Influence of Retail Atmospherics on Customer Value in an Emerging Market Condition

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Abstract. This study examines the cognitive influences of atmospherics on customer value, store image, and patronage intentions in an emerging market condition. Retail store visuals have the capacity to transcend the boundary between external worlds (Alan, 2002) and what is happening inside us. The exploratory framework of the study makes it easier to understand the emerging retailing conditions in terms of larger stores, design changes, architectural makeover and its value perception among customers. The customers in an emerging market such as India reported discrepancies between value experienced and expected value (hedonic and utilitarian) due to ambiguity in the role of factors in creating appropriate state of arousal (emotional appeal). The study is successful in correlating customer value with retail environment. The study may be helpful for managers to create and implement customer value strategies in retail setup.

Key words: retail environment, customer value, store image.

The emerging retailing trends in India, especially in urban agglomerations, pose the need to understand how consumers derive value from atmospheric cues within retail settings and study their impact on human (consumer) behavior. The traditional and unorganized retailing in India, the small “mom and pop stores”, with a highly personalized service and credit extending tradition is still bound in the shackles of time and generation. In an earlier research on store choice behavior in India, the new retail formats did not seem to add sufficient additional value except for novelty (Sinha & Banerjee, 2004a). However, the retailing scenario in India is changing, at least, in terms of consumer learning, comfort, and experiential value. This is evident from the growth trends in organized retailing in India, which is constantly rising. Although the share of unorganized retailing is quite high, yet there is a positive sign for organized retailing due to emerging conditions. The emerging retailing conditions have put both retailers and shoppers in a flux with no clear idea as to what may extend value addition in the long run (Sinha & Banerjee, 2004b).

The term “atmospherics” coined by Kotler (Kotler, 1973-4; Areni & Kim, 1994), that consumers interact with during their shopping experience (Sarel, 1996) is a matter of concern for retailers due to the bourgeoning retailing conditions in India. Evaluating consumers' perception of atmospheric cues can craft retail store image, enhance customer value, increase performance and patronage intention by minimizing cost, time, and effort in retaining or attracting new customers. Scholars have emphasized that there is significant relationship between retail environment and consumer behavior. They feel that advertising or other promotional activities are important in marketing the brand yet they do not create the desired store image that leaves a lasting impression on the consumers. The atmospherics can serve the critical role of crafting and reinforcing the desired store image. However, due to dearth of holistic approach and theoretical acknowledgement these appellations are still under-researched.

Most of the studies on atmospherics have been laboratory studies rather than field studies. However, this brings in the likelihood of departure from real retail setting. Reality is
complicated (Mick, 1997) in consumer behavior researches due to excessive reliance on perceptions, interpretations, and uses of cues in their physical, social, and psychological manifestations. Therefore, consistent with the aim of exploring real value perceptions among consumers, this research is based on actual retail settings. Harmonizing and inculcating retail atmospherics in evaluating customer value will clear the cobwebs around consumers' perception of store image, satisfaction, and most importantly the repurchase intention. The associations due to environmental dispositions in and around the retail store will help positioning and communicating value in terms of Points-of-Parity (POPs) and Points-of-Difference (PODs) in the consumer memory.

In a “get-and-give” relationship, value is the consumers' perception of utility derived from a product or service that outweighs the actual monetary cost of the product or service (Zeithaml, 1988). By “value” in this research, we not only mean “equi-marginal utility” but also “satisfaction” that is individualistic and intrinsic in nature because a person may derive less utility and more satisfaction from a product or service. Sometimes defying equi-marginal utility, a consumer may buy the product or service even if she or he derives lesser utility. This is because emotional responses lead to approach or avoidance behavior in a retail store (Baker, Grewal, and Levy, 1992). Malhotra (1983) proposed that consumers' preference for a retail store depends on the threshold value (may be referred as equi-marginal utility) allotted by consumer and if the perceived value is less than the threshold value allotted, the consumer may not choose the store for shopping. Erouglu, Machleit, and Barr's (2005) work, and Babin, Darden, and Griffin's (1994) work may be referred in context of both hedonic and utilitarian value in retail. Thus, we learn from previous researches that consumer's shopping behavior depends not only on utilities derived out of shopping but is also dependent on emotional variables as well.

Retail Atmospherics

The retail store atmospherics is an array of tangible and intangible dispositions interwoven into a web of meanings (Markin, Lillis, and Narayanan, 1976) that touches the social, psychological, economic, cultural, and religious life style of consumers, due to concordance with current fad, fashion, and trends. Retail atmospheric cues may generate sets-and-subsets of associations related to attributes, benefits, emotions of pleasure-displeasure, attraction-distraction, high-low confidence, self actualization, and basic human desires. The retail atmospherics as shown in Figure 1 consisting of environmental elements such as bright or dim lighting, classical or familiar music, attractive window dressing and layouts, magnificent architectural design, freshness and fragrance, appropriate temperature to make it cosy and comfortable, soothing and trendy color, attractive logo, and gentle crowding are ideal conditions that can affect the current and future behavior of consumers (Smith and Burns, 1996). The entire retail environment that includes brand design consistently throws brand messages that the consumer experiences throughout the shopping endeavour. The retail environment is harmoniously designed in order to communicate brand personality and image of the store. In order to add depth to the perceptions encapsulated in the atmospherics and communicate the retailer's brand value, each element of the retail environment is transformed so that it is differentiated from the competitors, standardized, and stimulate consumers' purchasing activity.
Prior Work On Retail Atmospherics

Atmospherics or the retail environment consisting of physical designs, social ambience (Grewal and Baker, 1994), emotional cues, olfactory and tactile characteristics (Spangenberg, Gorhmann, and Sprott, 2005) influences the consumers' subjective interaction with the environmental stimuli. These environmental stimuli can affect consumers' cognitive process altering value perception and shopping behavior. Kotler (1973-4), in one of the earliest literature on retail atmospherics, stated that environmental dispositions in and around a retail store can evoke perceptions about store image and patronage intention. Donovan and Rossiter's (1982) results indicate that store atmosphere influences emotional states such as pleasure, arousal, dominance, and submissiveness (as reflected in their PAD Model) and consequently blocks or elevate the consumers' mood and shopping motive. In a similar research on retail atmospherics, Gardner and Siomkos (1990) found that store atmospherics such as lighting, layout, displays, fixtures, colors, textures, sounds, and fragrance affect consumer product perception. The environmental cues not only craft store image but also speak about the identity of the store's clientele and act as signals of quality and value to other customers (Sirgy, Grewal, and Manglebury, 2000). Customer behavior, particularly among those with higher stimulus seeking tendency or hedonism, is dependent on the atmospheric characteristics of a shopping area (Grossbart, Hampton, Rammohan, and Lapidus, 1990).

Perceived Retail Crowding

Perceived retail crowding consists of human and spatial crowding (Eroglu et al., 2005) on the basis of the number of people in a store at a certain point of time. Because of this, customers may perceive feelings of discomfort and suffocation depending on their personal tolerance level and the amount of inventory that makes it difficult to move around or locate things within the store. The most important outcome that needs to be examined is the
relationship between perceived crowding and customer value because customer value in a shopping is a function of customer satisfaction, and consequently, customer value leads to store image and patronage intention. The customer value may be moderated by shopping motive and personal tolerance level. In case of excessive crowding, customers' perceived shopping goal is blocked and as a result of it, there is excessive stimulation in the consumers' mind (Grossbart et al., 1990). Due to excessive stimulation, the Stimulus-Response Process is disturbed and negative or no associations are formed, thus forcing the brain to take adaptive measures. This may lead to lack of interest, decrease in exploratory tendencies, lack of interaction with sales personnel, delay in shopping time, unnecessary distractions and ultimately decrease in customer value. In a research on retail crowding, Machleit and Eroglu (2000) found that the relationship between retail crowding and store image varies with store type and personal tolerance level of customers. Figure 2 shows the inferential model of consumers' perceptual dimension in response to crowding levels within different store formats.

**Figure 2. Perceptual Dimensions of Human and Spatial Crowding Levels in Different Store Formats**

<table>
<thead>
<tr>
<th>Crowding is ok</th>
<th>Crowding is not ok</th>
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<tr>
<td>• Extroversion tendency</td>
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<tr>
<td>• High hedonic value</td>
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<tr>
<td>• Multi brand store</td>
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<td>• Introversion tendency</td>
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<td>• Low hedonic value</td>
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<td>• Single brand store</td>
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<table>
<thead>
<tr>
<th>Crowding is not ok</th>
<th>Crowding is ok</th>
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<tr>
<td>• Unable to find goods</td>
<td></td>
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<tr>
<td>• Low hedonic and utilitarian value</td>
<td></td>
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<tr>
<td>• Any store type</td>
<td></td>
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<tr>
<td>• Heavy discounts and offers</td>
<td></td>
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<tr>
<td>• High utilitarian value</td>
<td></td>
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<td>• Discount store</td>
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**Music in Retail Stores**

Music variations such as fast, slow, classical, instrumental, and hit numbers influence consumers' mood (Yalch and Spangenberg, 2005), time spent (Kellaris and Altech, 1992; Kellaris and Kent, 1992) and emotion (Mehrabian and Russell, 1974). In earlier researches, the correlation of retail music was found with time spent in shopping and relative familiarity with music. Changing music in different parts of the store was found as influencing factor that can alter consumers' mood or appeal to different consumer segments. In this research, we have considered the possibility that customer value is derived through music in relation to time spent in shopping, crowd control, and ethnicity. We have hypothesized that customer value increases when customers' shopping time increases due to music familiarity or specifying special occasion and festivity. Music may increase or decrease stimulus seeking behavior among customers, affecting their actual shopping time, product selection, and shopping volume. Shopper's time varies due to loudness and softness of music. Relative to “no music” or “unfamiliar music,” playing “familiar music” increases consumers' attention to products and
service by emotionally connecting with them (Yalch et al., 2000). Music can potentially increase consumer value and shopping volume by providing relaxation and calmness to the consumer so that beneficial associations are created in the mind. The consumers’ interest in shopping, pleasure, and time spent depend on the nature of these associations.

**Color Perception and Lighting**

Lighting is an important determinant of retail environment. The impact of in-store illumination on shoppers' cognition, value, and consumption behavior can be seen in reference to consumers' arousal and vision (Areni and Kim, 1994) as these are two important outcomes of lighting effects. It changes consumers' mood, creates excitement and gives thematic appreciation to the store image. It is important to know whether customers feel more comfortable in bright light or soft light. Does lighting preference change with store image? Areni and Kim (1994) found that the issue of “image” versus “function” is highly critical in creating an appropriate atmosphere. However, discussion with retailers in India revealed that lighting affects customer's attraction and choice of retail store and visibility in evaluating products' features, price, ingredients, labels, etc. Butler and Biner (1987) suggested gender differences in optimal lighting requirement in presence of romantic partner. In this research, we evaluated the influence of lighting on customer value in three perspectives, namely, in presence of a shopping partner; store image; and visibility of merchandise. In India, we may clearly observe variations in lighting conditions in terms of brightness and color of lighting used in different retail setups. The lighting conditions influence consumers' time perception, visibility, and most importantly, the store image through associations created in the consumer memory at a post-purchase stage. It can be used to draw consumers' attention to strategic pockets in the store or it may help in down-playing less attractive areas.

Understanding color preferences of customers can help in communicating and building store image. Consumers have learned to associate meaning with different colors or color combination that are imbibed into the culture. Understanding color prejudices and their meaning beyond the textual context on a local scale (Lawes, 2008) can help in adding value to the store's image. Brands opt for different colors in order to communicate their uniqueness, functionality, value, and category membership. Consumers often associate brand and store image with their color. Brands like McDonald use red and yellow color to communicate leadership and happiness. Colors have differences in their significance, with changes in cultural context. For example, the color black has different significance in western and eastern cultures. Universally the color pink is used to communicate femininity, green is used for freshness, natural, and vegetarian, and so on. Moreover, the color preferences of consumers change with change in fashion, fad, and trend. In this research, we looked at the color preference of the customers and at what the customers considered as fashionable and trendy. Color contrasts have different psychological effects.

**Olfactory and Tactile Factors: Fragrance and Temperature**

Olfactory factors such as scent, freshness, etc and tactile factors such as temperature (Areni and Kim, 1994) may help in creating a holistic atmosphere in a retail store. These cues create holistic atmosphere in a retail store through aesthetically sensitive dispositions, signal
store's merchandize quality, clientele, comfort, and overall store image through associations in the consumer memory. Earlier researches on retail environment found significant and positive outcomes on store image due to consumers' emotion. Congruency of consumers' age, gender, and ethnicity with olfactory factors (Spangenberg et al, 2004) can be used in appropriate departments to influence consumers' buying behavior. Fragrance intensity varies with consumers' gender, age and ethnicity. Ambient scent and product class have significant impact on store image (Mitchell et al. 2000). The tactile factors such as temperature and smoothness of floor create aesthetically sensitive environment that potentially increases customers' value due to personal comfort and aesthetic values. Consumers in India often choose stores that facilitate comfort and environmental control. For example, during summers, consumers often prefer to seek solace and comfort in stores with aircooling facilities. These factors increase customers' exploratory tendencies and sensation seeking behavior. The tactile factors can potentially alter emotional experiences that may be stimulus seeking such as anxiety, lack of interest, foul mood and uneasiness in a public place (Grossbart et al., 1990).

**Design Factors: Layout, Signage, Décor, Etc.**

Design factors can create attraction and uniqueness to appeal to people at a focal point by signalling a pleasant and worthwhile experience. The design aspects of retail stores are an ideal convergence of artistic ideas, instinct, and business in a planned and profitable manner. According to Din (2000), retailers need to create or find out new environment in which space, cost and flexibility are designed in such a way that they effectively communicate brand value and attract consumers. Store's layout may communicate value by increasing search efficiency, comfort, inventory capacity, product quality, price, product displays, etc. Signage and window dressing is the face index of the store that can attract or repel customers from the store. Customers may develop associations of trust, value, quality of goods and services, price, warranty and guarantee, etc as they come across visuals such as signage, window dressing, logo, etc based on past shopping experiences. Signs and graphics used in the store act as bridge between the merchandise and the target market. Design factors create theatrical effect, add personality, beauty, and communicate store image.

**Method**

We chose exploratory research technique to develop an understanding of the influence of environmental dispositions on customers' perception of value and store image. The design seemed appropriate for looking at perceptions about characteristics of retail store such as store format, distance from store to home, design factors, color, crowding, and lighting, and intangible factors such as customer value, patronage intentions, and satisfaction. Moreover, the exploratory design was considered appropriate as there is little information on value perception of Indian customers (Sinha and Banerjee, 2004). The research questions that formed the basis of this study are following:

1. What is the level of impact on customer value due to environmental changes in a retail store?
2. Is there any correlation between patronage intention and shopping value?
3. Whether store choice behavior depends on store atmospherics?
4. Which atmospheric factor is more important in terms of value addition in Indian retailing?

The focal point in this research was to explore the relationship between retail atmospherics and customer's perception of value. Therefore, in this study a field survey was conducted in different store types such as multi-brand stores, single brand stores, and discount stores. In each case, only those stores were chosen that belonged to the new format (as defined by Sinha and Banerjee, 2004) measuring a minimum area of 1000 square feet. It was also considered necessary that these stores should have similar stores in other parts of the country. However, the field study was done only in the city of Delhi. The objective of the field survey was to capture customers' perception of value and store image at an experience stage. Therefore, respondents were approached at their shopping destination while they were shopping or had just finished shopping and were about to leave the store. To minimize bias, the respondents were randomly chosen across different age groups and gender.

The tool used for the field study was a structured questionnaire that measured customer responses on a five-point Likert scale. The questionnaire began with questions on demographic characteristics such as name; store type in which the customer was shopping; age; gender; whether the customer was shopping alone, with family, or friends; whether they were regular or first time visitor; their frequency of visit in a month. The actual items in the questionnaire consisted of 34 items generated on the basis of literature survey and interview with some of the retailers in these store categories. The questionnaire consisted of 1 item for measuring color perception; 1 item for temperature; 1 item for design; 1 item for layout; 1 item for logo; 3 items for music drawn from Yalch et al. (2000) (coefficient alpha 0.79); 4 items for lighting drawn from Areni and Kim (1993) (coefficient alpha 0.69); 2 items for olfactory factor; 2 items for spatial crowding and 2 items for human crowding were taken from Eroglu, Machleit, and Barr (2003); 1 item for human crowding was included after suggestions from retailers. Thus, in all there were three items for human crowding. Questionnaire contained 5 items for measuring hedonic value and 4 items for utilitarian value taken from Babin et al. (1994) of which 2 items were altered into negative form to check careless responses in each case; 1 item for satisfaction and 1 item for positive word-of-mouth taken from Maxham and Netemeyer (2002); 1 item for patronage intention was taken from Lemon et al. (2002), and Mittal et al. (1998); finally 1 item was taken from Fishbein and Ajzen (1975) for measuring patronage intention. The questionnaire in all contained 32 items on Likert scale and 2 items for measuring color perception based on Semiotics (study of signs and symbols).

We obtained 450 valid responses from the field survey. The profile of the respondents is given in Table 1. The sample consisted of shoppers at the multi-brand stores (42.44 per cent), single or exclusive brand stores (23.77 per cent), and in discount stores (33.77 per cent). The sample consisted of regular shoppers in multi-brand stores (87.95 per cent), in single brand stores (72.90 per cent), and in discount stores (38.81 per cent). About 67 per cent of the shoppers had visited the store more than once in a month. The sample consisted of 42 per cent female and 58 per cent male. One thing that was worth noticing was that large number of the shoppers visiting discount stores belonged to the age group of 20 to 30 and 30 to 40 years in almost proportionate male to female ratio.
In general, it was hypothesized that atmospherics influence customer value, store image, and patronage intentions. Customers attach value and store image based on perceptions of atmospheric appropriateness. However, hedonic value has more impact on shopping satisfaction, positive word of mouth, and patronage intentions. Therefore, there is need to validate these hypotheses, as retailers in India spend huge amounts of money on retail atmospherics and moreover, the trend is emerging. Thus, we proposed the following hypotheses:

H1. Customers attach value and store image due to atmospheric appropriateness.
H2. Hedonic value has more impact on customer value than utilitarian value.
H3. Customer value is correlated with shopping satisfaction, positive-word-of-mouth, and patronage intention

**Results and Conclusion**

Table 2 contains matrix of zero-order correlations for the studied variables. The reliability of each multi-item scale was measured by coefficient alpha. The dependent variable, customer value, has a coefficient alpha of more than 0.70 as recommended by Nunnally (1978).
Factor analysis was done to examine the loadings on the selected constructs. The scale items converged on the expected factors and discriminated themselves from other scales.

The results for the multiple regression analysis as shown in Table 3 depicts that all five independent variables were significant in explaining customer value. Olfactory and tactile factors such as ambient scent, temperature (air conditioning) and Design factors such as layout, window dressing, greenery, shelf arrangements, trial rooms, etc has greatest impact on customer value (as inferred from beta value, 0.26). Lighting, color, and music may be also seen as significant but less important in explaining customer value.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>b</th>
<th>se</th>
<th>ß</th>
<th>P&lt;</th>
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<tbody>
<tr>
<td>Color and lighting</td>
<td>0.186</td>
<td>0.08</td>
<td>0.17</td>
<td>0.05</td>
</tr>
<tr>
<td>Crowding</td>
<td>-0.207</td>
<td>0.05</td>
<td>-0.25</td>
<td>0.001</td>
</tr>
<tr>
<td>Music</td>
<td>0.159</td>
<td>0.07</td>
<td>0.15</td>
<td>0.01</td>
</tr>
<tr>
<td>Olfactory and tactile factors</td>
<td>0.350</td>
<td>0.10</td>
<td>0.26</td>
<td>0.001</td>
</tr>
<tr>
<td>Design factors</td>
<td>0.300</td>
<td>0.09</td>
<td>0.26</td>
<td>0.001</td>
</tr>
</tbody>
</table>

Notes: $R^2 = 0.63; \text{adj } R^2 = 0.62; F_{5,120} = 41.11, p < 0.001$

The correlations between shopping value (hedonic and utilitarian) and satisfaction, positive- word- of- mouth, and patronage intention were calculated to know the relationship between these constructs. Table 4 presents correlations between shopping value and these constructs. In all three cases, hedonic value has higher correlation than utilitarian value. Thus, we may conclude that if the customer perceives value due to retail atmospherics, then he or she
is more likely to come again or recommend the store to others. However, it is possible that in case the store offers discounts, gifts, and coupons, the utilitarian value is more likely to increase even if the customers do not perceive value due to atmospherics. Future studies on this moderator can help in understanding this effect.

The semiotic perspective of retail atmospherics may be projected as a “theatre or museum – an enclosed area with environmental and human factors used for entertainment”. The artefacts, color, design, layout, and crowding, etc., act as cues in a similar way as in a theatre or museum for the purpose of entertainment, emotional satisfaction, and fantasy. The two questions on color perception based on semiotics revealed what meaning customers derived from the dominant color used in the store. The RED color (reported by 18 per cent customers) meant leadership, uniqueness, aggressiveness, attractiveness, etc. YELLOW (reported by 11 per cent customers) meant joy, happiness, purity, etc. PINK (16 per cent) meant love, relationship, care, feminine, etc. GREEN (13 per cent) meant freshness, natural, vegetarian, etc. BLUE (12 per cent) meant masculinity, calmness, versatile, etc. White (9 per cent) meant simplicity, common, everywhere, local, etc. BLACK (8 per cent) meant exclusivity, uncommon, richness, influence, etc. The color “Others” was reported by 13 per cent of the customers. The color perception signifies that customers seek value as symbolism of entertainment, joy, self-identity, social status, health, peace, and so on. However, these colors have differences in significance level with changing cultural context, personality of the consumers, age, gender, etc.

Table 4. Correlations between Satisfaction, Positive-word-of-mouth, and Patronage Intentions and Shopping Value.

| Correlation between satisfaction and Shopping value |  
|-----------------|----------|
| Utilitarian     | 0.76     |
| Hedonic         | 0.92     |

| Correlation between positive word of mouth and shopping value |  
|-----------------|----------|
| Utilitarian     | 0.68     |
| Hedonic         | 0.78     |

| Correlation between patronage intention and shopping value |  
|-----------------|----------|
| Utilitarian     | 0.69     |
| Hedonic         | 0.80     |

Managerial Implications

The five explanatory variables, measured in the study, may be considered, acted upon, and administered in a retail store's marketing strategy. For example, the findings of this study suggest that retail customers give greater value to olfactory and tactile factors such as air conditioning facility, ambient scent, and soothing atmospherics. Design factors such as...
window dressing, shelf arrangements and displays, architecture, etc., should not be ignored. Therefore, we recommend that even when the score is in the acceptable range, there is still room for improvement. Conveying a competitive store image to customers is a challenging task; yet to ensure customer satisfaction, retailers need to take cost-effective measures to periodically change these significant factors. Although advertising and other promotional activities are important in communicating brand value, the atmospherics have long term effect because they create a lasting impression on the consumers' collective consciousness.

Limitations

Due to dearth of time and resource limitations, it was not possible to conduct a large scale survey in other parts of the country. Therefore, results might vary in case the survey is conducted in other regions. The coefficient alpha value for the measurement constructs were not too high, though they were within acceptable ranges for an exploratory study. For measurement convenience, some of the factors were combined such as olfactory and tactile factors, design factors and layout, spatial and human crowding, and lighting and color. Consequently, to get a clear-cut idea, which factor is more important in perceiving additional value still needs to be examined. However, we hope that the future researchers will fine-tune the addressed concerns and will work upon other factors that influence customer value in emerging markets such as India.
References


