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Understanding moderating effects of increasing share-of-wallet and word-of-mouth: A case study of Lidl grocery retailer

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ABSTRACT

This study examines how five moderating variables (the length of the customer relationship, following a company in print media and on social media, remembering online advertisements, and the customer's age) affect the relationships between perceived value and loyalty and satisfaction and loyalty in the grocery retailing sector. A series of hypotheses were developed and tested with a sample of 2,072 discount retailer customers in Finland. The results support all the direct effects hypotheses and show that perceived value and satisfaction both have a positive effect on loyalty, measured as a share of wallet and word of mouth and that the effect of perceived value tends to be stronger in the study context. Also, the five moderating variables have a positive moderating effect on the linkages between perceived value and eWOM and between satisfaction and eWOM. Theoretical and managerial implications, limitations, and future research directions are presented.

Keywords: Perceived value; satisfaction; share of wallet; word of mouth; moderating effects.

1. Introduction

Customer loyalty is an important business goal, a major driver of success, and a major strategic objective (Yang and Peterson, 2004; Peña et al., 2017; Mckercher et al., 2012). Customer loyalty is extensively measured by behavioral intention, which includes willingness to recommend and intentions to revisit places, such as retail outlets and tourist destinations (Kim and Park, 2017). High value is considered the primary motivation for a customer's patronage or loyalty (Bolton and Drew, 1991; Yang and Peterson, 2004). Park et al. (2018) have supported the view that the perception of value is a better predictor of loyalty intentions than satisfaction or perception of the service quality. Customer perceived value, i.e., what consumers get for what they give (Park et al., 2018) and customer satisfaction, i.e., the consumer's evaluation of the value derived from the shopping experience (Carpenter, 2008), play a significant role in retaining and increasing customer loyalty.

Satisfaction has emerged as a primary aspect of the drivers of loyalty (García-Fernández et al., 2017); if a customer is satisfied, there are more possibilities for the client to have a positive perception of the organization, will demonstrate loyalty to the company, and will positively represent the company via WOM (García-Fernández et al., 2017). Similarly, customer satisfaction is widely considered a vital element of many favorable intentions and behaviors linked to increased customer

loyalty and profits, lower operating expenditures, and high business success, thereby making it the focal point of business operations (Ratanavilaikul, 2018). Like perceived value, studies have found that customer satisfaction positively affects loyalty. For example, in the retailing context, Leppäniemi et al. (2017) found a significant positive relationship between satisfaction and loyalty.

Specifically addressing the retail industry, only a few studies (e.g., Yang and Peterson, 2004; Peña et al., 2017) have considered the moderating effects on the value–loyalty and satisfaction–loyalty relationships. Prior research (e.g., El-Adly and Eid, 2016; Fazal-e-Hasan et al., 2018; Grosso et al., 2018; Nisar and Prabhakar, 2017) has also examined online retailers, upscale grocery retailers (e.g., super and hypermarkets), and shopping malls leaving discount grocery retailers scarcely researched.

Considering these research deficiencies, the goal of this study is to first extend the knowledge of the relationships between customer perceived value–loyalty and customer satisfaction–loyalty in the discount retailer. Second, this study aims to contribute to the empirical literature about discount grocery retailers. It will achieve this by examining why customers shop in discount stores and by formally examining the indirect effects of customer demographics (relationship length, the customer's age) and perceptions of advertising on the relationships between loyalty and its two chosen main drivers (satisfaction and perceived value). There are no scholarly works looking explicitly at the moderating effect (Peña et al., 2017) of customer demographics and perceptions of advertising on consumer behavior towards retailing firms. It is, therefore, beneficial to examine how different degrees to which customer demographics and perceptions of advertising are adopted may influence the satisfaction–loyalty and perceived value–loyalty relationships.

Accordingly, this study tests the indirect effects of five moderator variables (relationship length, following a company in print media, remembering online advertisements, following a company on social media, and the customer's age) on the relationships between the two drivers of loyalty (perceived value and satisfaction) and customer loyalty, measured by the terms share-of-wallet (SOW), word-of-mouth (WOM), and electronic word-of-mouth (eWOM).

This paper proceeds as follows. Next, research setting and retail sector will be discussed. Subsequently, the research model and the hypotheses related to it will be presented, followed by the presentation of the research method and the results. A discussion of the findings, the contributions of this study, the limitations, and the recommendations for future research will conclude this study.

2. Research setting and retail sector

2.1 Research setting

For the sake of this study, discount retail stores, which are different from retail department stores, has been postulated. According to Grace and O'Cass (2005, p.232), department retail stores are considered as "mass-merchandisers who highlight the quality image and high customer contact." Discount retail stores, on the other hand, are considered "mass-merchandisers who emphasize self-service and low prices."

The empirical context of this study is about the customers of one of the world's largest discount grocery retailers, Lidl. The fundamental principles of Lidl are self-service and low prices in simplified shops. Lidl, a German grocery retailer, has over 150 stores in Finland and approximately 5,000 employees. Lidl's share in the Finnish grocery industry is evaluated at 8.8% (Nielsen, 2017). Lidl is considerably different from its main rivals in Finland (Kesko and S-group), as it does not offer a loyalty card program, and the stores offer different selections and less floor space. Lidl was chosen as the target company for this study because it was possible to exclude any influence from a loyalty card program.

2.2 Retail sector

Over the last three decades, the retail sector, including e-commerce, has gradually evolved in Europe and elsewhere and has developed into the most dynamic global economic sector (Pantano et al., 2017). According to e-Marketer (2017), the worldwide retail e-commerce sales reached USD 2.290 trillion last year in 2017, making up 10.1% of the total retail sales. This share will surpass 16% by 2021 when e-commerce sales hit USD 4.479 trillion.

According to Corbet and McMullan (2018), the single European currency and the abolishment of cross-border tariffs increase of imports and exports across European borders, enabling suppliers to locate a broad variety of goods at lower prices. This changed the market behavior of the retailers, from using more inventive techniques to adopting cost-cutting efficiency, to offer high value and survive the competition created by low-cost retailers, such as Aldi and Lidl. Perhaps, perceived value for money may be more pertinent in the case of the discount retailer (Grace and O'Cass, 2005).

Advances in information and communication technologies, the exponential growth in the use of portable devices and social media, and the options available to consumers for accessing, choosing, and purchasing merchandise and other items have evolved as well. With these innovative developments, a surge in the e-commerce business models is admissible and logical. Nevertheless, despite these innovative developments, brick-and-mortar retail, especially in the grocery shopping

context, has remained the preferred alternative for the vast majority of customers. For instance, a market survey conducted by PwC (2015), involving more than 19,000 respondents, indicates that physical retail stores remain the primary destination for shoppers, despite escalating internet and online sales. Thus, the brick-and-mortar retail domain continues to have a rightful place in academic research (Bradley and LaFleur, 2016).

3. Research model and hypotheses

The research model is presented in Figure 1. In conceptualizing the key terms of the study, this study follows the mainstream literature (e.g., de Matos and Rossi, 2008; Keiningham et al., 2005; Zeithaml, 1988). As the concepts of perceived value, satisfaction, SOW, and WOM are well-known, this study's conceptual discussion focuses on the relationships among the variables and the proposed moderating effects (relationship length, following a company in print media, remembering online advertisements, following a company on social media, and the customer's age).

[Insert Figure 1 about here]

3.1 The effect of perceived value on loyalty (SOW, WOM, and eWOM)

Understanding the sources of value of an offer is widely considered a key marketing strategy element (Gummerus, 2013; Mencarelli and Lombart, 2017). Perceived value is considered fundamental for all the marketing activities to maintain a competitive advantage (Shaikh and Karjaluoto, 2016). Obtaining value, from a consumer's perspective, is a significant consumption goal for a successful shopping experience (El-Adly and Eid, 2016). In the retail industry specifically, perceived value is mainly investigated in the context of product and brand and is defined as the customer's overall assessment of the utility of a product, which is based on their perceptions of what is received and what is given (Zeithaml, 1988).

A few researchers have treated the perceived value as a multidimensional construct. For example, examining the perceived value in the context of department stores, Rintamäki et al. (2006) concluded that perceived value is a combination of utilitarian, hedonic, and social values. Similarly, Wang et al. (2004) also considered the perceived value to consist of several dimensions: perceived sacrifices, functional value, emotional value, and social value. About perceived value and its relationship to loyalty, research by Gruen et al. (2006) and Boonlertvanich (2011) established a positive link between these two constructs: the higher the perceived value a consumer derives from the provider, the higher the customer loyalty will be.

For discount retailers, Kim and Lee (2010) define SOW as the share of a customer's business that a particular retailer obtains in a product category. Prior research has identified three primary behaviors associated with customer loyalty: retention, SOW, and WOM (Bowman et al., 2000; Keiningham et al., 2007). Eggert and Ulaga (2010) noticed correlations between perceived value and SOW in business markets, finding that customer-perceived value may predict such outcome variables as purchase intentions, WOM, a reduced search for alternatives, and SOW. In a buyer-seller setting, Hughes et al. (2013) confirmed a strong positive effect of customer perceived value on SOW.

A direct relationship, therefore, should exist between perceived value and SOW, and the value or benefits derived from a product or service will compel the consumer to spend more on that specific product or service. However, in the retailer or consumer context, this relationship has not been well-researched. Therefore, this study will test this effect further and hypothesize:

H1: Perceived value has a positive effect on SOW.

WOM is considered a recognized dimension of loyalty (Kumar et al., 2013; Fuentes-Blasco et al., 2017). According to Westbrook (1987, p.261), WOM is defined as "all informal communications directed at other consumers about the ownership, usage, or characteristics of particular goods and services and/or their sellers." WOM is considered an output of other constructs, such as perceived value, satisfaction, loyalty, quality, commitment, and trust (de Matos and Rossi, 2008). Both researchers and practitioners agree that WOM produces benefits for firms (Söderlund and Mattsson, 2015) and the perceived value has a positive effect on customers' behavioral intentions, particularly on WOM (Hartline and Jones, 1996).

Because of the advancements and innovations are seen in the internet and mobile technologies, traditional face-to-face WOM has changed into e-WOM, and now consumers can get information regarding products or services via eWOM (Hussain et al., 2017). According to Hussain et al. (2017) and Reichelt et al. (2014), research on eWOM is still in its initial phases and needs more attention to understand the power of eWOM communications.

Hennig-Thurau et al. (2004) defined eWOM as any positive or negative statement made by a customer about a product, service, or company that is made available to a multitude of people and institutions via the Internet and social media. Prior research (Durvasula et al., 2004; Gruen et al., 2006; Hartline and Jones, 1996; Keiningham et al., 2007; McKee et al., 2006; Wang et al., 2004) has reported that perceived value is positively related with WOM and eWOM. McKee et al. (2006) argued that a customer who perceives high value tends to become more committed to the company or brand and seeks to recommend others to become loyal to the same company or brand. Thus, this study hypothesizes:

H2: Perceived value has a positive effect on WOM.

H3: Perceived value has a positive effect on eWOM.

3.2 The effects of satisfaction on loyalty (SOW, WOM, and eWOM)

Customer satisfaction is defined as the customer's overall evaluation of a product or service after he or she purchases it (Pham and Ahammad, 2017). Customer satisfaction has long been regarded as a vital determiner of long-term consumer behavior (Oliver, 1999; Yi, 1990) that results in customer retention, SOW, and profitability.

The positive relationship between customer satisfaction and SOW has been supported across various industries, including both the business-to-business and the business-to-customer sectors (e.g., Buoye et al., 2016; Cooil et al., 2007; Hunneman et al., 2015). According to Keiningham et al. (2003), satisfaction is positively related to the share of business a customer conducts with a particular company. Hunneman et al. (2015) investigate the impact of consumer confidence on satisfaction and SOW. They confirm a positive relationship between satisfaction and SOW. Given the findings of various studies regarding the positive effect of satisfaction on SOW, this study hypothesizes:

H4: Satisfaction has a positive effect on SOW.

Both researchers and practitioners agree that customer satisfaction is an important component of a firm's long-term success (Buoye et al., 2016). It is also well-known that satisfaction is an important post-purchase response that is commonly linked to relationship outcomes, such as positive WOM (Mittal et al., 1999). According to Anderson (1998), the relationship between satisfaction and WOM is asymmetric and nonlinear, and the level of satisfaction influences repurchase and WOM (de Matos and Rossi, 2008). Brown et al. (2005) suggested that higher satisfaction leads to greater levels of commitment and WOM intentions, and commitment leads to increased WOM behavior. Similarly, other studies have clearly documented a positive link between satisfaction and WOM (e.g. Brown et al., 2005; de Matos and Rossi, 2008; Heckman and Guskey, 1998; Hennig-Thurau et al., 2004; Maxham and Netemeyer, 2002; Mittal et al., 1999; Oliver and Swan, 1989; Sweeney and Swait, 2008). This relationship provides a great opportunity for companies to increase their market share by developing a positive WOM relationship with customers (Casaló et al., 2008).

Moreover, through web-based social or online consumer opinion platforms, customers who are always online share their opinions on goods and services with a multitude of other consumers and communities. Yoo et al. (2015) reported that eWOM has a positive and significant impact on satisfaction in the marketplace. With these arguments in mind, this study hypothesizes:

H5: Satisfaction has a positive effect on WOM.

H6: Satisfaction has a positive effect on eWOM.

3.3 Moderating effect of length of the customer relationship

Although the direct effects between perceived value and loyalty and between satisfaction and loyalty are well-established, less is known about the other factors contributing to the increase of SOW and positive WOM. The length of the relationship is an important variable to examine as it implies that a consumer has had sufficient service encounters with the service provider to acquire more information about the retailer over a period. This creates a logical relationship dynamic between the consumer and the retailer such that more encounters the consumer has with the retailer, the more he or she accumulates information about and experience with the partner. As the relationship extends, two important changes occur: customers become more experienced with both the service provider with which they are transacting and the market in which the provider competes (Bell et al., 2005).

Empirical studies have validated this posture by elucidating that an increasing, as well as a sustainable relationship length, positively affect satisfaction and perceived value. Along the same lines, both Bolton (1998) and Verhoef (2003) argue that the longer the relationship, the higher tends satisfaction to be. Garbarino and Johnson (1999) found that the effects of satisfaction and trust depend on relationship orientation. Nonetheless, different views have also been outlined in other contexts. For instance, Karjaluoto et al. (2012) did not find a direct effect of relationship length on perceived value and loyalty in the telecommunications context.

The question of how relationship length is related to the relationship between perceived value and the loyalty constructs used in this study (SOW, WOM, eWOM) and between satisfaction and the loyalty constructs has not been widely articulated in the literature, and therefore, the answer remains elusive. However, there are reasons to believe that the effects may increase with the length of the relationship between the customer and retailer. Raimondo et al. (2008) argued that because of the increasing information they have about their relationship with a provider, long-term customers usually recognize that they generate extra value for the provider through repeat purchases over time, favorable WOM, and increased cross-buying. In the service industry context, Verhoef et al. (2002) found that relationship length influences the strength of the relationship

between satisfaction and WOM. On this basis, we want to further test this effect and hypothesize that:

H7a, H8a, H9a: Relationship length moderates the relationship between perceived value and loyalty such that with longer relationship length, perceived value has a stronger positive association with SOW (H7a), WOM (H8a), and eWOM (H9a).

H10a, H11a, H12a: Relationship length moderates the relationship between satisfaction and loyalty such that with longer relationship length, satisfaction has a stronger positive association with SOW (H10a), WOM (H11a), and eWOM (H12a).

3.4 Advertising: Following a company in print media and on social media and remembering online ads

It is widely known that advertising, both offline and online, affects consumers' attitudes and behavior and that the effects tend to be stronger for new brands and products (Tellis, 2009; Vakratsas and Ambler, 1999). Naik and Peters (2009) found that offline (TV, radio, magazine) and online (website, banner) advertising drove sales in the car sales context in Germany and synergies within offline and online media. According to Srinivasan et al. (2016), consumers do engage online even for low-involvement and mundane products. In their study, online advertising explained more of the variance in sales than traditional TV advertising. However, various online marketing forms (owned, earned, and paid media) translate differently to sales. Paid search clicks seem to have the highest elasticity (Srinivasan et al., 2016). Therefore, in the retail context, where most of the products can be characterized as low-involvement, managers should consider the possibilities of online media. As relatively little is known about the effects of following a company in print media and on social media, we want to further investigate these effects by proposing the following hypotheses:

H7b, H8b, H9b: The frequency of following a company in print media moderates the relationship between perceived value and loyalty such that when the frequency of following is high, the effect of perceived value on SOW (H7b), WOM (H8b), and eWOM (H9b) is stronger.

H10b, H11b, H12b: The frequency of following a company in print media moderates the relationship between satisfaction and loyalty such that when the frequency of following is high, the effect of satisfaction on SOW (H10b), WOM (H11b), and eWOM (H12b) is stronger.

H7c, H8c, H9c: Remembering online ads moderates the relationship between perceived value and loyalty such that when online ads are better remembered, the effect of perceived value on SOW (H7c), WOM (H8c), and eWOM (H9c) is stronger.

H10c, H11c, H12c: Remembering online ads moderates the relationship between satisfaction and loyalty such that when online ads are better remembered, the effect of satisfaction on SOW (H10c), WOM (H11c), and eWOM (H12c) is stronger.

H7d, H8d, H9d: Following a company on social media moderates the relationship between perceived value and loyalty such that when the company is followed more frequently, the effect of perceived value on SOW (H7d), WOM (H8d), and eWOM (H9d) is stronger.

H10d, H11d, H12d: Following a company on social media moderates the relationship between satisfaction and loyalty such that when the company is followed more frequently, the effect of satisfaction on SOW (H10d), WOM (H11d), and eWOM (H12d) is stronger.

2.5 Customer age

Customer age is an important demographic variable. Previous research has proposed and tested the moderating effects of customer age on the link between satisfaction and loyalty (Cooil et al., 2007; Walsh et al., 2008) and between performance and effort expectancy (constructs closely related to perceived value) and behavioral intention (Baptista et al., 2017). Mittal and Kamakura (2001) found that age significantly moderates the relationship between satisfaction and loyalty in terms of repurchase intention such that older customers (60 years or older) with the same average satisfaction have higher repurchase probability than their younger counterparts, which can be explained by their more stable preferences. Similarly, Moliner-Velázquez et al. (2015) found a significant moderating effect of age on the relationship between satisfaction and eWOM; however, the effect on WOM was not significant. Homburg and Giering (2001) argue that customer age moderates the relationship between satisfaction and loyalty such that for older customers, satisfaction is a stronger predictor of loyalty. In line with the preceding arguments, the following hypotheses are suggested:

H7e, H8e, H9e: Customer age moderates the relationship between perceived value and loyalty such that the older the customer, the stronger the effect of perceived value on SOW (H7e), WOM (H8e), and eWOM (H9e).

H10e, H11e, H12e: Customer age moderates the relationship between satisfaction and loyalty such that the older the customer, the stronger the effect of satisfaction on SOW (H10e), WOM (H11e), and eWOM (H12e).

4. Research methodology

4.1 Survey instrument and measurement

The survey instrument was designed to consider and include all the antecedents and moderating variables in the research model. Except for the variable SOW, which was measured on a 10-point scale, all variables were measured on a 5-point Likert scale ranging from "strongly disagree" to "strongly agree." The items representing each variable were drawn from previously validated instruments. The items measuring perceived value were adopted from Wang et al. (2004) and included four dimensions (perceived sacrifices, functional value, emotional value, and social value). The six items relating to satisfaction were adapted from Cronin et al. (2000) and Wang et al. (2004). SOW was measured with three items obtained from De Wulf et al. (2001). The four items measuring WOM and three measuring eWOM were adapted from Carroll and Ahuvia (2006) (see Appendix). The wording of the items was modified from the sources whenever possible for our research context.

The moderating variables were measured on single-item scales. Relationship length was operationalized by asking "How long have you been purchasing from Lidl?" (Scale: 1=less than 6 months, 2=6–12 months, 3=1–3 years, 4=3–5 years, and 5=more than 5 years). Following a company in print media, remembering online ads, and following a company on social media was measured on a scale ranging from 1=never to 5=always. Customer's age was operationalized on a 7-point scale.

4.2 Data collection

To test the hypotheses, data were collected from the retail customers of Lidl in Finland during February and March 2016. The survey instrument was developed and operationalized as an online survey. The invitation link to the survey was placed on Lidl's official Finnish Facebook page. A cash award in the form of a lottery was organized to increase the response rate. The survey was open for nearly three weeks. In total, 2,072 usable responses were received. The survey was accessed 1,058 times without answers returned, resulting in an effective response rate of 66.2%. Possible nonresponse bias was assessed by comparing the early respondents (N=200) to the late respondents (N=200). No statistically significant differences were found. Thus, nonresponse bias is not likely to be a concern in the study. To reduce the effect of common method variance on the study results, we

allowed the respondents to answer anonymously and mixed the items in the questionnaire. The data were further analyzed using IBM SPSS Statistics 24 and Smart PLS 3.2 software.

5. Results

A total of 67% of the respondents were female. Close to half (47.5%) of the respondents were between 26 and 45 years old. The average net income of the respondents was 1,879 EUR/month, which is slightly below the average for the Finnish adult population (Statistics Finland, 2018). In terms of household size, around two-thirds lived in a household of 1–2 persons. The average distance to the nearest Lidl store was 4.8 km. On average, respondents had been customers of Lidl for 7.6 years. Relationship length was measured by asking the respondents to estimate their relationship by selecting one of five options. Most of the respondents had been Lidl customers more than 5 years (53.7%), followed by 3–5 years (28.0%), 1–3 years (13.7%), and less than 1 year (4.6%). Table 1 displays the sample profile.

[Insert Table 1 about here]

5.1 Assessment of measurement model

Based on the information received in the exploratory factor analysis and the high correlation ($>.90$) between perceived value and satisfaction, two different structural models were created that are analyzed separately. The first model includes the perceived value construct and the second model the satisfaction construct. Both models are reflective. A confirmatory factor analysis was executed using Smart PLS 3.2 (Ringle et al., 2015) to inspect the validity and reliability of the model and to test the hypotheses.

In both models, all the factors loadings were significant and higher than the threshold level of 0.7 (see Table 2). The values of composite reliability were higher than 0.7. The specific values for composite reliability and standardized loadings for the models are presented in Table 2.

[Insert Table 2 about here]

Convergent and discriminant validity (see Table 3) were evaluated using average variance extracted (AVE) values and Fornell and Larcker's (1981) criterion. All the AVE values exceeded 0.50, and the values of the squared AVE exceeded the values of correlation among latent variables. We also examined the heterotrait-monotrait ratio of correlations (HTMT) and found that they were all below

the recommended cut-off criteria 0.90 (Henseler et al., 2015). Also, all the items had the highest factor loading in the construct it was intended to measure. Although discriminant validity was not achieved in terms of second-order perceived value factor and WOM, discriminant validity was achieved in all of the first order components of perceived value and all the other factors.

[Insert Table 3 about here]

5.2 Assessment of the structural model

The structural model results are presented in Table 4. The findings support hypotheses H1–H6. We thus confirm the positive effects of perceived value on SOW, WOM, and eWOM. Of these, the effects on WOM are the strongest ($\beta = 0.771$, $p < 0.001$). Similarly, the data confirm the positive effects of satisfaction on SOW, WOM, and eWOM. The effects on WOM are the strongest ($\beta = 0.678$, $p < 0.001$).

[Insert Table 4 about here]

The results of the moderator analyses (see Table 5) indicate that relationship length exerts a positive effect ($\beta = 0.049$, $p < 0.01$) on the relationship between perceived value and eWOM (H9a). Therefore, the longer a customer has made purchases from the retailer, the stronger the relationship between perceived value and eWOM. Following the company in print media exerts a positive effect ($\beta = 0.075$, $p < 0.01$) on the relationship between perceived value and eWOM (H9b). H9c suggested that remembering a company's online ads moderates the relationship between perceived value and eWOM. The magnitude of the moderating effect on this relationship was 0.08 ($p < 0.01$). The results indicate that following the company on social media exerts a positive effect ($\beta = 0.096$, $p < 0.01$) on the relationship between perceived value and eWOM (H9d). That is, the more frequently a customer visits a company's social media sites, the stronger this relationship becomes. Finally, we confirm H9e, indicating that customer age moderates the relationship between perceived value and eWOM: the older the customer, the stronger the link between perceived value and eWOM.

[Insert Table 5 about here]

Concerning the moderating effects in the satisfaction model, the results reveal that relationship length exerts a positive effect ($\beta = 0.045$, $p < 0.01$) on the relationship between SAT and eWOM (H12a). Therefore, the longer a customer has made purchases from a store, the stronger the relationship between satisfaction and eWOM. Following the company in print media also exerts positive effects ($\beta = 0.053$, $p < 0.01$) on the relationship between satisfaction and eWOM (H12b). The hypothesis H12c suggested that remembering a company's online ads moderates the relationship between satisfaction and eWOM. The data also support this hypothesis. The results indicate that following a company on social media exerts a positive effect ($\beta = 0.096$, $p < 0.01$) on the relationship between satisfaction and eWOM (H12d). That is, the more frequently a customer visits a company's social media sites, the stronger the relationship between satisfaction and eWOM. Finally, we confirmed H12e ($\beta = 0.062$, $p < 0.01$) indicating that the older the customer, the stronger the effect of satisfaction on eWOM becomes.

6. Discussions and implications

Customer loyalty has been a topic of interest to managers and researchers for several decades. The reason for the interest in loyalty is the wide assumption that loyal customers have higher retention rates, buy more, and are more willing to provide positive WOM, linking loyalty to companies' financial performance. This study aimed to investigate the moderating effects of five chosen constructs on the relationships between perceived value/satisfaction and SOW, WOM, and eWOM in a discount retail context. By testing a series of hypotheses, this study makes several important contributions to the retail context.

6.1 Theoretical Implications

Our main contribution to previous research is the examination of perceived value and satisfaction and their effects on SOW, WOM, and eWOM in the context of discount grocery retail. Also, this study identifies the significant and moderating effects of the length of the customer relationship, following a company in print media and on social media, remembering online advertisements, and the customer's age on these relationships. In detail, three hypotheses (H1, H2, and H3) tested that perceived value has a direct relationship with SOW, WOM, and eWOM. Agreeing with the literature of the previous studies, our findings support the notion that perceived value has a positive influence on SOW (c.f. Eggert and Ulaga, 2010; Hughes et al., 2013; Wang et al., 2004), WOM, and eWOM (Keiningham et al., 2007; de Matos and Rossi, 2008). Also, our findings related to H4, H5 and H6 confirm the positive effects of satisfaction on SOW, WOM and eWOM, which is also in agreement with the literature (c.f. Cooil et al., 2007; Sweeney and Swait 2008). When comparing these two relationships (i.e., perceived value-loyalty and satisfaction-loyalty), perceived value is a slightly better predictor of loyalty than satisfaction. This finding agrees with the prior findings reported by Cronin et al. (2000), stating that perceived value is a more stable predictor of customer loyalty than satisfaction.

Finally, the results showed the statistically significant moderating effects of 1) relationship length, 2) frequency of following a company in print media, 3) remembering online advertisements, 4) following a company on social media, and 5) the customer's age on the relationships between perceived value and eWOM and satisfaction and eWOM. Except for one effect (H8d), statistically, significant moderating effects were not found for the relationships between perceived value and SOW or WOM and between satisfaction and SOW or WOM, which supports prior findings reported by Moliner-Velázquez et al. (2015).

6.2 Managerial Implications

The findings of this study are valuable for managers operating in the retail industry. For example, the major takeaway from this study is that the perceived value and customer satisfaction are strong predictors of all three loyalty variables (i.e., SOW, WOM, and eWOM). Retailers should also note that, as confirmed by our empirical study, perceived value is a stronger predictor of customer loyalty variables than satisfaction is. Since the underline purposes of the companies' marketing undertakings is to create customer loyalty for their products, services, ideas, or store (Vesel and Zabkar, 2009), our finding suggests that managers should offer increased value and monitor multiple measures of loyalty instead of just one and observe business performance to optimize in-store customer experience and achieve the best financial results.

The results of the moderating effects indicate that advertising and use of social media pay off in the discount retailer context as they have positive effects on enhancing eWOM. However, it is worth noting that these indirect effects were not found to affect SOW or WOM. Therefore, online advertising and social media use seem to be more of a driver of eWOM, so businesses that do not currently employ 'online' and 'social' media strategies should highly consider doing so to increase eWOM.

6.3 Limitations and future research directions

This study is not without limitations. First, the link to the survey questionnaire was published on Lidl's official Facebook page; therefore, the survey sample is a convenience sample and biased to the Facebook population. Second, the study represents a cross-sectional snapshot of a point in time. A longitudinal study to investigate the relationships over time to understand how perceived value and satisfaction or other constructs might change is recommended. Third, this study focused on self-reported behaviors (SOW, WOM, and eWOM), and these are an incomplete proxy for actual behavior (Keaveney, 1995). They should be supplemented with behavioral measures in order to develop a composite index of loyalty (Dick and Basu, 1994). Finally, the research was conducted in Finland and covered only one company in the grocery industry. An extension of this study might take into account, for example, two other major players (S-Group and Kesko) in the Finnish grocery business. Future studies should also be undertaken in different countries in order to generalize the findings.

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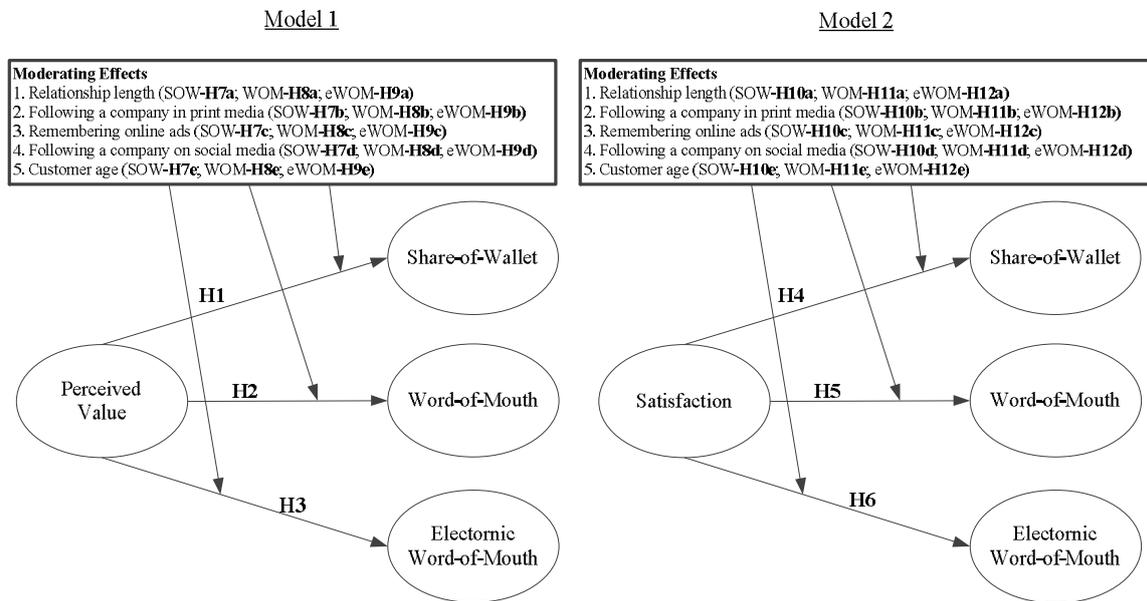
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Figure 1: Research Model



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Table 1: Sample profile

		%	N
Gender	Female	67	1,387
	Male	33	685
	Total	100.0	2,072
Age	Under 18	2.0	42
	18–25	11.9	247
	26–35	25.3	524
	36–45	22.2	459
	46–55	18.7	388
	56–65	13.4	278
	Over 65	6.5	134
	Total	100.0	2,072
Net monthly income (€)	500 or less	10.3	214
	501–1,000	19.7	409
	1,001–1,500	17.6	365
	1,501–2,000	21.8	452
	2,001–2,500	13.7	283
	2,501–3,000	8.2	169
	3,001–3,500	3.6	74
	3,501–4,000	2.1	44
	4,001 or more	3.0	62
	Total	100.0%	2,072
Household size	1	27.3	565
	2	38.4	795
	3	15.2	315
	4	11.5	239
	5 or more	7.6	158
	Total	100.0	2,072
Distance to the nearest Lidl store (km)	Under 1 km	16.2	336
	1–2	22.5	467
	2–5	31.4	651
	5–10	13.2	273
	Over 10	16.7	345
	Total	100.0	2,072
Relationship length	Less than 6 months	1.8	37
	6–12 months	2.8	58
	1–3 years	13.7	284
	3–5 years	28.0	580
	Over 5 years ^a	53.7	1,113
	Total	100.0	2,072

Notes: ^aLidl has operated in Finland since 2002.

Table 2: Composite reliability (CR) and standardized loadings

Factors	CR	Items	Standardized Loadings ($p < 0.001$)	
			PEVA model	SAT model
Perceived value (2 nd order)				
Perceived sacrifices	0.945	PVM1	0.864	
		PVM2	0.874	
		PVM3	0.826	
		PVM4	0.871	
		PVM5	0.872	
		PVM6	0.859	
		PVF1	0.839	
Functional value	0.889	PVF2	0.888	
		PVF3	0.767	
		PVF4	0.767	
Emotional value	0.920	PVE1	0.841	
		PVE2	0.802	
		PVE3	0.846	
		PVE4	0.808	
		PVE5	0.872	
Social value	0.911	PVS1	0.873	
		PVS2	0.890	
		PVS3	0.877	
Satisfaction	0.915	SAT1		0.781
		SAT2		0.807
		SAT3		0.806
		SAT4		0.761
		SAT5		0.862
		SAT6		0.786
WOM	0.960	WOM1	0.933	0.933
		WOM2	0.938	0.938
		WOM3	0.913	0.912
		WOM4	0.920	0.921
eWOM	0.937	eWOM1	0.906	0.908
		eWOM2	0.919	0.920
		eWOM3	0.911	0.908
SOW	0.948	SOW1	0.949	0.949
		SOW2	0.933	0.933
		SOW3	0.898	0.898

Table 3: Average variance explained (AVE), construct correlations, and square roots of AVE (diagonal) (values for satisfaction model shown in parentheses)

Factor	AVE	PEVA ^a /SAT ^b	SOW	WOM	eWOM
PEVA ^a /SAT ^b	0.569 (0.642)	0.755 (0.801)			
SOW	0.859	0.563 (0.570)	0.927		
WOM	0.857	0.771 (0.678)	0.566	0.926	
eWOM	0.832	0.596 (0.493)	0.421	0.651	0.912

Notes:

^aPEVA = Perceived value

^bSAT = Satisfaction

Table 4: Structural model results

Hypothesized Relationship	Path Coefficient (β)	Hypothesis testing
H1: Perceived value \rightarrow SOW	0.563***	Supported
H2: Perceived value \rightarrow WOM	0.771***	Supported
H3: Perceived value \rightarrow eWOM	0.596***	Supported
H4: Satisfaction \rightarrow SOW	0.570***	Supported
H5: Satisfaction \rightarrow WOM	0.678***	Supported
H6: Satisfaction \rightarrow eWOM	0.493***	Supported
	R^2 (PEVA ^a model)	R^2 (SAT ^b model)
SOW	0.317	0.325
WOM	0.595	0.460
eWOM	0.355	0.244

Notes:

*** $p \leq 0.001$

^aPEVA = Perceived value

^bSAT = Satisfaction

Table 5: Moderating effects

	Relationship length (a)	Following a company in print media (b)	Remembering online ads (c)	Following a company on social media (d)	Customer's age (e)
H7a-e: Moderator X PEVA → SOW	-0.016ns	-0.016ns	-0.012ns	-0.015ns	-0.016ns
H8a-e: Moderator X PEVA → WOM	0.007ns	-0.011ns	-0.017ns	0.025**	-0.014ns
H9a-e: Moderator X PEVA → eWOM	0.049***	0.075***	0.08***	0.096***	0.038***
H10a-e: Moderator X SAT → SOW	0.006ns	0.004ns	-0.006ns	0.007ns	0.006ns
H11a-e: Moderator X SAT → WOM	0.022ns	-0.005ns	-0.005ns	0.000ns	0.031ns
H12a-e: Moderator X SAT → eWOM	0.045***	0.053***	0.072***	0.097***	0.062***

ns = not significant

** $p \leq 0.05$

*** $p \leq 0.01$

Appendix: Scale items and means

Perceived Value (2nd order) (Wang et al., 2004)	Mean
<i>Perceived sacrifices</i>	
1. The products of this firm are reasonably priced.	4.21
2. My previous experiences indicate that the products of this firm offer value for the money.	4.71
3. The products of this firm are economical.	4.36
4. The products of this firm are a good value for the price, considering the discounts.	4.13
5. The products of this firm are a good value for money compared with those of major competitors.	4.14
6. Transacting with the firm is the right decision when the price and other expenses are considered.	4.13
<i>Functional value</i>	
7. The firm always delivers superior service.	3.72
8. The offerings of this firm are of high quality.	3.72
9. The products offer consistent quality and are well-made.	3.70
10. The offerings of this firm make me feel confident.	3.01
<i>Emotional value</i>	
11. I enjoy the products of this firm.	3.76
12. The products of this firm make me want to purchase and use them.	3.22
13. I would feel relaxed about using the products of this firm.	3.12
14. The products of this firm make me feel good.	3.77
15. The products of this firm give me pleasure.	3.32
<i>Social value</i>	
16. The products of this firm will improve the way I am perceived.	3.24
17. The products of this firm will help me make a good impression on other people.	3.16
18. The products of this firm afford their owner's social approval.	2.96
Satisfaction (Cronin et al., 2000; Wang et al., 2004)	
1. My choice to purchase this service was a wise one.	4.22
2. I think I did the right thing when I purchased this service.	4.25
3. This facility is exactly what is needed for this service.	3.44
4. The offerings always meet my expectation.	3.21
5. Given my experience with other companies, I am satisfied with this firm's offerings.	3.85
6. The offerings are always what I expect to meet the desired level.	3.73
Share-of-Wallet (De Wulf et al., 2001)	
1. What percentage of your total expenditure for daily consumer goods do you spend on the company's products? ^a	4.83
2. Of the ten times you select a store at which to buy daily consumer goods, how many times do you select this company? ^b	4.89
3. How often do you buy daily consumer goods in this store compared to other stores where you buy daily consumer goods? ^c	3.54
Word-of-Mouth (Carroll and Ahuvia, 2006)	
1. I have recommended this brand to many people.	3.58
2. I "talk up" this brand to my friends.	3.53
3. I try to spread positive information about this brand.	3.33
4. I give this brand a lot of positive WOM advertising.	3.28
Electronic Word-of-Mouth (Carroll and Ahuvia, 2006)	
1. I "talk up" this brand in online environments.	2.76
2. I give this brand a lot of positive WOM advertising on the Internet.	2.42
3. I try to spread positive information about this brand on the Internet.	2.72

Notes:

^a 1=10%...10=100%

^b 1=0-1...10=10

^c 1=never...5=always

