

## Understanding Value: A Consumer Perspective in UAE Retail Market

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The aim of this paper is to understand “value” for retail consumers in today’s economic environment, moreover to explore the meaning of “value” held for different demographic groups in the UAE retail market. This study is based on a questionnaire survey asking participants about their perspective on the term “value” and the factors related to it. Findings are drawn from 300 consumers within UAE. Respondents have different demographics, in terms of age, gender, employment status and nationality as the UAE population is highly diverse. Findings showed that price and quality are the most important factors in determining what value is, while Location of the retail shops and knowledgeable staff are the least important ones. 46% of respondents (consumers) are willing to spend more to get a specific brand name, as they believed that brand name is major determinant of product value. However, in terms of price sensitivity, females, 18-30 age group, expats, and students ranked the highest. The economic downturn has slightly affected the selection criteria of consumers. Searching time doesn’t affect the value perceived by consumers. The contribution of the study lies in achieving a deeper understanding of the definition of value for academics, marketers and retail managers.

Keywords: value, product, retail market, demography, consumer, price

### Introduction

Value is defined as ‘the regard that something is held to deserve; the importance or worth material or monetary worth; the worth of something compared to its price (Concise Oxford English Dictionary, 2010). In the retailing literature, “value” is generally defined in terms of price, as it is the trade-off between price and quality (Zeithaml, 1988). The economic definitions of value have been extensively used and studied in retailing (McDougall & Levesque, 2000; Patterson and Spreng, 1997; Sweeney et al., 1999; Tam, 2004; Yi & Jeon, 2003; Philipp. Boksberger & Lisa Melsen, 2011). However, recession has made changes.

According to 2009 census survey, 60% of consumers have changed what and how they buy forever. Accordingly, there was a shift in how consumers define value today. Value is a customer’s estimate of the extent to which an offering can satisfy their needs. Value can be generated in many ways like buyer-seller interaction, not just through products and prices. Organizations interact with other organizations in order to provide superior value for their customers. The customer value concept provides the grounding for customer relationship management (CRM), (Flint et al., 2002) as different customers represent a different value to a firm based on the different profit potential of them.

The perceived value of all relationships between the retailer and customer is to build customer trust, gain customer commitment, loyalty and retention by generating customer satisfaction. Many organizations seek to improve levels of customer satisfaction, with the intention of strengthening customer relationships and driving higher levels of retention and loyalty (Ravald & Gronroos, 1996). But satisfaction does not always imply loyalty (Mittal & Lassar, 1998).

Core product/service, support services and systems, technical performance, elements of customer interaction and affective dimensions of services contribute to customer satisfaction (Cumby and Barnes, 1998). Perceived value of a relationship can be more important than trust when building customer satisfaction (Ulage & Eggert, 2006)

Customers buy a product for the benefits that are provided by them not just for their features, and enable them to achieve what they want to achieve. The benefits and solutions and other add on benefits constitute value for customers, which finally turn out to be a reason for preference for a particular brand. The creation of value is dependent on an organization’s ability to deliver high performance on the benefits that are important to the customer, and this, in turn is rooted in their competency in technology and business process, or core competencies (Kothandaraman & Wilson, 2001). Add on benefits may be more important than the core benefit arising from product and price attributes (Menon, et al. 2005). Relationship between buyers and sellers is considered to

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represent real value, as they last long and difficult for the competitors to copy and destroy them (Simpson, et al 2001). The customer value concept should be considered from two complementary perspectives, which are value to customers and value of customers (Lefaix-Durand et al., 2009).

Value cannot be created by suppliers but can only be realized by customers when utilized through the use of their own processes, resources, and capabilities (Gronroos, 2009). Value is taking a broader definition, one that includes economic as well as non-economic hedonic elements, such as environment, assortment, selection and service, and other elements that this study will discuss. Hence a study of the consumers in this context arises. In today's economic environment retail consumers are very smart and think very carefully before they make a purchase. Consumers became more mindful with their purchases and they now search multiple stores to seek good value.

### **Purpose of the Study**

This study aims to address the meaning and definition of "Value" for the retail consumers in today's economic environment. In particular, using a qualitative approach, this study aims to explore retail consumer new definition of value and what are the value points that became important for consumers today when they want to make a purchase. Moreover, this study will explore if different retail consumers define value differently. The purpose of the study is important for both academic researchers, marketers and retailers, because not only this study will extend our knowledge in the field of retailing and specifically, about the new definition of "Value", but it will provide valuable input to marketers and retailers that will help them go beyond price and begin to target consumer value.

The objective of this study is to understand the definition of "Value" by the retail consumer in today's economic environment. The research objectives are: i) Role of value defined in today's economic environment; ii) Demographic groups interpretation of value; iii) Defining key determinants of value

### **Literature Review**

According to previous Literature review, Consumers have different meaning of "value" in different situations and circumstances. Depending on the socio economic conditions and today's rapidly changing retail environment value has different meaning. However, in the entire situations one major important factor to remember is that value is directly proportionate to customer satisfaction (Gomez et al, 2004)

### **Quality**

Diverse works demonstrate that the quality of merchandise sold influences the value perceived by customers. This essential component determines how consumers evaluate the establishment (Levy, 2005) and makes it possible for retailers to differentiate themselves.

### **Assortment**

A large assortment, defined as a vast variety of products and many different items offered by a retail distributor (Levy & Weitz, 1995) constitutes a key descriptor of a retail strategy that helps the retail distributors serve the different tastes and preferences of clients. Greater variety not only helps retail distributors attract more consumers but also can stimulate them to increase their purchase volume and frequency. In particular, a retail distributor that offers a greater assortment can increase purchase convenience, which should enhance consumer satisfaction.

### **Customer attention**

Customer attention is an attribute of the retail establishment that influences customer satisfaction. The desire for human interaction draws some consumers to establishments in which they find amiable and communicative personnel. Some studies show that certain consumer groups enjoy speaking and socializing with other customers when purchasing, because it offers a social experience outside the home (Tauber, 1972). Generally such consumer groups experience great motivation to associate with similar others, because doing so reduces their feelings of boredom and solitude. A shopping experience thus offers an activity that consumers perform to alleviate loneliness

### **Store location**

Ease of access is highly correlated with consumers' selection of a commercial establishment. For example, a location nearer a customer's home reduces transaction costs associated with the purchase (e.g. transportation, time expended, locating the establishment). Consumers' perceptions of the time and effort required to complete a shopping act influence their perceptions of service convenience (Berry, 2002), so retail managers must locate retail facilities in such a way that they positively affect the greatest number of potential customer perceptions regarding time and effort.

### **Store atmosphere**

The atmosphere of a store constitutes a distinct element of retail establishments. Kotler (1973)

observes that the atmosphere of a commercial establishment, as experienced by people senses (i.e. sight, sound and smell), has a strong influence on the decision to buy. Some investigations, carried out with information on shopping centers, show that many consumers are prone to make purchases on the basis of their attitudes toward the atmosphere of the shopping establishment. Store atmospherics such as lighting, layout, displays, fixtures, colors, textures, sounds, and fragrance affect consumer product perception. For example:

**Music**  
Music variations such as fast, slow, classical, instrumental, and hit numbers influence consumers' mood, time spent and emotion. In earlier researches, the correlation of retail music was found with time spent in shopping and relative familiarity with music. Changing music in different parts of the store was found as influencing factor that can alter consumers' mood or appeal to different consumer segments. Music can potentially increase consumer value and shopping volume by providing relaxation and calmness to the consumer so that beneficial associations are created in the mind.

**Lighting and color perception**– It is an important aspect of retail consumer attributes. The impact of in-store illumination on shopper's behavior, value can be seen in reference to consumer's arousal and vision (Areni & Kim, 1994). It changes consumers' mood and creates excitement.

### ***Pricing and discounts***

Retail distributors frequently use price as a key component of their marketing strategy, with the purpose of obtaining a certain image in the market. For instance, to obtain a low-price image, retailers might set reduced prices for product categories that are particularly valued by consumers (i.e. loss leaders). This conscious strategy is particularly applied to customers who exhibit greater sensitivity to price variations (Dunne & Kahn, 1997)

Despite its importance, marketing literature has not established a consistent position regarding customers' perceptions of price; rather the findings are mixed. Lichtenstein, 1993 show for example that higher prices offer a positive cue, because they indicate quality, prestige and status to the consumer. In contrast, other research suggests that consumers perceive higher prices negatively and purely as an economic sacrifice. In both positive and negative respects though, price perception acts as a marketplace cue that aids consumers in their decision-making processes in complex market situations (Dodds, 1995). Price is not always "Value" for consumer. In addition to price, another influence on the value proposition is discounts, such as specials or sales promotions. These

perceived savings can create certain beneficial effects for the retailer such as increasing sales in the product category, accelerating purchases in the retail store or encouraging customer traffic.

### **Research Design**

The study intends to investigate the definition of "value" for the retail consumer in today's economic environment. Thus, this study determined the meaning attached to "value". For this study, primary and secondary research is used. The descriptive research method is used for quicker result. Primary research was conducted using surveys that were given to the randomly selected consumers. Here, the questionnaires are used to collect qualitative data and insights from consumers. The instrument was pretested with the students who belonged to the age group of 18 to 48 years. The response rate was 92%. The study is based on primary data sources. An opinion survey was conducted in Dubai, UAE as it is the major shopping destination of diverse population of United Arab Emirates. A sample of 300 consumers was selected. The questionnaire was distributed, between males and females and among different age groups. The mean age of the sample was found to be 34.5 years. The opinions are collected using ranking scale. Apparently, the secondary data used in this study are based from the recent literatures related to consumer behavior and definition of value. This survey data has been collected in 2011.

### ***Sampling technique***

The general population for this study is composed of UAE consumers. The respondents are asked regarding their personal definitions and meaning they attach to "value", and what are the value points or elements that the term "value" includes. The sample size is 300 respondents. Respondents differ in terms of gender, occupation, age, and nationality; therefore, there is a comparison of different views of each group in regard to the meaning of "value".

### ***Measurement***

The respondents fill out a questionnaire. The questionnaire has different types of questions such as: yes/no questions, rank the order questions, and grading questions using Likert scale, with a five response scale ranging from strongly agree to strongly disagree. Close ended questions were preferred, as they are straight forward, easier to grasp and the respondent would be more willing to spend time.

Questionnaire is chosen as the method of collecting data; as it is easy to create and it could reach a large number of respondents quicker than

to conduct interviews with each respondent. In general, responses to survey are objective and standardized and this makes tabulation easy. Moreover, an important aspect is that the answers of the respondents to the surveys come from their own views and free will, and no influence is there to make them choose a certain answer or agree with a certain statement, and in this way bias is reduced.

### **Data collection plan**

Data was collected from respondents by administering them the questionnaire personally and responses to surveys are tabulated. The survey was carried out at some specific location in UAE. After distributing the surveys respondents are asked or clarify vague questions or statements which are to be explained to them, without trying to influence their answers or to share with them my beliefs. In this study, the answers or the responses are expected to be honest and truthful.

### **Findings**

In the sample population four major categories of demographic population has been considered and each category has been divided to subcategories. Study was focused at two major categories of value from customer point of view. Value points related to products and value points related to retailer.

First group of questions measure the value factors associated with the product and second part of the survey measures the factors in retail shops that alter consumer behavior in purchase decision.

In the survey product value factors are considered to be Price, Quality, Brand Name, After Sales service and Design and the retailer value points to be Retail Brand, Distance, Staff knowledge, Ambiance and Parking space.

When respondents were asked to rank the most important factors when purchasing a product it was found the Price (29%), Quality (26%) and Brand Name (20%) to be the most important factors while Design (13%) and After Sales service (12%) to be the least important ones. Measuring the factors which affected retail shop selection, Retail Brand (31%) and Parking Space (30%) were the most important factors while Distance (15%), Ambiance (13%) and Staff knowledge (11%) being the least important ones. 46% of population will pay more for Brand Name. This shows less than half of them are Brand conscious or image seeker population. 56% of people agreed that they will pay more for Unique Design while 36% of our population was neutral about design element of the product.

When asked about the promotion time and population sensitivity about price changes in the market, it was found out that the age group of 18-30 (36%) are most sensitive in the age groups, Females are more sensitive (69%) in Gender,

Expats are more sensitive (74%) in Nationality group and finally students being the most sensitive (36%) ones in Employment Status group.

It was found out in Price sensitivity survey question that Price factor is the factor which gets very high rank (85%) in almost all the categories of demographic factors. This was also seen in the first question when the respondents were asked the factors to be ranked based on their importance to customers.

Transparency in retail purchasing is the most important factor for Self-employed category (42%) of the population. Females are coming next to be more sensitive and then Expats rate higher than Locals. In the Age category 18 to 30 (37%) age group are most sensitive to retail transparency.

When asked about knowledge of the staff that affects population's purchase decision, it received a high ranking all the categories (74%). It means even though this factor is the least effective when buying a product in different price ranges or different qualities, but when the products are in same category of importance considering the price or quality. Staff knowledge plays an important role in choosing between similar options.

In terms of the environment friendly factors, it was found out that 49% of the respondents do not consider environment friendliness of a product to be a serious value when making a purchase decision. This also suggests that there is more work to be done by marketers to create the awareness about importance of green products and environment conscious manufacturing.

After sales service (67%) is one of the factors which get high ranks to responses of the respondents. Company employed (41%) people as well as the age group of 30 to 40 (37%) is most sensitive among the others. Then come, Expats and compared to local population and males compared to females. Survey states that economic downturn has slightly affected the selection criteria for consumers in UAE. Less than half of each category considered the economic downturn effective in their purchase decision. Searching time does not affect the perception of the product value in consumers mind. 74% of the population disagreed that they have got a more valuable product if they have spent less amount of time to find it.

### **Research Limitations**

*Age Factor:* In doing research, all age groups in equal proportions could not be targeted. Responses of the age group 50 to 60 are very less. Most of these age groups are actually hard to reach because they have managerial positions and only visit some specific locations along the day.

*Climatic Conditions:* The warm and humid climate in UAE was restricted the survey in specific

locations and mostly in evening, so it was likely loss of many people working in other hours of day.

*Language Barrier:* Necessity in obtaining real and practical results is having results from different nationality across the area. The more you can speak with native respondent's languages, the more people you can target as well as more accurate data you can obtain. Communication with respondents was only in English.

*Tapping the local population:* Survey result analysis, show that that there are very few responses from UAE nationals. However, it is pertinent to note that locals constitute only 20% of total population of this country.

### Social implications

The research and analysis is done on the understanding of value for consumers in today's economic environment in UAE. This study concluded that there are many implications in doing any sort of study on the value of consumers as it varies from person to person and the kind of liking they have towards the product or the services they have the value for.

These implications were related to the environment which was faced in conducting the interview with the respondents. Hence nothing much could be done to change those factors. These implications were related with the targeted respondents who were a part of the study. E.g. the respondents, who were targeted in the study, were basically looking for the incentives and the rewards; they were not feeling comfortable in giving the answers in rushing situation.

### Suggestions

*Keeping up with the trend of the generation:* It has become highly important in assessing the contribution which the retailers need to take in attracting the today's generation. Assessing the affects of development on independent and local retailers and thereby understanding and analysing the change in consumer behaviour in terms of development and trend in retailer industry.

*Balance it Right:* Bridging the gap between the target audience and products offered to them. By offering that something "over the edge" to the customers will always have them coming back to the stores to buy more and more products. Analysing the important catalyst in offering the best offers and deals to customers can drive them to the stores to purchase more and more commodities.

*Improving Effectiveness:* Ensuring in improving the effectiveness of planning the price strategy according to the needs customers.

*Valuing Customer perceptions -* Understanding customer perceptions and capturing what would appeal to them through the retail enforcement.

*Targeting the right audience:* Understanding the size of the market and accordingly investing in the strategies to offer them with the products at the best values.

### Conclusion

As mentioned in previous sections, value has broad definition that covers both economic and non-economic elements such as environment, assortment and service provided by retail shop. Value points are important to consumer as well as different perception of consumers about value.

Literature review identified seven elements; Quality, Assortment, Customer Attention, Store Location, Store Atmosphere, Price, and Discounts are directly influencing on consumer perception about value. Quality of product changing perception of value; greater variety in product assortment leads to the more number of attracted consumers towards the retail shop as well as more volume of purchase and frequency; the importance of customer attention and customer need for socializing with other customers when purchasing was proved; store location and store atmosphere are also two important factors affect perception of value if they are follows the required standards; price is a economic element that there is no common agreement about higher or lower of it makes value among all consumers; discounts usually works since most of consumers have a good attitude towards it and can increase store traffic.

Primary research results identify value factors associated with the product and factors in retail shops that alter consumer behaviour in purchase decision. Price and Quality were the most important factors when consumer intends to purchase a product. In terms of selecting purchasing location, Brand Name of the retail shop was the most important factor. Age group of 18-30, Females, Expats, and Students were more price sensitive than other demographic groups. From our respondents perspective, Price Factor, Knowledge of Retail Staff, and After Sales Service, got highest ranks among all other value elements. The result of this study is usable for academic researchers, marketers and retailers. Retail sector can implement the research outcomes to go beyond price and begin to target consumer value.

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