Understanding channel purchase intentions

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3 Perceived Value

It is essential to know *what* consumers value, before one can truly understand channel purchase intentions and channel choice. What do consumers really want from their online and offline shopping experiences? What attributes are most important in their judgments of value? What drives them to use one channel over another? This research proposes that the channel purchase intentions depend on the expectations of value, i.e. a tradeoff between the perceived benefits and costs derived from using channels for purchasing. To compare both channels from a consumer perspective, the concept of perceived value is chosen, as it represents a consumer's overall assessment of the utility based on perceptions of what is received and what is given (cf. Zeithaml 1988). Perceived value is expected to significantly influence channel purchase intentions, and by measuring its predictors, it can provide insights in how value is constructed in both channels. This chapter starts with a theoretical background on the definitions and nature of value. Next, it shows how consumers form their evaluations of value, followed by a classification of purchase-related costs and benefits. Finally, the chapter provides the main antecedents of perceived value and purchase intentions that are used as input to the conceptual model.

3.1 Theoretical background on value

There are many ways to describe value. Woo (1992) identified four general meanings of value for people. First, value is "what is of true worth to people in the broad context of the well-being and survival of individuals, and by extension, of the species as a whole" (p.85). Here value is reflected by the values consumers strive for in life, similar to the 'human values' of Rokeach (1973). Second, it means "what a society collectively sees as important…regardless of whether or not such highly valued objects of consumption really contribute to his or her well-being" (p.85). This is a more collective/objective interpretation of value. Third, value refers to "what the individual holds to be worthwhile to possess, to strive or exchange for" (p. 85). In comparison with the second definition, this is more individual and subjective. Fourth, value refers to "the amount of utility that consumers see as residing in a particular object and they aim to maximize out of a particular act of buying or consuming (p. 85). This last definition refers to the value that is derived from the purchase, consumption and disposition of products and services. This study focuses on the fourth definition and extends it to the context of evaluating channels for purchasing. The next section provides a background on four different types of value.

3.1.1 Intrinsic, exchange, use and utilitarian value

Woodall (2003) reviewed the extensive literature on perceived value, or as he calls it 'value for the customer.' He used a historical perspective to describe how value has been treated in the fields of economics and philosophy. He distinguished four types of value (intrinsic, exchange, use, and utilitarian value), based on whether the value assessment is subject-based or object-based (i.e. individual vs. collective), and on whether value should be seen in light of market characteristics and/or consumer sacrifices. *Intrinsic value* refers to the objective-based value that resides within the product, independent from market circumstances. This objective value assessment is made when people analyze the intrinsic product characteristics before, or during use. In this respect, Frondizi (1971) argued that all objects have 'qualities' but if a quality is not valued, then it remains a quality. If it is valued, then it becomes an intrinsic value. *Exchange value* is also object-based, but influenced by market circumstances. For example, people attribute value to oil through an economic constant, which largely depends on the market circumstances (e.g. scarcity). *Use value* is subjective-based and is perceived as individuals evaluate the product during, or just after use. It is associated with the rewards persons individually derive from using the product, and is thus highly subjective. Finally, *utilitarian value* is also subject-based, but now refers to the point when intrinsic value and/or use value are compared with the sacrifice the person made in order to experience those forms of value. According to Woodall (2003), the utilitarian approach is to balance 'all the good and the bad.' Here value is seen as the outcome of a personal comparison of sacrifices and benefits, an outcome that is essentially utilitarian in nature. The utilitarian approach assumes that the value derived by one individual is likely to be different from the value derived by another, because of the personal attribution of value. Value is here solely determined by the individual consumer (Woodruff 1997; Holbrook 1999), and only exists on the consumers' terms (Piercy 1997).

Figure 3.1 shows Woodall's (2003) conceptual model, which represents the different types of values and the impact of human values on these types of value. It is assumed that human values (e.g. quality of life, belongingness) guide consumers in their daily decision making by affecting the criteria by which value judgments are made. As such, human values are seen as influencers of value (Woodall 2003). The four types of value illustrate the diversity in meanings of value, and the difficulty of conceptualizing the concept of value (cf. Zeithaml 1988). Woodall complicates the issue of what constitutes value by arguing that "value is neither use, nor exchange; it is neither object-based, nor subject-based; it is neither my view, nor your view, it is all of these things." He proposes that the types of value may play a more (less) substantial role in the formation of value, according to the situation itself and the individual consumer's value system.

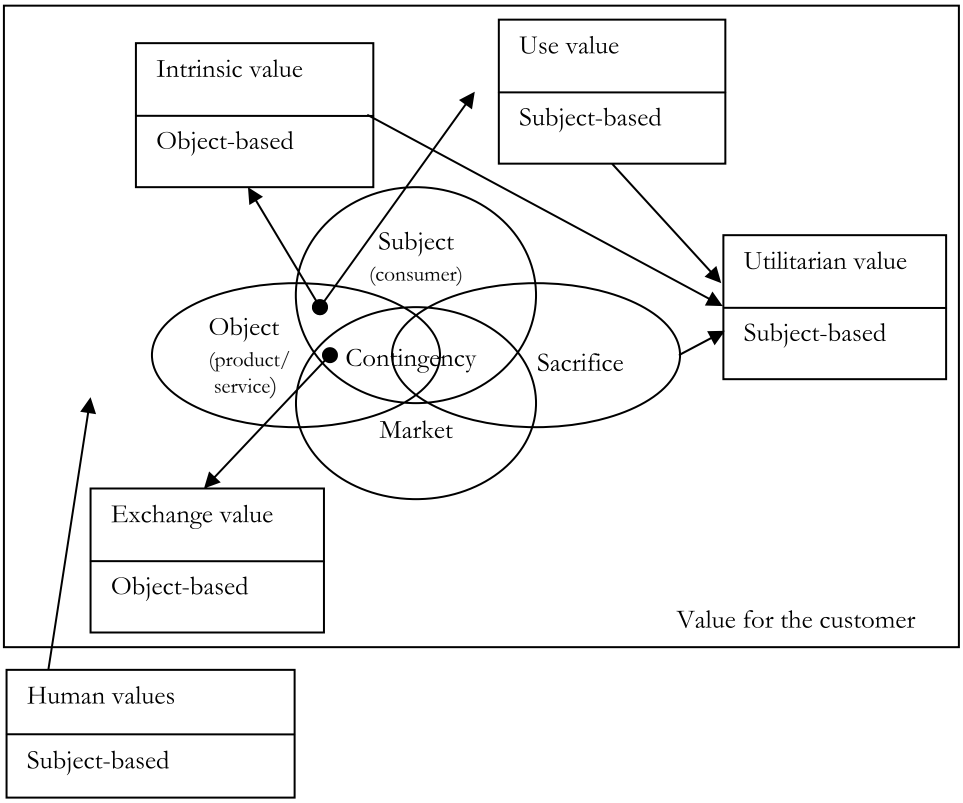

Figure 3.1: Intrinsic, exchange, use and utilitarian value (Woodall 2003)

3.1.2 Definitions of perceived value

Researchers used different terms to define the construct of perceived value, although most of them meant the same concept (Woodruff 1997). Based on ninety marketing-related articles, Woodall (2003) found eighteen different names for the value consumers derive from buying and using the product. The most commonly used marketing terms include *perceived value* (e.g. Chang and Wildt 1994; Dodds et al. 1991; Monroe 1990), *customer value* (e.g. Anderson and Narus 1998; Dodds 1999; Holbrook 1994; 1996; Oh 2000; Woodruff 1997), *value* (Berry and Yadav 1996; De Ruyter et al. 1997; Ostrom and Iacobucci 1995) and *value for money* (Sirohi et al. 1998; Sweeney et al. 1999). Less frequently used terms are *value for the customer* (e.g. Reichheld 1996), *value for customers* (e.g. Treacy and Wiersema 1993), *customer perceived value* (e.g. Grönroos 1997), *perceived customer value* (Chen and Dubinsky 2003; Lai 1995), *consumer value* (e.g. Holbrook 1999), *consumption value* (Sheth, Newman and Gross 1991), *buyer value* (e.g. Slater and Narver 1994), *service value* (e.g. Bolton and Drew 1991), *acquisition* and *transaction value* (Grewal et al. 1998; Parasuraman and Grewal 2000), *net customer value* (e.g. Butz and Goodstein 1996), *perceived service value* (LeBlanc and Nguyen 2001), *consumer surplus* (e.g. Brynjolfsson et al. 2003) and *expected value* (Huber et al. 1997).

Table 3.1 lists a number of definitions that have been used in the literature. Despite the varying terms and definitions, the following commonalities among these definitions stand out: (1) perceived value is inherent in or linked through the use to some product, service or object, (2) perceived value is something perceived by consumers rather than objectively determined, and (3) perceptions of value typically involve a tradeoff between what the consumer receives and what he or she gives up to acquire and use a product or service (Woodruff 1997).

Table 3.1: Definitions of perceived value

Author(s)	**Definition**
Chen and Dubinsky (2003, p. 326)	a consumer's perception of the net benefits gained in exchange for the costs incurred in obtaining the desired benefits
Holbrook (1994, p. 27)	an interactive relativistic consumption preference experience
Monroe (1990, p. 46)	a tradeoff between the quality or benefits they perceive in the product relative to the sacrifice they perceive by paying the price
Spreng, Dixon and Olshavsky (1993, p. 51)	a consumer's anticipation about the outcome of purchasing a product or service based on future benefits and sacrifices
Schechter (1984), cited in Zeithaml (1988)	all factors, both qualitative and quantitative, subjective and objective, that make up the complete shopping experience
Sirohi, McLaughlin and Wittink (1998, p. 228)	what you [consumer] get for what you pay
Woodall (2003, p. 21)	any demand-side, personal perception of advantage arising out of a customer's association with an organisation's offering, and can occur as reduction in sacrifice; presence of benefit (perceived as either attributes or outcomes); the resultant of any weighted combination of sacrifice and benefit (determined and expressed either rationally or intuitively); or an aggregation, over time, of any or all of these.
Woodruff (1997, p. 142)	a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goal and purposes in use situations
Woodruff and Gardial (1996: p. 20)	a customer's perceived perception of what they want to happen in a specific use situation, with the help of a product and service ordering, in order to accomplish a desired purpose or goal
Zeithaml (1988, p. 14)	a consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given

3.1.3 Context-dependent nature of perceived value

Previous research has unanimously confirmed the context-dependent nature of perceived value (Bolton and Drew 1991; Francis and White 2004; Holbrook 1994; Mathwick et al. 2002; Parasuraman 1997; Woodall 2003; Zeithaml 1988). That is, the construction of perceived value differs between objects (product types), individuals, and circumstances (time, location, and environment).

Not only do consumers differ in their evaluation of value between products and services (Zeithaml 1997), but also regarding the evaluations of the same product (Overby, Gardial and Woodruff 2004; Zeithaml 1988). Even for the same product, individual consumers value different qualities, or the same qualities to different degrees (Heskett et al. 1997; Holbrook 1999; Parasuraman 1997; Spreng et al. 1993; Zeithaml 1988).

Even when the same individual evaluates value, he or she value may the product differently in time. Woodall (2003) explained that consumers can construct value before purchasing (ex ante value), at the point of purchase and/or direct experience (transaction value), after the purchase (ex post value), and after use/experience (disposition value). Other authors also classified types of value based on the timing of evaluation. Grewal et al. (1998a) distinguished between (1) acquisition value, (2) transaction value, (3) in-use value, and (4) redemption value. *Acquisition value* refers the consumer's net gain (or tradeoff) from acquiring the product or service. It is associated with the benefits consumers think they are going to receive by acquiring the product/service relative to the monetary costs given up to acquire the product. The predicted value is based on the expected benefits and costs related to product purchase, use and disposition. *Transaction value* can be derived at the point of purchase when consumers experience the pleasure of getting a good financial deal (Thaler 1985). Consumers may experience additional pleasure if they feel they get a bargain (e.g. was €200, now €150). *In-use value* involves the utility derived from using the product/service by evaluating the actual benefits and costs related to its use. Finally, *redemption value* relates to the residual benefit at the time of disposing the product or terminating the service (Grewal et al. 1998a). The nature and determinants of perceived value may change over the various consumer cycle stages (Parasuraman 1997); that is, the relative emphasis on each component may change over time. While acquisition and transaction value dominate the first stages, in-use and redemption value may become salient during later stages of product/service usage. Thus, the antecedents or components of perceived value will differently impact consumers' evaluations of value at different points within the consumption process (De Ruyter et al. 1997; Woodall 2003; Zeithaml, 1988).

In line with this reasoning, Woodruff (1997) explained that consumers may consider different attributes and consequences and value them differently in time, such as when purchasing versus when using a product. Purchasing involves choosing, and that requires consumers to distinguish between product alternatives and evaluate which alternative is preferred. In contrast, during or after use, consumers are more concerned with the performance of the chosen product in specific use situations. Gardial et al. (1994) showed that consumers at the time of purchase rely more on the product attributes than they do during or after use. During and after use, the consequences become more salient. Consumers then learn about value in the form of preferred attributes, attribute performances, and consequences from using a product[4]; they form evaluative opinions about the actual value of using a product, i.e. use value. Thus, during the choice task consumers predict value by relying heavily on the product attributes, whereas during use they evaluate value predominantly on the consequences of use. In this respect, Parasuraman (1997) put forward that the attributes that motivate a consumer's initial purchase of a product may differ from the criteria that define value during use right after purchase, which in turn may differ from the determinants of value during long-term use. Consumers update evaluations and the importance of criteria through sequential purchases (Bolton 1998). In a similar vein, the attributes that motivate a consumer's initial use of a channel may be different from the criteria after using it. More experienced online shoppers are better capable of predicting the consequences of online channel use, and may rely stronger on the consequences that can be attained by using that channel compared to less experienced online shoppers. Thus, it can be expected that differences exist in the construction of value between experienced and less experienced online shoppers. This study, among other things, tries to elicit these differences.

This research uses prepurchase value perceptions because, as such, consumers that have not used a particular channel are still capable of expressing their *expectations* of the use of that channel. Although they may have no experience with the exact consequences, they will probably have expectations about its use based on the channel attributes and opinions of others. These perceptions are likely to drive intentions and behavior. According to the

[4] Note that this particularly applies to experience goods where consumers can define the quality of the product after use (cf. Darby and Karni 1973). For credence goods, consumers face difficulties in evaluating quality even after multiple consumptions.

belief-updating paradigm (e.g. Bolton 1998), consumers who are familiar with online shopping form their expectations based on their prior experiences and current updates. These perceptions are likely to predict consumers' intentions. Recall from Chapter 2 that the predictors of attitude of using an information system change over time, as individuals start using the system. Pre-adoption attitude is based on a rich set of perceptions, including PU, PEOU, result demonstrability, visibility and trialability, whereas post-adoption attitude is only based on the instrumental beliefs of PU and image enhancements (Karahanna et al. 1999). Consequently, for both experienced and less experienced online shoppers, prepurchase expectations are likely to drive future purchasing intentions, and both shoppers may weigh these expectations differently to infer perceptions of value.

3.1.4 Multi-dimensional nature of perceived value

Apart from the context-dependent nature of perceived value, the literature also confirmed its multi-dimensional nature, referring to multiple axiological dimensions or components of value. Researchers tried to classify the underlying dimensions with regard to purchasing and consumption. A broad approach is offered by Sheth et al. (1991); they distinguished between five dimensions of value: (1) functional value (attributed-related, utilitarian benefits), (2) social value (social or symbolic benefits), (3) emotional value (experiential or emotional benefits), (4) epistemic value (curiosity-driven benefits), and (5) conditional value (situation-specific benefits). *Functional value* is concerned with the utility derived from the product quality and product performance. *Social value* is the utility derived from the product's ability to enhance social self-concepts, such as status. *Emotional value* refers to the utility derived from the feelings, or affective states that a product generates. *Epistemic value* refers to the surprise or novelty aspect of a product; a product's capacity to arouse curiosity, offer novelty or satisfy a desire for knowledge. *Conditional value* refers to the situation in which the value judgment is made. For example, specific situations such as Valentines Day and weddings can strongly enhance the perceptions of value. Products often deliver a mixture of these types of values. For example, wine can act as an occasion (conditional value) and/or celebration enhancement (emotional value), while also complementing meals and enhancing the taste of food (functional value). Moreover, consumers sometimes seek to heighten their status by being knowledgeable about wines and to create a favorable impression within a social atmosphere (social value). The classification of Sheth et al. (1991) is characterized as benefit-driven because it only discusses the benefits without explicitly linking it with the costs consumers bear (Duman 2002).

Based on the classification of Sheth et al. (1991), Sweeney and Soutar (2001) developed a multiple item scale (i.e. PERVAL) to measure perceived value. They omitted conditional value and epistemic value, as they were seen as less critical for a *general* measure of perceived value. Conditional value was omitted because it arises from situational (temporary) factors, whereas epistemic value was left out because the novelty or surprise aspect might only be apparent for hedonic products rather than for a wider product range. Based on the work of Zeithaml (1988), they split up functional value into quality and price arguing that some consumers perceive value as low price, whereas others perceive value when there is a balance between quality and price. The two components (quality and price) have different effects on perceived value for different consumers. Consequently, the perceived value scale comprised four dimensions: quality/performance, price/value for money, emotional value and social value. The scale was tested based on the consumers' perceptions of a consumer durable and found to be reliable and valid in a prepurchase and postpurchase situation.

Other classifications have also been used to represent the axiological value dimensions. De Ruyter and his colleagues (De Ruyter et al. 1997; Lemmink, De Ruyter and Wetzels 1998) used the following value dimensions for services: emotional, practical and logical value. The emotional value dimension represents the emotional or affective side of the consumption experience, whereas the practical dimension refers to the functional consumption-related benefits. The logical dimension concentrates on the evaluation of the benefits against its costs (i.e. service quality vs. price). While the classification of Sheth et al. (1991) only discusses benefits, this classification takes into account the costs.

These classifications clearly broadened the concept of value by going beyond the functional value of purchasing and/or consuming products. It made clear that consumers also derive social, emotional and epistemic value from their shopping activities. These abstract value dimensions that were originally designed to elicit the product or service value dimensions can also be translated to a channel context. In doing so, functional value refers to the instrumental product-related and shopping-related benefits and costs consumers obtain from using the channel, whereas the social value refers to the utility derived from the channel's capability to enhance social concepts, such as self-confidence and status. When consumers use channels for purchasing, they may also derive emotional value through experiencing affective feelings and/or epistemic value through surprises and curiosities. The value of using channels under specific situations can obviously attenuate or increase value (conditional value). Section 3.3 discusses the value dimensions that are taken into account in this study.

3.2 Consumers' formation of expected value

Although the axiological value dimensions are very beneficial in classifying the possible costs and benefits, they are rather abstract and do not show how consumers form judgments of *expected* value. Past research also tried to explain how consumers form value expectations of buying and using their products (cf. Woodruff 1997; Zeithaml 1988). Consumers are expected to purchase their products in order to help attaining their end goals or human values, such as quality in life, world at peace, and social recognition (cf. Rokeach 1973). Consumers form expectations of value based on lower-level abstractions in a means-end way: concrete attributes are the means to achieve the more abstract consequences, which are used to achieve the human values or end goals (cf. Howard 1977; Gutman 1982; Woodruff 1997; Zeithaml 1988). Figure 3.2 shows that goals are organized hierarchically with the consumer's end goals or human values at the highest level, the consequences in the middle, and product attributes at the lowest level (Parasuraman 1997; Woodruff 1997). *Attributes* are the concrete descriptions that show what the product entails/possesses. *Consequences* refer to the outcomes from these product attributes. These outcomes refer to what the product or object can do for the consumer; they can be both negative and positive (Woodruff and Gardial 1996). *Values* refer to the most abstract end goals or human values, and are linked with the consequences. Consumers have their own personalized set of human values, which guide them in their daily shopping behavior (Rokeach 1973; Woodall 2003). For instance, a consumer that scores high on being kind to the environment may refrain from buying a particular brand of batteries that is harmful to the environment.

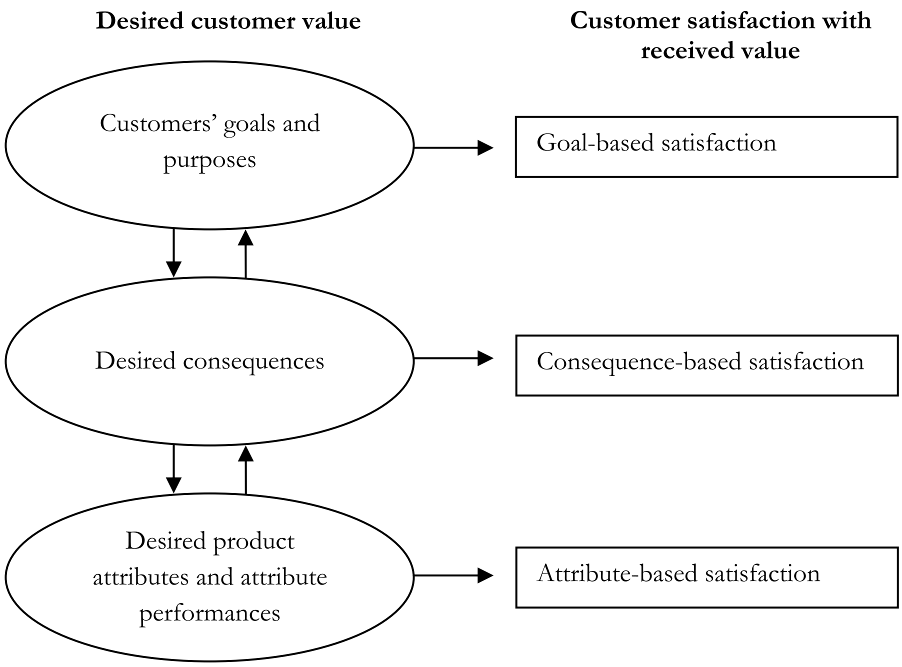

Figure 3.2: Customer value hierarchy model (Woodruff 1997, p. 142)

The studies of Woodruff (1997) and Zeithaml (1988) concentrate on the formation of value for *products*. In accordance with this means-end approach that explains how consumers evaluate products in terms of value, consumers also link lower-level store attributes (e.g. opening hours, navigation perceptions, information availability) to more abstract consequences such as service quality, merchandise quality, and perceptions of value[5] (cf. Baker et al. 2002; Kerin, Jain and Howard 1992). These consequences refer to the perceived costs and benefits of shopping online or offline, and may help consumers attain their personalized set of human values. The next section tries to classify the main costs and benefits consumers consider when purchasing.

[5] Although perceived quality and perceived value both belong to the desired consequences, perceived value is considered to have a higher abstraction level than perceived quality (Zeithaml 1988). Multiple levels of abstractions may exist within each of the three stages; the basic idea remains that consumers organize information in a hierarchical manner.

3.3 Classification of purchase-related costs and benefits

Most authors agree that perceived value refers to a tradeoff between all salient costs and benefits (e.g. Monroe 1990; Zeithaml 1988). To understand what constitutes value researchers have tried to classify these perceived benefits and costs. Early research focused on explaining perceived value of products, and defined perceived value as the tradeoff between product quality and price (Monroe 1990), or as a value-for-money assessment (Dodds and Monroe 1985). Sirohi et al. (1998) call this value-for-money assessment, "what you get for what you pay." Some authors addressed that viewing value as a tradeoff between only quality and price is too simplistic (e.g. Bolton and Drew 1991), particularly when products are not the focal point of interest. When consumers, for instance, evaluate the value of services, other criteria are needed to explain the apparent benefits and costs. The service literature (e.g. Grönroos 1982; Parasuraman et al. 1985; 1988) indicated that apart from what is delivered (i.e. outcome value), the way the service is delivered (i.e. process value) is pivotal to the evaluation of service quality. Even though this distinction helped researchers to better predict the consequences of service quality (cf. Zeithaml, Berry and Parasuraman 1996), this approach is still limited as it ignores the sacrifices made (Cronin et al. 2000). Next, when evaluating retailers, consumers evaluate service quality, as well as merchandise quality (Mazursky and Jacoby 1986). In this context, Dodds (1999) argued that retailers provide most value when the product is of the highest quality, supported by the best service quality, and offered at the lowest price. Additionally, Kerin et al. (1992) argued the importance of the shopping experience in explaining the value perceptions of a retailer. Consumers evaluate more than just the quality of the product and the additional services delivered in relation to price; they optimize the full process of decision making (procedural rationality), not just the outcomes (substantive rationality) (Simon 1976). In doing so, they generally make a tradeoff between the cognitive efforts and decision accuracy (Payne, Bettman and Johnson 1993).

This research uses Zeithaml's (1988) classification and insights from shopping literature to classify the purchase-related costs and benefits. Value judgments are predominantly influenced by evaluations of *perceived quality* (product and service-related benefits), *monetary and nonmonetary costs*, and *hedonic shopping benefits*. *Perceived quality* refers to the consumer's judgments about a product's or service's overall excellence or superiority. It acts as a global assessment, resulting from product and service-related benefits. Next, consumers endure monetary and nonmonetary costs when buying products. *Monetary costs* refer to the price consumers have to pay. Studies investigate perceived price rather than the objective price, as consumers often do not evaluate the exact price, but rather encode it as 'cheap', 'reasonable' or 'expensive' based on their internal reference price (Zeithaml 1988). Zeithaml (1988) views perceived price as costs, but other authors claim that price has a dual effect (Agarwal and Teas 2001; Dodds et al. 1991; Monroe 1990: Teas and Agarwal 2000). Price is a financial sacrifice, but it also positively influences perceptions of value through increased product quality perceptions. However, as the net effect of price on perceptions of value seems to be negative (Dodds et al. 1991), it is often placed among the costs (see Table 3.2). Apart from monetary costs, consumers make other types of sacrifices to obtain or use the product or service (Becker 1965). These *nonmonetary costs* particularly refer to the time and effort –both mentally and physically– and the psychological costs (e.g. uncertainty, frustration, anger, fear) made by the consumer. Although time/effort expenditures and psychological costs are conceptually related constructs (e.g. crowding can result in more time usage and psychological discomfort), researchers have treated them as distinct (cf. Baker et al. 2002; Zeithaml 1988). The psychological costs refer to the consumer's mental stress or emotional labor during the shopping experience, whereas time and effort costs refer to the non-emotional investments made by the consumers (Baker et al. 2002). In her classification, Zeithaml (1988) mainly focused on the shopping costs, but shopping literature (e.g. Babin et al. 1994; Babin and Darden 1995; Hirschman and Holbrook 1982) indicated that consumers also derive positive feelings from purchasing; they experience *hedonic shopping benefits*. This stream of research addresses that consumers evaluate shopping experiences along utilitarian and hedonic dimensions; they experience utilitarian and hedonic value. The utilitarian dimension reflects whether consumers achieve their shopping goals with minimum investments in time and effort. To improve utilitarian shopping value, consumers must save time and/or reduce effort by engaging in goal-directed behavior that is instrumental, purposive, and task-specific (Hoffman et al. 2002). The hedonic dimension represents the experiential value consumers derive from the shopping process; it refers to emotional and epistemic value (cf. De Ruyter et al. 1997; Sheth et al. 1991). In this respect, consumers are more concerned with entertainment and enjoyment value; they engage in experiential behavior that is likely to be hedonic, ritualized and reflects nonlinear search (Hoffman and Novak 1996). Some authors leave out enjoyment because nonmonetary costs are assumed to have a much stronger impact on consumer behavior (e.g. Baker et al. 2002). This research, however, takes into account the emotional value dimension by suggesting that enjoyment has a distinctive positive effect on purchase intentions. Particularly for hedonic, experiential products, the affective side of shopping experience plays a pivotal part. Yet, this study does not classify the shopping benefits related to social value (value derived from social approval and enhancement of self-image), epistemic value (value derived from curiosity and novelty) and conditional value (value derived from a particular situation). It focuses on the utilitarian and hedonic shopping value derived from the transaction itself. Consequently, it includes the functional and emotional value aspects of shopping. Analogous to the work of Sweeney and Soutar (2001), the influence of conditional value is seen as less important because the survey asks customers to give their *general* prepurchase evaluations without referring to a special occasion. Next, social value and epistemic value are expected to be partly captured by shopping enjoyment. Table 3.2 shows the classification of the purchase-related costs and benefits that constitute shopping value, i.e. value derived from shopping activities.

Table 3.2: Classification of purchase-related perceived costs and benefits

Costs		**Benefits**	
Monetary	**Nonmonetary**	**Functional/ Utilitarian**	**Nonfunctional/ Hedonic**
Perceived price	Time and effort expenditures	Product quality	Enjoyment, pleasure, surprise
	Psychological costs (risk, anxiety, stress, frustration)	Service quality	

3.4 Antecedents of perceived value and purchase intentions

Although perceived value is highly personal and idiosyncratic (Zeithaml 1988), scholars have tried to find common predictors of perceived value to understand what constitutes value and purchase intentions. Over the years, a considerable body of literature has empirically investigated the antecedents that determine product value and product choice (e.g. Bolton and Drew 1991; Zeithaml 1988), and store value and store choice (e.g. Baker et al. 2002; Donovan et al. 1994; Sirohi et al. 1998; Zeithaml et al. 1996). Most authors in this field used Zeithaml's classification of perceived costs and benefits to predict perceived value and purchase intentions (e.g. Baker et al. 2002; Sirohi et al. 1998; Sweeney et al. 1999). As such, they often treated the benefits and costs both as *antecedents* and as *components* of value (see Dabholkar et al. 2000). Before addressing the criteria consumers use for their purchasing, this observation is explained. Research on value dimensions (e.g. functional value, emotional value) focuses on the components or constituents of value. It focuses on construct definition, denoting what perceived value includes or comprises (Rossiter 2002). In this respect, perceived value is seen as the (weighted) summation of its components. When these components are not related to an overall measure of perceived value, it is not possible to capture the effect or importance of each dimension (Dabholkar et al. 2000; Sweeny and Soutar 2001). Contrastingly, research has also addressed how the concept of perceived value behaves in retail settings, referring to the determinants and consequences of (the components of) value. This type of research focuses on understanding the relationships between constructs. Here, the benefits and costs sometimes act as components of value, and as antecedents of value. For instance, time and effort costs are seen as antecedents of perceived value (Zeithaml 1988), but can also simultaneously act as a component of value (cf. Baker et al. 2002). Studies focusing on the interrelationships often take a more practical view, and use the identified costs and benefits without explicitly addressing whether they are used as components or predictors of value (e.g. Baker et al. 2002; Cronin et al 2000). However, the complex nature of the perceived value concept sometimes necessitates researchers to model benefits/costs simultaneously as antecedents and components of value. The second stream of research provides us additional insights into how customers evaluate value. For example, research on the value dimensions cannot explain the dual effect of price (cf. Agarwal and Teas 2001; Dodds et al. 1991). This study focuses on (the strengths of) the interrelationships as the focus is on understanding the construction of perceived value and purchase intentions in each context. It also addresses which factors are treated as predictors and which are treated as components of value (see section 4.1.1).

Channel choice has many similarities with store choice and to a lesser degree with product choice (cf. Inman et al. 2004). In accordance with store choice, the decision is likely to be made on the perceptions of price, merchandise quality, service quality, shopping costs and benefits. In fact, the choice between shopping online or shopping offline resembles the decision to buy through an online or an offline retailer. Note that these retailers can refer to a single multichannel retailer. Thus, it is likely that the criteria consumers consider for their store choice match those for channel choice. Consumers generally evaluate store alternatives on a number of store attributes (Lindquist 1974), which serve as a means to determine value. Consequently, the extant literature on product value and store value is investigated to identify the relevant antecedents that affect online and offline shopping value and intentions.

3.4.1 Product value and product choice

A number of studies investigated how value perceptions are formed and how these perceptions influence product choice. For example, a study by Sweeney et al. (1999) showed the role perceived risk has in the quality-value relationship for durable goods. They concluded that consumers do not only consider the immediate benefits and sacrifices, but also contemplate about the longer-term implications of the product's ownership, including performance and financial risk. Perceived risk is considered a sacrifice, as it involves psychological costs. The results showed that product quality, relative price (i.e. relative to products with similar features), risk and functional and technical service quality defined perceived value. Perceived risk played an important role in the quality-value relationship; it was found to be a significant mediator of this relationship. Product and service quality reduced perceptions of risk, which, in turn, affected perceived product value. Additionally, the mediating role of perceived value was questioned; thus, whether it was necessary to include perceived value as a mediator, or whether it was possible to directly link service quality, merchandise quality, risk and relative price with willingness-to-buy. The results indicated that perceived value was found to be significant mediator and should be included.

Teas and Agarwal (2000) also researched the antecedents of perceived product value. Their model included perceived quality and perceived sacrifice that indirectly influenced perceived value through perceptions of performance and financial risk. Perceived quality was negatively related to performance risk, whereas price was positively associated with financial sacrifice, as well as perceived quality (dual effect of price). The results demonstrate that perceived quality and perceive sacrifice have an indirect effect on perceived product value through performance risk and financial risk.

3.4.2 Store value and store choice

Much of the store choice literature builds upon research on perceived product value. Naturally, compared to product value, the shopping experience plays a more profound role in explaining store value. Next, for retailers that offer physical merchandise, merchandise quality, referring to both the quality of selection and products, often replaces product quality. Finally, the quality of the additional services delivered by retailers is seen as an indicator of store value (Dabholkar, Thorpe and Rentz 1996; Sirohi et al. 1998; Sweeney et al. 1999).

Kerin et al. (1992) identified price, merchandise quality and shopping experience as predictors of value perceptions of a supermarket. They concluded that the shopping experience had the largest effect on store value. Shopping experience perceptions were here defined by store cleanliness, variety and selection, employee friendliness, check cashing policy and checkout waiting time. The shopping experience included utilitarian (selection and variety) and hedonic aspects (employee friendliness).

Sirohi et al. (1998) investigated antecedents and consequences of perceived value for a grocery retailer. The antecedents of perceived value, which was defined as *value for money*, included perceived relative price (i.e. retailer's price relative to its competitors), sales promotion perceptions (i.e. price deals, having sale items in stock), and to a lesser extent on service quality and merchandise quality perceptions. Merchandise quality and service quality had both a direct and indirect effect (through perceived value) on store loyalty perceptions.

Baker et al. (2002) integrated theories from cognitive and environmental psychology with Zeithaml's (1988) classification to predict merchandise value and store patronage intentions. Their conceptual model includes interpersonal service quality (i.e. functional service quality), merchandise value, and shopping experience costs (i.e. time and effort and psychological costs). As with many authors (cf. Zeithaml 1988), these authors merely incorporate consumers' shopping experience *costs*, ignoring the shopping experience *benefits*. Two studies were conducted by confronting students with simulated shopping experiences through a card-and-gift store. Their results showed that merchandise value was defined by perceived by merchandise quality and monetary price, but not by the types of shopping experience costs. Merchandise value, service quality and shopping experience costs all appeared to have a direct effect store patronage intentions. The relative importance of the criteria on patronage intentions was also investigated; merchandise value had the strongest impact, followed by psychological costs, service quality and time/effort costs.

Chen and Dubinsky (2003) developed a model to measure perceived customer value in an e-commerce context. They actually investigated the antecedents of store value for an online retailer. They stressed that the existent perceived value models can be used to determine perceived value and purchase intentions in the online context. Clearly, they built upon existent perceived value models, but they also add factors that specifically relate to the online shopping context. These specific E-Commerce factors include relevancy of information, ease of use and customer service, which define the valence of online experience. Moreover, they inserted e-tailer reputation as a reducer of risk. When omitting these specific E-Commerce determinants, the original empirically tested model of Sweeney et al. (1999) shows up. Their results show that store value perceptions are determined by the valence of experience, perceived risk, product price, and product quality.

Prior perceived value studies show the following antecedents of perceived product/store value and purchase intentions: *product quality* or *service quality* (Bolton and Drew 1991; Chang and Wildt 1994; Dodds et al. 1991; Cronin et al. 2000; Grewal et al. 1998b), *merchandise quality* (Baker et al. 2002; Sirohi et al. 1998)*, perceived sacrifice* (Cronin et al. 1997; 2000) consisting of *price* (Chang and Wildt 1994; Dodds et al. 1991), *time and effort expenditures* (Baker et al. 2002), *psychological costs* (Baker et al. 2002) or *perceived risk* (Chen and Dubinsky 2003; Sweeney et al. 1999; Teas and Agarwal 2000). Other studies have touched upon *enjoyment*, by referring to the hedonic aspects of the shopping experience (Chen and Dubinsky 2003; Kerin et al. 1992). Table 3.3 summarizes the six main criteria (i.e. service quality, merchandise quality, price, time/effort costs, psychological costs and enjoyment) consumers consider when shopping.

3.5 Conclusion

This chapter reviewed the perceived value literature in order to identify the dimensions and/or and antecedents of value, which are likely to affect channel purchase intentions.

The marketing literature confirms that perceived value is linked through the use to some product, service or object; is something perceived subjectively; and, involves a tradeoff between the salient perceived benefits and costs. Prior research reported the context-dependent and multi-dimensional nature of perceived value. Although perceived value is highly personal and idiosyncratic (Zeithaml 1988), researchers have tried to classify common purchase-related costs and benefits. A stream of research focuses on the axiological dimensions or components of perceived value; this stream of research sees perceived value as the (weighted) summation of the identified components. Another stream of research is more interested in understanding the interrelationships and sometimes allows the benefits and costs to act as components and antecedents of value. This study follows the last stream of research, as it provides additional insights into the relative effects of the antecedents of perceived value and purchase intentions. Next, it fits better with how consumers actually make evaluations of shopping online and offline (cf. Dabholkar et al. 2000). A review of the product and store value literature showed the following classification of purchase-related costs and benefits: service quality, merchandise quality, monetary price, time/effort costs, psychological costs and enjoyment. In addition to this, the *construct* of perceived value (i.e. value for money) has been found to frequently act as a mediator between the components and purchase intentions (e.g. Sweeney et al. 1999). Consumers are expected to consider these seven criteria when evaluating online and offline stores. Chapter 4 discusses the interrelationships between these criteria.

Table 3.3: Antecedents of perceived shopping value and purchase intentions

Study	Service quality	Merchan-dise quality	Monetary Price	Time/ effort costs	Psycho-logical costs	Enjoy-ment
Agarwal and Teas (2001)		Product quality	Price		Perfor-mance risk, financial risk	
Baker et al. (2002)	Inter-personal service quality	Merchan-dise quality	Monetary price	Time/ effort costs	Psychic costs	
Bolton and Drew (1991)	Service quality		Sacrifice			
Chang and Wildt (1994)	Quality		Price			
Chen and Dubinsky (2003)	Customer service	Product quality	Product price	Valence of experience	Perceived risk	Valence of experience
Cronin et al. (2000)	Service quality		Sacrifice			
Dodds, Monroe and Grewal (1991)		Product quality	Sacrifice			
Kerin, Jain and Howard (1992)		Merchan-dise quality	Price	Shopping experience		
Sirohi, McLaughlin and Wittink (1998)	Service quality	Merchan-dise quality	Relative price and Promotions			
Sweeney, Soutar and Johnson (1999)	Technical and functional service quality	Product quality	Relative price		Performance /financial risk	
Teas and Agarwal (2000)	Perceived quality		Sacrifice			