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Why Experiential Situation helps Patronage Decision? An Exploratory Study in Taiwan Shoes Market

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Abstract: Many leading enterprises faced challenges when it is located in the traditional industry because lots of competitors come and adopt harmful low-price competition. Is there any strategy to do something better in order to avoid such bloody war? Physical stores are effectively transacting place, numerous papers studied in situational factors influence consumers' intention which have been widely used in store environments for years. So that, researchers might be treated it as saturation and a limited number of study is still in this topic. But, due to the limitation in information overload, the consumers need periodical refresh in any new situational variable for keeping consumers' fresh response in store environments. Therefore, this research is going to field case study to investigate how the high industrial matured enterprise keeping its leading position through novel situational factors. This research employed the marketing company of leisure-shoe as case study in Taiwan and this company confronts with competitors' low price competition. Finally, this company executed a new stylish store environment setting with surprising situational variable that maintains same yearly revenue with half operation cost. The three propositions have been issued on the effect of situational variables.

Key words: Situational influences, experience-based marketing, V-shape inversion, complex store system, strategic experiential modules, experiential providers

INTRODUCTION

The industry environment changes fiercely basis on the progress of domain technology. So that, enterprises always kept operation strategies elastically in order to secure its business. At this moment, most of enterprises confronted many operating challenges when they were in the matured industry segment with lower entry barriers. Lots of competitors are going to such market on a low price competition if someone has a little good return. It might be an inevitable way in the high-mature industrial segment. Is there any other strategy for them to do something better to avoid such price war? That will be a big challenge for both of the executives and researchers in marketing management.

Ajzen (1991) revealed that the Theory of Planned Behavior (TPB) addressed behavioral attitude, subjective norms and perceived behavior control influence consumers' patronage intention and decision. Schmitt (1999) experiential marketing paradigm addressed that consumers could be contained both of rational and emotional natures, there are five Strategic Experiential Modules (SEMs) and seven experiential providers (EXPROs) build an experience matrix mainly on lead

consumers' emotional behaviors. In physical store environments, numerous of studies examined that situational variables influence on consumers' patronage intention and decision (Belk, 1975; Milliman, 1986). The synergy of TPB, Experiential Marketing paradigms and situational factors manipulation depict consumers' patronage decision process in physical stores of mature industries.

Numerous paradigms employed situational variables on consumers' patronage decision have been widely and effectively used in physical stores for many years. There are few studies to be constructed, on the piece of research. However, due to the limitation of information overload, consumers need periodical refresh through new situational variable in order to keeping consumers' response in store environments.

This research employed qualitative approach and adopted leisure-shoe marketing company as case study in Taiwan. However, the company confronted with competitors' low price competition in peak stage. Finally, this company turns around on the halved operation cost strategy which accompanied a new stylish store environment setting with surprising situational variable. Therefore, it is an ideal case study to investigate the new

situational variables. The three propositions are examined the effect of situational variables on consumer's patronage decision.

CONSUMER'S PATRONAGE DECISION

Grounded theory: Glaser and Strauss (1967) revealed grounded theory in order to build a new paradigm from field study. Grounded theory is used to examine key success factors or recognize the paradigm too. Chang (2008) addressed five steps for the application of grounded theory, including (1) To recognize the key information from the general data, (2) Based on the same application, classify these key information into cluster, (3) Fine adjusting these clusters into critical cluster, (4) To verify the critical cluster through more data and (5) To issue a well integrated conceptual model or system. In order to enhance the reliability and validity, Chang (2008) also suggest that researchers join the field operation and think the key leaders' logic in order to recognize what-and-why he do, what-and-why he won't do.

Theory of planned behavior (TPB): Ajzen (1985) addressed TPB which is enhancing the theory of reasoned action by "perceived behavior control" item. The TPB's framework, it addressed that "consumer's patronage decision" is predictable by consumer's "intention" in Fig. 1. And the "intention" will be influenced on "behavioral attitude", "subjective norm" and "perceived behavior control". TPB represented the rational thinking and decision process and it has been used in many disciplines, so far.

Experiential marketing: In real marketing world, for matured goods or traditional services, there are high similarities for the objective functionalities of that product or service which is supported by every vendor. How could consumers make their choice? Schmitt (1999) addressed that the concept of experiential marketing, in which indicated an emotional impulse might guide the consumers' choice. Its not only purchased a product or service but also an experienced satisfaction.

Experiential marketing paradigm depicts the consumers' personality, including rational and emotional mind. Schmitt (1999) conducted five SEMs to describe the different type of experiences, including sense, feel, think, act and relate. In addition, Schmitt (1999) proposed seven EXPROs which is associated with five SEMs, including communication, verbal identity and signage, product presence, co-branding, spatial environment, electronic media and people. However, integrated the SEMs and

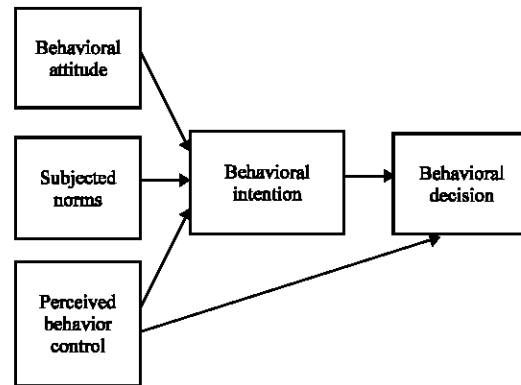


Fig. 1: Framework theory of planned behavior (Ajzen, 1985)

EXPROs, Schmitt (1999) established the experiential matrix and be used for the planning of experiential marketing approach.

Situational influences: The physical environment includes decoration, interior design, lighting, music, color, atmosphere, etc. Several studies about physical stores have examined the influences of environmental factors.

Hawkins and Mothersbaugh (2010) integrated four main situation types, including communication, purchase, usage and disposal and he revealed the consumer's entire purchase process. Five situation dimensions which are physical surrounding, social surrounding, temporal perspectives, task definition and antecedent states depict the influence of factors on consumer's patronage decision.

RESEARCH DESIGN

Based on the rational thinking logic, Ajzen (1991) addressed TPB to explain the influence of behavioral attitude, subjective norms and perceived behavior control on consumers' purchase or patronage intention and decision. This paradigm has been used in the marketing field. TPB paradigm indicated consumers' rational evaluation processes of purchase intention. However, due to the maturing technology, the major products and services are of high similarity which it came from the well-organized enterprises. However, it generated confusion for consumers in patronage decision.

The experiential marketing paradigm illustrated consumers with rational and emotional human are willing to transaction with pleasurable experiences. The five

SEMs and seven EXPROs are constructed an experience matrix in order to explain consumers' emotional behaviors. The synthesis of TPB and Experiential Marketing paradigm depict consumers' patronage decision process in matured industries.

Mostly, a physical store is the appropriate place for consumers to make patronage decision. However, numerous of emotional factors will influence consumers changing their decision when they stayed in store and even they employed a rational purchase evaluation before. The factors could be background music, number of people, store atmosphere, store decoration, companion's comment and consumer's mood state in stores. Therefore, this study addressed the proposition as following:

- **Proposition 1:** For mature products, emotional factors will influence on consumer's rational patronage evaluation in physical store

In order to attract consumers staying longer and keep good memory in physical stores, most of the store facilities are renew periodically and always make something become new. The new design concept using cross-disciplinary product portfolios are popular in modern stores. For example, a book store with coffee shop, a movie theater with snake bar or convenient restaurant, airport-like train station and a coffee shop based supermarket, are called modern stores. These new store environments are targeted for keeping consumer staying longer and influence patronage decision and more consumption. Therefore, this study depicts the proposition as following:

- **Proposition 2:** A complex store environment will induce consumer on patronage decision

This research summarized consumer patronage decision process and base on the rational and emotional evaluation. Then, this research utilized a leisure-shoe marketing company as a case study in Taiwan. The data collection is base on deep interview with four top managers in this enterprise. After using a new shoe store design which contained a high-involvement products portfolio for enhances consumers' cognitive pleasure, this company creates the same revenue on a lower number of stores (and cost) in a declined industry situation. Therefore, this study depicts the proposition as following:

- **Proposition 3:** In spite of the matching of product portfolios, a complex store environment with novel atmosphere will induce consumer on patronage decision

Summarizing the above theory, paradigms and propositions, this research infers a conceptual model of the patronage decision process of customers in Fig. 2.

Data collection: There were four top managers (vice president level and above) who were interviewed by authors and they played lead managers or decision makers roles on this case study. Table 1 shows the main information of these top managers.

In order to enhance the reliability and validity of the data collection, this case analysis focus on the top managers and they are the key decision contributors or decision makers. Due to variation of industry environment, the three sales-and-marketing leaders executed different marketing strategy in each period. The contents of interview includes the discussion, meeting notes and after memory. The total period of data collection is from 2005 to 2011. Table 2 explains the numbers and period of top managers' interview.

Data analysis: The key interview items were target for understanding the top managers' toward risk sense and

Table 1: Main information of interview candidates

	A1	A2	A3	B1
Gender	Man	Man	Man	Man
Age (year)	56	50	58	50
Job description	Sales V.P. in 1st stage	Sales V.P. in 2nd stage	Sales V.P. in 3rd stage	R and D V.P. of high-involvement product
Experience (Years)	24	23	24	20

Table 2: Numbers and period of interview

No.	No. of interview	Interview period
A1	1	2005/Begin
A2	2	2006/Middle-2007/Begin
A3	5	2007/Middle-2011/End
B1	5	2005/Begin-2011/End

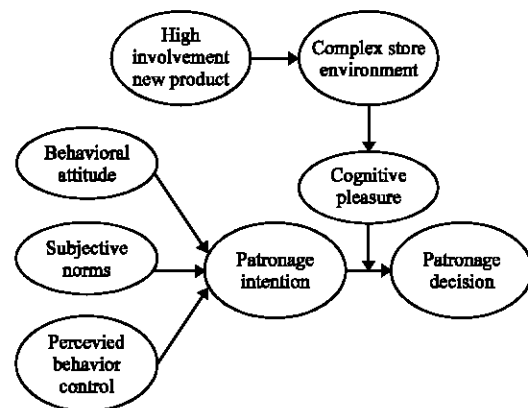


Fig. 2: Conceptual model of the shoe patronage decision making process of customers in Taiwan

strategy for marketing. For example, the questions are, “Did you sense how serious the sales volume decrease?”, “What you judge the main cause to sales decrease?”, “What’s your action or strategy to this risk?”, “Did you consider to extend the product line?”, “Did you consider to develop the high-involvement product to comply the current product?” etc.

In order to receive the accurate information, this research adopted a non-open type interview and visited the managers and leaders to discuss these questions. Through few times communication, the authors could check the data and make sure the above questions.

The skills of grounded theory were applied in this study, including open coding and axial coding. The open coding aggregated data which was grasping from interview stage. In order to simply and grab its typical concepts, factors, strategic elements, axial coding integrated the result of data which was from open coding. The data included the meaningful description to make it become paradigm or model.

CASE STUDY

History and operation risk: Due to business ethics, this research could not reveals the real name of the company in this study, therefore, we named it as company-A. In 1996, in order to create more business value, company-A is built for high quality leisure-shoe manufacturing and own-brand marketing in Taiwan. Because confront with troubles in the channel management on the first 2 years, company-A built up first physical store for executing the own-store with own-brand strategy. Through its up to 300+ own-brand stores, an outstanding performance was done around 5 years. On the projection curves from year 1998 to 2003 in Fig. 3 and company-A had created an amazing performance.

Unfortunately, company-A confronted with inevitable low-price-competition when industry goes mature. The competitors replicated its marketing strategies when the similar product was appeared in the market and employed lower price. Therefore, it made company-A huge decline both on revenue and profit. Figure 3. explains the average revenue per store and the operation cost (similar as No. of stores) declined from year 2001. Therefore, it caused net profit declined and got loss in year 2004.

Turn around: Revenue-increasing and cost-saving are the two popular strategies in the down-side operation. However, revenue-increasing strategy was much difficult than the latter. Based on the cost-saving actions, company-A is planning to

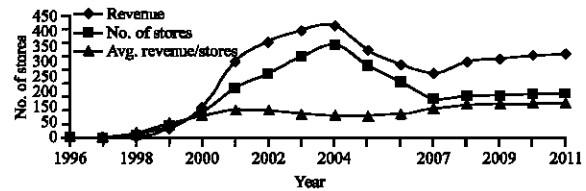


Fig. 3: Projection curves of company-A

reduce the number of stores. But, this action might lead consumers to negative feeling and patronage intention.

In order to compensate the operation risk, company-A employed two strategies. The first is the new store environment designed with high-involvement products of high-end audio-visual equipments. It derived more consumers to come see-and-talk the new store and stayed stores longer. The second strategy is built ONE new-and-bigger store when terminated TWO original-style stores. Therefore, company-A reduces the decline of operation revenue and got V-shape inversion in 2007. The number of stores reduced from 300+ to around 150, more than 500 employees moved. Then, the monthly average store-revenue is increasing from NT 800 thousands dollars to NT 1.4 millions dollars. The financial contribution from each store is almost double increase and company-A comes over the break-even point again. The projection curves from 2005 to 2008 in Fig. 3, describes the manipulated process when company-A adopted new store design with high-involvement products portfolio. This successful case study should be an excellent learning-case for any enterprise if it is also in the mature stage of product life cycle.

DISCUSSION

Generally speaking, the technology-and-patent and brand-and-channel portions are much profitable than the manufacture did. However, it could be a different operation trap in red-sea if the domain technology gets mature and/or the major competitors stand there. Previous consumer behavior theory derived the rational decision on consumer’s purchase process. It educated the suppliers to focus on products, price, promotion and places to meet consumers’ functional requirements. However, in matured industries, there are high similarities between major products or services when it is marketed from the well-organized enterprises. It is a headache issue to consumers on patronage decision. Experiential marketing paradigm addressed that consumers are thinking modes both on the rational and emotional

dimensions. Consumers need not only the functional satisfaction but also the experiential value. This also educated the suppliers projected on the situational factors creation in order to influence consumers' patronage decision at last second.

Based on the above theory and paradigm, this research derived three propositions and a conceptual model which are on the effects of physical store's situational factors on consumers' patronage decision. Then, company-A successfully manipulated the situational factors for new stores and designed with high-involvement products portfolio to keep same revenue with 50% operation cost saving.

The most popular marketing theory conducts four dimensions of products, price, places and promotion for company to communicate with its consumers on products or services promotion. Then, consumers are searching the related information and alternatives when purchase requirement is recognized. Before consumers made purchase decision, both supplier and consumer might interact in physical stores. The supplier manipulated the situational factors to convince consumers. Then, consumers will response different comments and take action after consumption.

CONCLUSION AND IMPLICATION

Based on the previous consumer behavior paradigms and field investigations, consumers are asking for both of the functional satisfaction and experiential value. Both of rational evaluation and emotional expectation must be satisfied during consumer's purchase process. This research derived three propositions which depict the emotional and situational factors affect the consumer's rational patronage evaluation in mature industries, the situational factors of the complex store environment will guide the consumers make consumption at the moment and no matter the matching of products portfolio, the situational factors are effective for consumer's patronage decision if that factors are novel atmosphere.

During the case study, company-A successfully manipulated the situational factors of new store design with high-involvement products portfolio to keep same revenue with 50% operation cost saving in Taiwan shoe market. It will be an excellent case which is planning to utilize the situational factors impact on consumer's

patronage decision. Therefore, the conceptual model is the effects of physical store's situational factors on consumers' patronage decision which is depicted. It was an easy-to-learn pattern for marketer of mature-technology products or common services.

This research focused on the proposition generation and supported by a field case study with top managers. Although detailed analysis of the collected dataset could be adopted. However, research limitations of imperfect data transparency and respondent's subjective responses still existed. Future researches may retest by increase the number of respondents to minimize the research bias.

This research using qualitative method investigates the effects of situational factors on consumer's patronage decision. This study recommended that extend to the quantitative point of view if other researchers are interesting on similar topics. Then, deeply investigate on the perspectives of the salesmen and consumers are suggested by this research.

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