the CPV and customer satisfaction constructs would be greater in this study than others, not taking into account other moderating factors such as culture and industry, given the diversity of the contexts being evaluated.

The results are in line with previous studies in other contexts. Chinomona et al. (2014) showed that increased CPV had a positive effect on customer satisfaction. The difference in the result compared to the current study (standardised coefficient = 0.802) may be explained by the fact that only online CPV was assessed in its effect on customer satisfaction in the Chinomona study. Even though the context was within the South African retail industry, the stronger relationship may be attributed to the addition of the effect of the offline customer experiences on this relationship.

This study confirmed the strong positive and causal relationship between customer satisfaction and customer loyalty. Numerous other studies are supported by these results (Beneke et al., 2012; Thomas, 2014; El-Adly and Eid, 2016; Leninkumar, 2017; Kamran-Disfani et al., 2017; Cuong & Khoi, 2019; Kusumawati & Rahayu, 2020).

Causality in terms of the CPV-CS-CL relationship has been established through the results of this study. Therefore, the model proposed by Jain et al. (2017), i.e. CPV-CS-

CL, has been validated within the context of the customer experience in the South African retail market.

The final construct of customer engagement was added to the model to expand it in order to create a more robust model. The results of this study show that loyalty does not have a statistically significant effect on customer engagement, given that the p-value was 0.681, which is above 0.05. Increasing customer loyalty does not have an effect on improving engagement; in fact, any increase in loyalty has an inverse effect on customer engagement. Therefore, depending on the goals of the firm, loyal customers are not compelled to share their experiences online with other customers.

## 6.3 Recommendations

The research gap for this study emerged from the current lack of academic studies examining customer experiences in order to engender long-term loyalty outcomes, due to the growing complexity of customer journeys. Marketing professionals have identified customer experience management as an important marketing strategy to create sustainable competitive advantage as well as value for consumers (Kumar & Reinartz, 2016; Homburg et al., 2017) in order to improve firm performance.

They have also recognised a need to expand customer loyalty models to create a more holistic understanding of the antecedents and consequences of customer loyalty (Harmeling et al., 2017; Pansari & Kumar; 2017; Kuppelwieser et al., 2021). Theoretical and practical implications and recommendations that follow from this research are summarised below.

### 6.3.1 *Empirical recommendations*

Previous research has highlighted that retail is evolving from multichannel into omnichannel. This has broadened the scope of retail as digitisation has resulted in channels merging (Verhoef et al., 2015; Barwitz & Maas, 2018). The advancement of technology has affected retail business models (Zare & Mahmoudi, 2020) and led to a proliferation of channels (Brynjolfsson et al., 2013; Verhoef et al., 2015; Barwitz & Maas, 2018).

The idea of creating sustainable competitive advantage through customer journeys and their experiences has been identified (Brynjolfsson et al., 2013; Edelman & Singer, 2015; Verhoef et al., 2015). This emerged from the advancement of technology which has resulted in extremely competitive environments and fewer opportunities for firms to engender long-term loyalty outcomes through customers' experience (Edelman & Singer, 2015, Lemon & Verhoef, 2016).

The South African retail market is a highly competitive, mature and saturated industry (Wilson et al., 2019). This makes it essential that firms seek to create sustainable competitive advantage as well as engender loyalty outcomes in order to improve their performance (Kumar & Reinartz, 2016; Lemon & Verhoef, 2016).

This study has addressed the gap in literature by evaluating customers' experiences across both online and offline channels. The results of this study show the strong positive effect of both online and offline customer experiences on CPV. Therefore, this substantiates the need for positive customer experiences in order to ensure sustainability of firms within mature markets in the retail industry.

Additionally, literature highlights that it is essential to develop and validate frameworks to manage customer experience. The model that was proposed and put forward was the assessment of the causal relationships between customer perceived value-customer satisfaction-customer loyalty (Jain et al., 2017; Akroush & Mahadin, 2019).

The need for this model to be generalised across different industries and contexts has been highlighted (Jain et al., 2017; Akroush & Mahadin, 2019). In order for the validity and theories on CPV, customer satisfaction and customer loyalty to be evaluated for their relevance, they need to be tested in different environments. The second key take-away from this study is the positive causal relationships between these constructs within the South African retail context.

A great deal of literature has focused on conversion rather than loyalty and engagement outcomes. This study filled these gaps. The advent of technology is additionally reducing the "loyalty funnel". Studying the customers' experiences in the "purchase funnel" will provide further insight into optimising their experience within the South African retail context. This will engender behavioural outcomes such as loyalty and engagement (Edelman & Singer, 2015; Lemon & Verhoef, 2016; Harmeling et al., 2017).

The results of this study show that there is a stronger positive effect of customer experience on customer loyalty than reported in the existing literature. Previous literature focused on either physical customer experiences, or offline experiences and online customer experiences in isolation. This study evaluated the combined effect of both offline and online experiences on CPV, customer satisfaction and customer loyalty. In most cases the results of this study were compared with those of others, and produced a stronger positive effect of each construct on each other stemming from the combined effect of both experiences. Therefore, this implies that there is a need for both experiences in order to generate higher levels of loyalty in order for firms to remain sustainable within the mature South African retail industry.

### 6.3.2 *Practical recommendations*

Retailers are becoming omnichannel and adding more channels, media and devices to their marketing mix. These all start competing for marketing investment, and the optimal allocation of resources becomes crucial for retailers in order to deliver superior performances (Kannan et al., 2016). This is in order to attract customers to increase sales and yield long-term outcomes such as loyalty and customer satisfaction. "As customers go through a series of touch points across media, channels and devices on their paths to purchase, understanding the effectiveness of each touch point and their complementary roles in leading to overall conversations is becoming very important" (Kannan et al., 2016, p. 449).

The results of this study show that online customer experience has a greater effect on CPV than offline customer experience. Therefore, in order for the firm to engender greater loyalty, investments may be split across a firm's online and offline channels accordingly. Given that many retailers are making notable investments into their online channels to improve the customer experience, they should not do this to the detriment of their customers' offline experiences.

A gap in extant literature also emerged in that the inclusion of CPV as a separate construct is essential in practice as it is distinct from customer satisfaction (Lemon & Verhoef, 2016; Jain et al., 2017; Akroush & Mahadin, 2019). Customer satisfaction arises after consumption (Oliver, 1999; Monferrer et al., 2019; Ali & Naushad, 2021) of a product or

service, whereas CPV may occur throughout the customers' experience regardless of consumption (Sweeney & Soutar, 2001).

The results of this study show a strong positive relationship between customer experience in both online and offline contexts and CPV. This validates the need for the inclusion of the CPV construct as a separate one from customer satisfaction in order to expand the understanding of the customer experience phenomenon (Vogel et al., 2008; Jain et al., 2017; Akroush & Mahadin, 2019). This also has practical implications in terms of retention strategies, as this study identified that CPV was responsible for 80.2% of customer satisfaction within the South African retail context, which then accounted for 92% of the resulting customer loyalty.

An expansion of the model was proposed to include customer engagement. This enables further insight into the relationship between loyal customers and their propensity to engage with the firm utilising their own platforms. Examining the relationships between customer experiences that engender CPV, customer satisfaction and loyalty and that may incite customers to voluntarily utilise their own customer-owned resources will ultimately improve long-term firm performance (Harmeling et al., 2017; Pansari & Kumar, 2017).

The results of this study show that customer loyalty does not have a significant effect on customer engagement and in fact has an inverse relationship. Therefore, strategies to leverage on customer-owned resources of customers that the firm may identify as "loyal customers" are not viable in the context of the South African retail industry.

## 6.4 Suggestions for further research

This study makes important contributions to academia and practice, but it had some limitations. Therefore, some future research avenues are suggested. One of the main limitations was that data was collected from the University of the Witwatersrand database and therefore the sample was skewed based on age. Future studies could be extended to participants from a more representative sample in terms of age within the South African retail context.

This results of this study give credibility to the proposition that brick-and-mortar retail is evolving rather than declining, and that these two channels are merging. An analysis

of the shopping channel within this study identified that 52.8% of the sample shopped in the offline channel only, 26.6% shopped in both the online and offline channels and only 2.5% shopped in a purely online channel.

The development of digital technology and the addition of supplementary channels have resulted in a proliferation of retail and communication channels (Barwitz & Maas, 2018). Customers now have access to numerous ways of designing their own customer journeys, from the evaluation, purchase and post-purchase stages (Brynjolfsson et al., 2013; Verhoef et al., 2015; Lemon & Verhoef, 2016). Customer journeys are becoming more complex (Lemon & Verhoef, 2016; Herhausen et al., 2019).

Digital tools are changing how customers interact with organisations. Consumers now have the ability to switch easily between channels. In an omnichannel context new phenomena are emerging, i.e. show rooming and reverse show rooming (Parise et al., 2016; Herhausen et al., 2019). In show rooming, consumers use the physical store "to examine and determine which products and brands they want to purchase then make the purchase online, often for a competitor's product" (Parise et al., 2016, p. 422). In reverse show rooming, firms encourage and enable consumers who shop in physical stores to utilise their digital platforms to search for products (Parise et al., 2016).

Traditional brick-and-mortar stores within the South African retail context are adding online and digital channels. Online retailers are starting to move into the physical realm by opening stores in order to provide their customers with experiences that they cannot create online, both with the intention of creating "a highly personalized, consistent and integrated shopping experience across all points of contact between retailers and customers" (Bolton et al., 2018, p. 784). Due to the mature nature of the industry, customer experience is becoming a way to create sustainable competitive advantage (Jain et al., 2017; Zare & Mahmoudi, 2020).

This study examined only how online and offline channels interact to derive value for consumers in their path to purchase and enhance loyalty outcomes. However, there are spill-over effects between online and offline channels which literature has highlighted (Kannan & Hongshuang, 2017).

This, in addition to the results of this study which identified the phenomenon of merging channels within the South African retail context, suggests that further research must be undertaken in order to better understand show rooming and reverse show

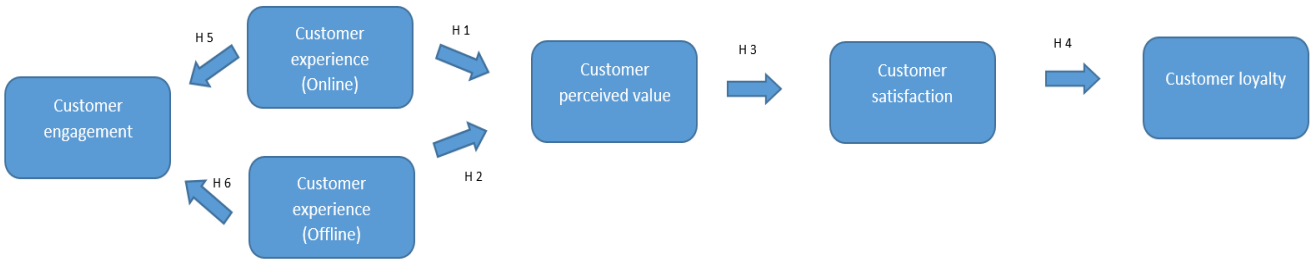
rooming and their effect on customer perceived value and resulting customer satisfaction and loyalty. Literature also highlights the importance of customer experience on the sustainability of firms (Lemon & Verhoef, 2016; Homburg et al., 2017; Barwitz & Maas, 2018; Zare & Mahmoudi, 2020).

This study found that customer satisfaction has a strong positive relationship to customer loyalty, but it was limited as it did not evaluate the effect of online and offline customer experience on customer satisfaction. Due to the results of this study reinforcing that CPV and customer satisfaction are separate constructs, further study should be undertaken to evaluate the effect of online and offline customer experience on customer satisfaction in addition to CPV. This will allow for a more accurate approach to the allocation of resources in order to engender loyalty. As the results of this study show that there is a difference in the effect of the online and offline customer experience on CPV, there may potentially be differing effects of online and offline customer experience on customer satisfaction.

Further research should also be undertaken to assess the relationship between offline and online customer experience and its direct effect on customer engagement. Therefore, an alternate model is suggested in Figure 7 below. Further regressions were undertaken based on this alternate model. The results show that online customer experience ($\beta$ = 0.131, sig = 0.330) had no effect on customer engagement, whereas offline customer experience was statistically significant ($\beta$ = 0.373, sig = 0.03). This is in contrast to the findings of this study as reported, which show that online customer experience has a greater effect on CPV than offline customer experience.

**Figure 7:**

Alternate Model 1 for Further Research




This may have implications for how resources are allocated given the goals attached to the investments made. A customer's online engagement may be a proxy for the first interaction with a firm that current and potential customers experience; this may be in the form of reviews and e-word-of-mouth (Stein & Ramaseshan, 2016). The proliferation of social media has resulted in numerous touch points on the customer journey to be interactive (Lemon & Verhoef, 2016). Therefore, customer engagement may be essential for customer acquisition.

Customer loyalty is important for customer retention. The results of this study identified that online customer experience had a greater impact on CPV, which feeds into the conceptual model proposed by this researcher.

Therefore, if a firm is focusing on retention strategies, then more investment should be allocated to resources that will enhance a customer's online experience. However, a customer's online experience has no significance for customer engagement, which is important for acquisition strategy. This has implications for resource allocation that should be investigated further. Within the context of this study, customer experience in an offline context is significant to engender customer engagement, which affects a firm's acquisition strategy.

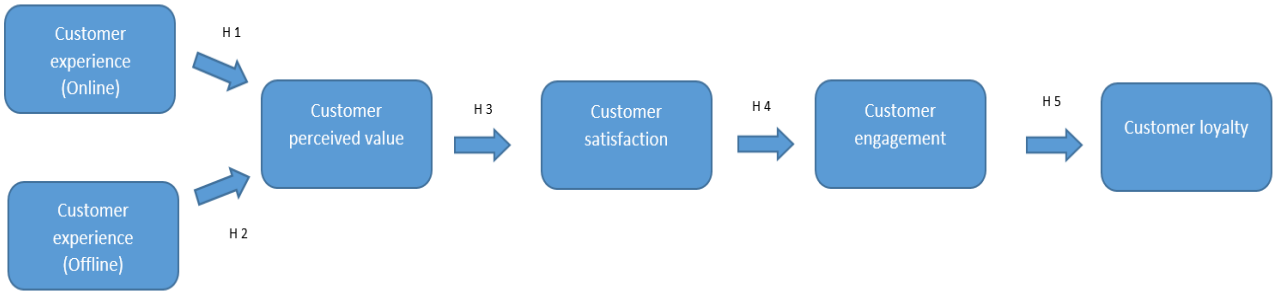
The results of this study have identified that within the South African retail context customer loyalty has an inverse relationship with customer engagement. Customer engagement has been identified as an important construct because customer satisfaction

on its own is not enough to build loyalty (Pansari & Kumar, 2017). The results of this study reinforce the call for further study into customer engagement as it relates to loyalty within the proposed conceptual model of this study.

This researcher conducted an experiment utilising another suggested alternate model in Figure 8 below, where modification indices were run. The results show the need to further explore this relationship as there is an indication that engagement may drive customer loyalty within the South African retail context.

**Figure 8:**

Alternate Model 2 for Further Research



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# APPENDIX A

Questionnaire:

Q1.1.

Title of Project: Customer Experience and Engagement in the South African Retail sector

Name of Researcher: Nadine Munsamy

Institution: University of Witwatersrand(WBS)

The aim of this research project is to find out the effect of customer's experience on customer perceived value, customer satisfaction, loyalty and engagement in the South African retail sector.

I agree to participate in this research project. The research has been explained to me and I understand what my participation will involve. I agree to the following:

1. I understand that my participation is voluntary and I am free to withdraw at any time without giving any reason

2. I agree that my participation will remain anonymous

3. I agree that the information I provide may be used in an anonymized format after this project has ended, for academic purposes by other researchers, subject to their own ethics clearance being obtained

4. There will be no personal costs to you if you participate in this project

| | |
|---|---|
| Yes, I consent | |
| No, I do not consent | |

## Section One: Screening Questions

Q2.1. What is your age group? If you are below the age of 18 years old please do not complete this survey

- 18-24 years
- 25-34 years
- 35-44 years
- 45 years or older

Q2.2. Please confirm your actual age (in years) below

Q2.3. Have you completed a shopping journey for groceries and other items excluding clothing (e.g. food items, toiletries, electronics to name a few) in the last month?

- Yes
- No

Q2.4. Which retailer have you made your last purchase?

Q3.1. Please choose the option that most describes your shopping journey?

| | |
|---|---|
| In a store only | |
| Online only | |
| Both in a store and online | |

Q4.1. The following questions measure customer experiences in a physical store. Please respond to each question using the scale below, for each question, select the option that best reflects your response. Please answer openly and honestly there are no right or wrong answers

Q4.2. The environment of this retail store made you do the following(cognitive):

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| Made you think and reflect | | | | | | | |
| Taught you interesting things | | | | | | | |
| Awakened your curiosity | | | | | | | |
| Awakened your creativity | | | | | | | |
| Bring interesting ideas to mind | | | | | | | |
| Inspires you | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Interests you | | | | | | | |

Q4.3. The environment of this retail store made you feel the following(affective):

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| In a good mood | | | | | | | |
| Contented | | | | | | | |
| Happy | | | | | | | |
| Optimistic | | | | | | | |
| Hopeful | | | | | | | |
| Enthusiastic | | | | | | | |
| Thrilled | | | | | | | |
| Surprised | | | | | | | |
| Amazed | | | | | | | |
| Astonished | | | | | | | |

Q4.4.

The environment of this retail store allowed for the following social experience with other customers:

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| I advise customers who ask my opinion on this stores products/service | | | | | | | |
| I ask the opinions of customers who shop at this store | | | | | | | |
| I share opinions with this stores customers | | | | | | | |
| I interact with this store's customers | | | | | | | |
| I consider myself a member of the community of customers who shop at this store | | | | | | | |

Q4.5. The environment of this retail store allowed for the following social experience with employees

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| I give my opinion to this stores employees | | | | | | | |
| I receive advice from this stores employees | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| I ask the opinion of the stores employees | | | | | | | |
| I share my opinions with the stores employees | | | | | | | |
| I interact with this stores employees | | | | | | | |

Q4.6.

The environment of this retail store made you feel(Physical):

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| Energy | | | | | | | |
| Vitality | | | | | | | |
| Comfort | | | | | | | |
| Relaxation | | | | | | | |
| Well-being | | | | | | | |

Q5.1. The following questions measure online customer experiences. Please respond to each question using the scale below, for each question, select the option that best reflects your response. Please answer openly and honestly there are no right or wrong answers.

Q5.2. When shopping online the following describe me(skill):

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| I consider myself knowledgeable about good search techniques for internet shopping | | | | | | | |
| I am extremely skilled at internet shopping | | | | | | | |
| I know how to find what I am looking for when Internet shopping | | | | | | | |
| I know somewhat more than other users about internet shopping | | | | | | | |

Q5.3.

The online shopping experience does the following for me(Connectedness):

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| Being able to connect with other consumers who share similar interest in the same products is a positive feature of internet shopping | | | | | | | |
| Being able to share my comments about my | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| experiences of the products with other consumers on internet shopping websites is an important feature to me | | | | | | | |
| Viewing the product recommendation of other consumers who use internet shopping is helpful | | | | | | | |

Q5.4. The following describes my feelings on the online shopping experience (Customization):

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| Internet shopping websites should feel like they are talking to me personally as a customer | | | | | | | |
| The requirement to log into an internet shopping website makes me feel recognized as a customer | | | | | | | |
| It is important to me that an internet shopping website feels like my personal area when I use it | | | | | | | |
| I like it when I am able to customize the internet shopping web pages to my own liking | | | | | | | |

Q5.5. The following describes my feelings on the online shopping experience (ease of use):

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| Internet shopping allows me to easily shop for what I want | | | | | | | |
| It is easy to become confident at internet shopping | | | | | | | |
| Learning to navigate internet shopping does not take too long for me | | | | | | | |

Q5.6. The following describes my feelings on the online shopping experience (Beneficial):

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| I can learn which products are suitable for my needs in comparison to other competitor products by browsing internet shopping sites | | | | | | | |
| With internet shopping websites I can find out what I want to know before I purchase online | | | | | | | |
| By reviewing the information provided by the internet shopping | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| websites I can be confident that I have made the best purchase decision | | | | | | | |
| The convenience of internet shopping is a key benefit | | | | | | | |

(Fishbein & Ajzen, 1975)

Q5.7. The following describes my feelings on the online shopping experience (Repurchase intention):

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| It is likely that I will repurchase from internet shopping websites in the near future | | | | | | | |
| I anticipate repurchasing from internet shopping sites in the near future | | | | | | | |
| I regularly repurchase from the same websites | | | | | | | |
| I expect to repurchase from internet shopping websites in the near future | | | | | | | |

Q6.1. The following questions measure your perceived value whether you completed a shopping journey online or in store. Please respond to each question using the scale below, for each question, select the option that best

reflects your response. Please answer openly and honestly there are no right or wrong answers.

Q6.2.

The following describes my feelings of my experience (Quality):

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| It was outstanding quality | | | | | | | |
| The product or service is very reliable | | | | | | | |
| The product/service is very dependable | | | | | | | |
| The service/product is very consistent | | | | | | | |

Q6.3.

The following describes my feelings about my purchase (Price):

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| It is a good buy | | | | | | | |
| It is worth the money | | | | | | | |
| It is fairly priced | | | | | | | |
| It is reasonably priced | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| It is economical | | | | | | | |
| It appears to be a good bargain | | | | | | | |

Q6.4.

The following describes my feelings about my purchase (Reputation):

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| It has a good reputation | | | | | | | |
| It is well respected | | | | | | | |
| It is well thought out | | | | | | | |
| It has status | | | | | | | |
| It is reputable | | | | | | | |

Q7.1. The following questions measure satisfaction with your purchase. Please respond to each question using the scale below, for each question, select the option that best reflects your response. Please answer openly and honestly there are no right or wrong answers.

Q7.2. The following describes my feelings about my purchase and overall experience(disconfirmation)

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| It was worse than expected | | | | | | | |
| It was better than expected | | | | | | | |

Q7.3. The following describes my feelings about my purchase and overall experience (post purchase)

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| I am likely to repurchase this product or service again | | | | | | | |
| I would recommend this product or service | | | | | | | |

Q8.1. The following questions measure loyalty. Please respond to each question using the scale below, for each question, select the option that best reflects your response. Please provide as truthful and precise answers as you possibly can, there are no wrong answers as it applies to your unique experience

Q8.2.

The below question comprises a list of statements that will be used to understand your feelings as a result of your experience(Conative).

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| I would recommend this organisation to people who seek my advice | | | | | | | |
| I would tell other people positive things about the organisation | | | | | | | |
| I would recommend this organisation to my friends | | | | | | | |
| I would use this organisation again | | | | | | | |

Q8.3. The below question comprises a list of statements that will be used to understand your feelings as a result of your experience.

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| I am likely to say positive things about this organisation and products to other people | | | | | | | |
| I would recommend this organisation and products | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| to someone who seeks my advice | | | | | | | |
| I intend to continue to use this organisation if its prices increase somewhat | | | | | | | |
| I am likely to spend more money at this organisation than other organisations | | | | | | | |

Q9.1. The following questions measure your engagement. Please respond to each question using the scale below, for each question, select the option that best reflects your response. Please provide as truthful and precise answers as you possibly can, there are no wrong answers as it applies to your unique experience.

Q9.2. The below question comprises a list of statements that will be used to understand your feelings as a result of your experience.

| | Strongly Disagree | Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|---|
| I engage in conversations online about the company | | | | | | | |
| I share the companies posts on my own social media pages | | | | | | | |
| I recommend the companies social media pages to my contacts | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| I upload product related video, audio, pictures or images | | | | | | | |

## 10. Demographics

Q10.1 What is your gender?

- Male
- Female
- Other

Q 10.2. What is your present employment status?

- Working Full-time
- Working part time/ freelancing
- Retired
- Unemployed
- Housewife/ Househusband
- Prefer not to say

Q10.3. What is your highest level of education?

- No formal Education
- Primary School
- Secondary School/Matriculated
- Undergraduate studies (University, Technikon, College)
- Post Graduate studies (Honors and Masters)
- Other Diploma or certificate
- Prefer not to say

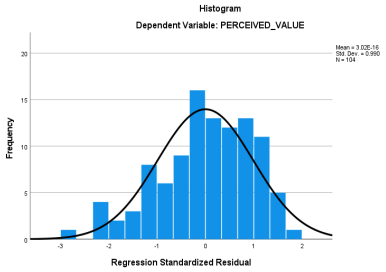
Q10.4. For the analytical purposes of this study please stipulate what the total monthly income of your household is:

- Less than R10 000
- 10 000- 24 999
- 25 000- 49 999
- 50 000 – 99 999
- 100 000- 499 999

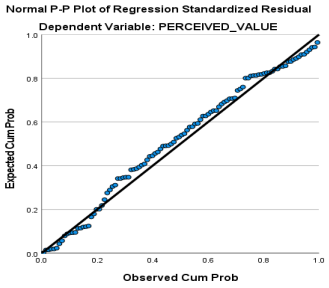
- Over 500 000
- Don’t know/ Prefer not to say

# APPENDIX B

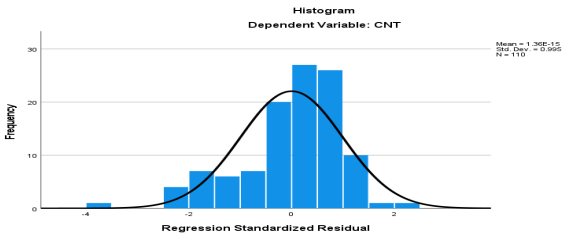
## Figure 9: Histogram Customer Perceived Value




## Figure 10: P-P Plot Perceived Value

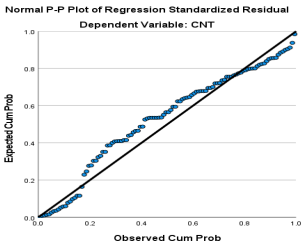



## Figure 11: Histogram Customer Satisfaction




The diagram below shows that there are no significant outliers thus perceived value does not deviate from the normal distribution.

**Figure 12: P-P Plot Customer Satisfaction**




The histogram below shows that Loyalty has a bell-shaped distribution with a peaked top implying that it deviated from the normal distribution but the P-P plot shows that there are no significant outliers thus the deviation is not catastrophic and the data can be used for regression.

**Figure 13: Histogram Loyalty**

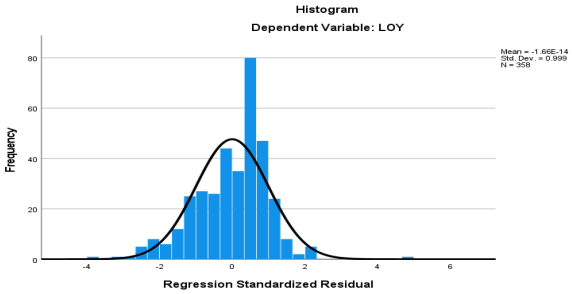



**Figure 14: P-P Plot Loyalty**

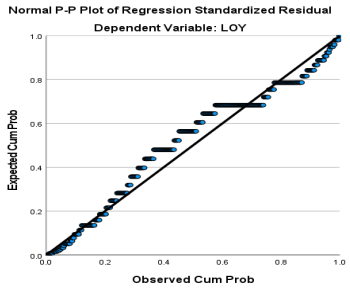


**Figure 15: Histogram Engagement**

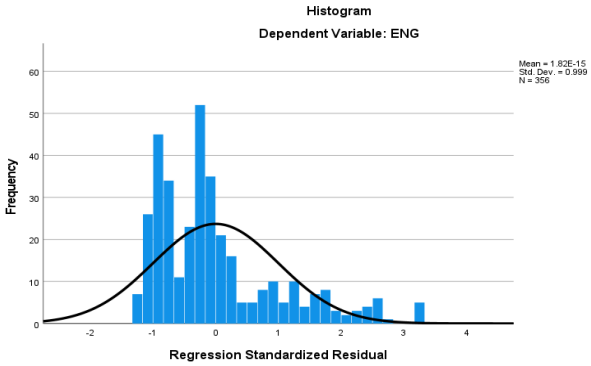
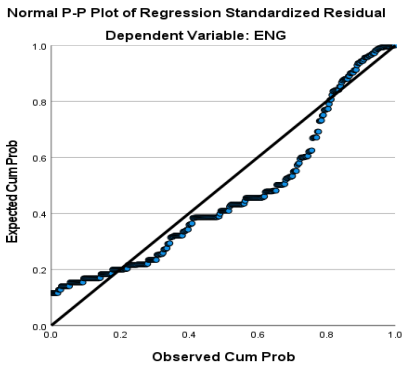



**Figure 16: P-P Plot Engagement**




Engagement is slightly skewed to the right but does not severely deviate from the normal distribution as illustrated by the bell-curve on the histogram. The P-P plot also shows that although the distribution is not exactly linear, it did not contain values that were outliers.

# APPENDIX C

## Figure 17: Inter-factor Correlations

| | CO | AFF | PHY | EOU | BEN | REI | QUA | PRI | REP | CNT | ENG | LOY | CX_Onl | CX_Off | Prcv_V | Cstm_S |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CO | 1.000 | | | | | | | | | | | | | | | |
| AFF | 0.708 | 1.000 | | | | | | | | | | | | | | |
| PHY | 0.655 | 0.759 | 1.000 | | | | | | | | | | | | | |
| EOU | 0.095 | 0.110 | 0.102 | 1.000 | | | | | | | | | | | | |
| BEN | 0.101 | 0.117 | 0.108 | 0.525 | 1.000 | | | | | | | | | | | |
| REI | 0.097 | 0.112 | 0.104 | 0.504 | 0.536 | 1.000 | | | | | | | | | | |
| QUA | 0.301 | 0.349 | 0.323 | 0.330 | 0.350 | 0.336 | 1.000 | | | | | | | | | |
| PRI | 0.212 | 0.246 | 0.228 | 0.232 | 0.247 | 0.237 | 0.316 | 1.000 | | | | | | | | |
| REP | 0.325 | 0.376 | 0.348 | 0.355 | 0.377 | 0.362 | 0.483 | 0.340 | 1.000 | | | | | | | |
| CNT | 0.362 | 0.420 | 0.388 | 0.396 | 0.421 | 0.404 | 0.539 | 0.380 | 0.580 | 1.000 | | | | | | |
| ENG | 0.313 | 0.362 | 0.335 | 0.030 | 0.032 | 0.031 | 0.134 | 0.095 | 0.145 | 0.142 | 1.000 | | | | | |
| LOY | 0.335 | 0.388 | 0.359 | 0.366 | 0.389 | 0.374 | 0.498 | 0.351 | 0.537 | 0.925 | 0.123 | 1.000 | | | | |
| CX_Online | 0.135 | 0.156 | 0.145 | 0.703 | 0.747 | 0.717 | 0.469 | 0.330 | 0.505 | 0.563 | 0.043 | 0.521 | 1.000 | | | |
| CX_Offline | 0.782 | 0.906 | 0.839 | 0.121 | 0.129 | 0.124 | 0.385 | 0.272 | 0.415 | 0.463 | 0.400 | 0.428 | 0.173 | 1.000 | | |
| Perceived_Value | 0.450 | 0.521 | 0.483 | 0.492 | 0.523 | 0.502 | 0.669 | 0.472 | 0.721 | 0.805 | 0.201 | 0.744 | 0.700 | 0.576 | 1.000 | |
| Customer_Satisfaction | 0.362 | 0.420 | 0.388 | 0.396 | 0.421 | 0.404 | 0.539 | 0.380 | 0.580 | 1.000 | 0.142 | 0.925 | 0.563 | 0.463 | 0.805 | 1.000 |

# APPENDIX D

**Figure 18: Results of Mardia Kurtosis**

|Test |Statistic |p value |Result |

|:---|:---|:---|:---|

|Mardia Kurtosis |-1.19855687241903 |0.23070029633072 |YES |

# APPENDIX E

## Figure 19: Goodness of Fit Results

```
lavaan 0.6-9 ended normally after 172 iterations

  Estimator                                         ML
  Optimization method                           NLMINB
  Number of model parameters                       177

                                                  Used       Total
  Number of observations                           463         792
  Number of missing patterns                        10

Model Test User Model:

  Test statistic                              2126.273
  Degrees of freedom                             1148
  P-value (Chi-square)                          0.000

Model Test Baseline Model:

  Test statistic                             15792.787
  Degrees of freedom                              1225
  P-value                                        0.000

User Model versus Baseline Model:

  Comparative Fit Index (CFI)                    0.933
  Tucker-Lewis Index (TLI)                       0.928

Loglikelihood and Information Criteria:

  Loglikelihood user model (H0)             -23382.791
  Loglikelihood unrestricted model (H1)     -22319.654

  Akaike (AIC)                               47119.581
  Bayesian (BIC)                             47851.959
  Sample-size adjusted Bayesian (BIC)        47290.206

Root Mean Square Error of Approximation:

  RMSEA                                          0.043
  90 Percent confidence interval - lower         0.040
  90 Percent confidence interval - upper         0.046
  P-value RMSEA <= 0.05                          1.000

Standardized Root Mean Square Residual:

  SRMR                                           0.079

Parameter Estimates:

  Standard errors                             Standard
  Information                                 Observed
  Observed information based on                Hessian
```