

Examining the Impact of Customer Participation on IKEA Stores in Taiwan

Jing-Fuh Yang, Chu-Chun Feng⁺ and Han-Chun Hu

National Kaohsiung First University of Science and Technology

Abstract. More and more retailers adopt customer self-service system recently in order to hold down the personnel costs. Therefore, the levels of customer participation became the major key of self-service operations for firms efficient or not. In this research we discuss the customer participation at IKEA stores in Taiwan. Customer participation might affect the customer satisfaction, commitment and trust toward the brand. The long-term aim of the company is to cultivate the truly brand-loyalty customers. There were 385 total valid survey questionnaires received in Taiwan, the structure equation modeling (SEM) techniques were used to test hypotheses in this study.

Keywords: customer participation, self-service, service quality, customer satisfaction, brand loyalty

1. Introduction

In the past, many companies had pursued the low cost and used to meet customers' needs with business perspective. Nowadays, the ongoing explosion of technology and information create customers that have a variety of approaches to receive messages. Customers are more proactive involved in the service process and have been increasingly participating in communicate with providers. As customers continuously advance the knowledge, these make customers play the roles in producers and customers at the same time, even as partial employees (Bateson, 1983; Larsson & Bowen, 1989; Mills & Morris, 1986; Bendapudi and Leone, 2003). Because it is getting more and more important to let customers attend the service encounter process, we adopt IKEA as example in our research. Customers involved in ready-to-assemble furniture of DIY (Do It Yourself) stores. DIY defined by Wolf and McQuitty (2011) as customers engage in doing the raw or semi-raw material in produce, compose, transform, or reconstruct. DIY has the similar notion of "Value Co-creator" (Lusch, Vargo, & O'Brien, 2007) and presumption (Xie et al., 2008), as consumers producing and consuming products for themselves. This self-service approach doesn't weaken consumer satisfaction instead it has become a competitive strategy. Namely, it is important for self-service business to enhance the ability of the interactive relationship with customers lately. The benefit of customer participation can increase the speed of service and lower the price of products at the customer side. On the other hand, the operating efficiency can enhance and get better service values for firms (Claycomb, Lengnick-Hall, and Inks, 2001). The main goal of marketing is to build a strong relationship between the company and customers (Cravens, Shipp, & Crawens, 1995). Successful customer participation would increase the productivity (Bendapudi & Leone, 2003), and improves service quality (Lengnick-Hall, 1996). With successful customer participation mechanism, service quality and value creation would increase (Chan, Yim, & Lam, 2010). And the companies should reinforce brand commitment and trust of the brand (Jarvis & Mayo, 1986). According to Jones and Suh (2000) research, they indicated the way to retain customers that one of the most important strategies is to enhance consumer satisfaction. Many researches argued that high customer satisfaction would lead to better customer loyalty (Anderson & Sullivan, 1993; Yi, 1990). Nevertheless, there is another argument pointed out that the cause and effect relationship between customer satisfaction and customer loyalty has no direct impact result (Bettencourt, 1997). The fundamental value of relationship marketing is based on mutual value creation – trust and commitment. The "true brand loyalty" implies that customers are

⁺ Corresponding author.

E-mail address: 870837@mail.chimei.org.tw.

not just satisfied with services or products of the brand, but also need to purchase repetitively (Jacoby & Kyner, 1973; Bloemer & Kasper, 1995).

Because customer participation is a trend for business nowadays, the purpose of the study is to explore the relationship of customer participation, service quality, customer satisfaction and brand loyalty. Figure 1 depicts the conceptual framework.

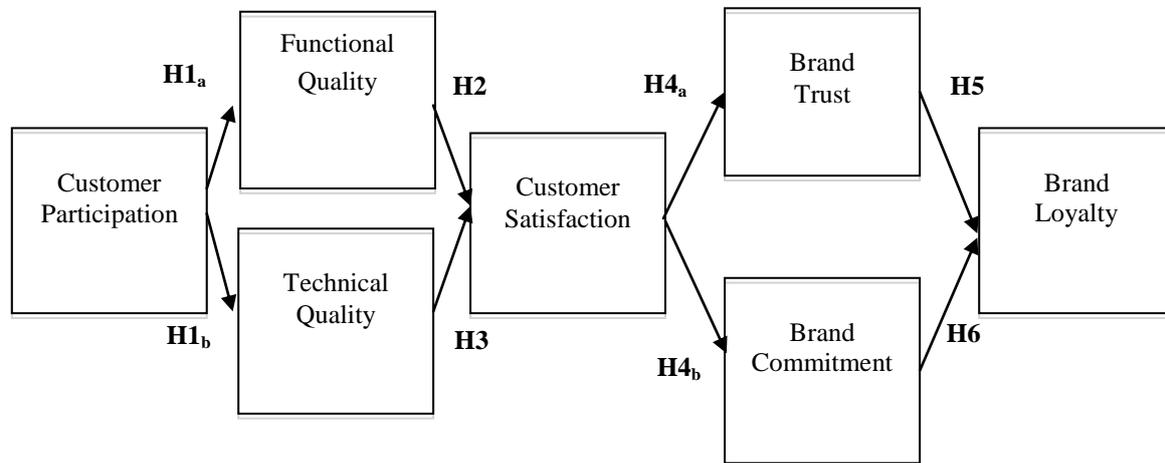


Fig. 1: Proposed Conceptual Framework

2. Conceptual Framework and Hypothesis

2.1. Effect of Customer Participation on Service Quality

Customer participation defined that customers share information, provide suggestions, and engage in shared decision making (Chan et al. 2010). As customer participation increase customers' knowledge and the power of services control, it shifts more strength to customers (Ouschan et al., 2006; Prahalad and Ramaswamy, 2000). When customers firstly purchase the product/service, the interact relationship between customer and seller has huge impact on service quality. In (Groth, Hennig-Thurau, and Walsh (2009) research already shown the service quality (Functional/Technical Quality) has an important intervening variable in service management research (Groth et al. 2009). As Bell et al. (2005) evidence, a high participation level will let customers have more opportunities to present their proficiency on engaging in functional and technical quality. Based on the arguments presented above, we hypothesize that:

H1a: Customer participation positively influences the functional quality.

H1b: Customer participation positively influences the technical quality.

2.2. Effect of Service Quality on Customer Satisfaction

Functional and technical quality dimension was found reliable for predict the level of customer satisfaction. In 1999, Sharma and Patterson had proved the customers perceive levels of technical quality, functional quality and social aspects of service interactions that positively affect the customer satisfaction. Moreover, lots of scholars already evidence there is a positive relationship between service quality and customer satisfaction constructs (Saha, and Theingi, 2009; Eakuru and Mat, 2008; Wetzels, Ruyter, & van Birgelen, 1998). Based on the arguments presented above, we hypothesize that:

H2: Customer to the functional quality positively influences customer to satisfaction.

H3: Customer to the technical quality positively influences customer to satisfaction.

2.3. Effect of Customer Satisfaction on Brand Commitment and Brand Trust

De Wulf, Oderkerken-Schröder, and Iacobucci (2001) supposed that a better quality relationship is attended by a greater satisfaction, trust and commitment. Customer satisfaction, as well as trust and commitment have become focal constructs in relationship market research (Doney & Cannon, 1997;

Garbarino & Johnson, 1999; Morgan & Hunt, 1994). Based on the arguments presented above, we hypothesize that:

H4a: Customer satisfaction positively influences customer to the brand trust.

H4b: Customer satisfaction positively influences customer to the brand commitment.

2.4. Effect of Brand Trust and Brand Commitment on Brand Loyalty

When the trust and commitment exist between two parties, it's likely to develop the positive behavioral intention within them (Lau & Lee, 1999); and both constructs are influential in future loyalty intentions of an exchange partner (Morgan and Hunt, 1994; Garbarino and Johnson, 1999; Dagger & O'Brien., 2010).

Based on the arguments presented above, we conceive that brand loyalty as customer behavioral intention to buy the brand products again, and also will encourage other people to consume it. So we hypothesize that:

H5: Customer to the brand trust positively influences customer to brand loyalty.

H6: Customer to the brand commitment positively influences customer to brand loyalty.

3. Method

3.1. Sample and Procedures

We started the formal questionnaire investigating from February 1, 2016 to April 30, 2016. The empirical investigation samples were collected from the customers who had consumed in IKEA from Taiwan. We collected 385 questionnaires from the Internet.

3.2. Measurement

All items were measured on Likert-type scale (5-point scale) with strong disagree to strong agree as the scale anchors (1 = strongly disagree, 5 = strongly agree). The pretest was researched from January 1, 2016 to January 15, 2016. We collected 50 valid samples from who had consumed in IKEA before. After recovering the questionnaires, we used SPSS 19 as a criterion to measure the Reliability and EFA in order to let the questionnaires to be stable and consistency. From this result Cronbach's α was higher than 0.7 which demonstrated the reliability of this measurement scale was good. Cumulative explained variance and KMO value were higher than 0.6 is acceptable to run factor analysis. All the constructs achieved the standard values.

3.3. Analytical Method

In this research we used SEM to do sampling statistic examination and adopted the AMOS 18 software to analyze the data. The data analysis used descriptive statistic and analysis to understand the population statistic description of respondents.

4. Results

4.1. Measurement Model Tests

We collected a range of demographic information about the respondents including their gender, age, educational level, occupation, monthly income, frequency of consumption in IKEA. Respondents were clustered in the female (62.1%), the age group 21-25 years (63.6%). Their highest level of education was predominantly at university degree level (68.6%) and occupation was almost students (59.0%). Monthly pay tended to be less than NT\$ 10,000-30,000 (47.3%) and visiting times to IKEA were 2-4 times per year (26.8%).

4.2. Hypotheses Testing

The Cronbach's α value need to higher than 0.6 (Guieford, 1965) and the result of implies that this scale item showed the good reliability and further we could do Confirmatory Factor Analysis (CFA). CFA was performed using AMOS 18 to assess convergent validity, and discriminant validity of the latent constructs. As indicated in Table 1, the average variance extracted (AVE) for each construct exceeded 0.50 (Fornell and

Larcker 1981) and composite reliability (CR) is significantly above 0.70. All measurement scales indicated sufficient reliability and convergent validity of our operationalization. Table 2 summarizes the goodness of freedom of the measures. We could discover values of goodness of freedom in this model such as χ^2 , χ^2/df , GFI, IFI, PGFI and CFI were all fit the standard.

Table 2 presents the results of our analysis. The associations of the paths are all supported the hypotheses. Namely, customer participation positively affects technical and functional quality. Service quality positively influences customer satisfaction. Customer satisfaction has a positive impact on brand commitment and brand trust. Brand commitment and trust positively affects brand loyalty.

TABLE 1: The Measurement Model: Constructs and Items

Variables	α	CR	AVE
Customer Participation	0.83	0.86	0.55
Technical Quality	0.88	0.92	0.84
Functional Quality	0.84	0.9	0.72
Customer Satisfaction	0.84	0.91	0.77
Brand Trust	0.81	0.90	0.76
Brand Commitment	0.85	0.89	0.73
Brand Loyalty	0.76	0.86	0.68

Notes: CR = Construct Reliability; AVE = Average Variance Extracted; α = Cronbach's Alpha; All loadings are significant at $p < 0.05$.

TABLE 2: Summary of Results: Support for Hypotheses

Hypotheses	Hypothesized Path	Standardized Solution	Result of Hypothesized test
H _{1a}	Customer Participation →Functional Quality	0.520***	Supported
H _{1b}	Customer Participation →Technical Quality	0.581***	Supported
H ₂	Functional Quality →Customer Satisfaction	0.608***	Supported
H ₃	Technical Quality →Customer Satisfaction	0.381***	Supported
H _{4a}	Customer Satisfaction →Brand Trust	0.929***	Supported
H _{4b}	Customer Satisfaction →Brand Commitment	0.755***	Supported
H ₅	Brand Trust →Brand Loyalty	0.504***	Supported
H ₆	Brand Commitment →Brand Loyalty	0.381***	Supported

Model fit statistics:

$\chi^2 = 565.38$, $\chi^2/df = 2.56$, $p < .005$.

GFI = .88, AGFI = .85, IFI = .94, PGFI = .71, NFI = .90, CFI = .94, RMSEA= .06.

*** $p < .05$.

5. Discussion

5.1. Theoretical Implications

The main purpose of this research is to measure situations and reactions of customer participation, when they received the products or services in self-service stores. In this research, customer participation affects service quality positively in Taiwan. As we mentioned before, Bell (2005) considered that high participation would increase opportunities of customers to present their proficiency to engage in functional and technical quality. And effect of customer satisfaction on relationship quality emphasizes trust, commitment, and loyalty of the brand. The individual unpredictable buying situation (e.g. background, attitude and motivation) would influence the purchase behavior (Kotler, 2003). According to Sambandam and Lord (1995) proposed that after purchased and produced the relationship with brand, only 30-40% satisfied consumers would repurchase the same brand again. The situation might happen due to personal preferences, obey others' expectation (Bowen & Schneider, 1988), or special situations appearing (e.g. when the price is higher than expected price) (Dodds, Monroe, & Grewal, 1991). So it is very important how to retain customers for company.

In this research, one of our aims is to investigate the customer participative situation between customers and brands in Taiwan. The outcomes of hypotheses show the customer satisfaction toward the relationship quality is positive. The key of acquiring loyalty is to get customers to recommend others to buy the products or services, which is the spirit of theoretical framework of CRM. Zineldin (2000) defined retention as "a commitment to continue to do business or exchange with a particular brand (company) on an ongoing basis". However, customer satisfaction could not be referred to loyalty directly. In order to enhance the depth of brand loyalty, Oliver (1997) considered that company should deeply hold the commitment and trust toward the brand with customers. A true customer loyalty is created when customer become advocates and reference to the brand without incentives (Anderson & Jacobsen, 2000). In sum, customer participation offers a greater opportunity of value creation and cocreate favorable outcome between service providers and customers (Auh et al. 2007; Lovelock 1983; Sharma and Patterson 2000). Customer participation strengthens also sellers-customers relationship and can help customers to create superior value (Mekhail Mustak, et al. 2013). And value cocreation is the key to customer satisfaction. (Kimmy Wa Chan, et al. 2015).

5.2. Managerial Implications

Nowadays, businesses would like to control the production costs to enhance the self-service ability of customers and substitute the high costs of employees. Customers are in their role as "partial employees". The trend of self-service has become business model in all over the world currently. Modern people like to innovate and show their own style. Readiness variables of consumers have such as self-efficacy (Dong, Evans, and Zou 2008; Xie, Bagozzi, and Troye 2008; Till Haumann, et al. 2015) and role clarity, ability, motivation (Meuter et al. 2005; Parasuraman 2000; Zhu et al. 2007; Till Haumann, et al. 2015). So companies encourage customers to get involved in helping and solving their own service issues. The service behaviors are ranging from checking out products and making payment to self-service actions that customers have.

Among the service quality (Functional/Technical quality), functional quality shows more customer behavior and attitude during service encounter. The companies should enhance the ability of customers to involve in co-creation. CP management has been addressed including that treats customers as partial employees, focuses on customer functioning during the service process and highlights the roles and value result for customers (Mekhail Mustak, et al. 2016). So managers should take customers as partners rather than pure-buyers. Meeting the needs that customer want, and create more innovative approaches to improve customer participation. In the other hand, businesses also can improve the relationship with customers, which can not only increase the participative level but also build the long-term relationship for both sides. Management should build the unique customer relationship that is hard for competitors to imitate. So managers can incorporate customer participation as a resource of their business and can be a sustainable competitive advantage for the firm (Bettencourt et al., 2002; Mekhail Mustak, et al. 2016). In the case of self-service store, company can basis on the properties of customers (e.g. age, income and average spending in the store...) to position the strategies. Moreover, well-relationship that makes customers repurchase and

recommend others to buy products/ services. Company cannot just have good customer satisfaction but also need the excellent customer reactions of brand commitment and brand trust. We suggest that when management building the brand, should take commitment and trust into account necessarily, brand loyalty established from these two dimensions.

5.3. Limitations and Directions for Further Research

In this study, still have limitations should be considered which may would cause biases. First, we only use Internet to collect questionnaires, lead to the demographic variable in our sample the ages largely from 20 to 30 years old (89.61%). Secondly, the occupation mostly is student (58.96%), so the monthly payment is not high, indirectly lead the lower consumption capacity. With research result and limitations, we propose three research directions for future studies. First, this research only focus on IKEA, the future study might be able to discuss the other companies or other industries, which with customer participation processes or customer self-service activities. Second, we can explore perceived coproduction ability and coproduction enjoyment in the process of participation. And third, the future studies might be able to expand the scope of other countries, or more in-deeply research in Taiwan. As marketing managers of global professional service provider firms, many researches suggested that managers should take cross-cultural factor into consideration, if they want to market the products and services successfully to international marketplaces.

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