Modeling Relationship between Experiential Marketing, Experiential Value and Purchase Intension in Organized Quick Service Chain Restaurants Using Structural Equation Modeling Approach

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Abstract

This paper proposes the framework to examine interrelationship among experiential marketing, experiential value and purchase intensions in the quick service chain restaurants. Structural equation modeling (SEM) is used to validate and test the proposed model. Experiential marketing focuses on how customer senses, feel, think, act and relate their experiences. Experiential value incorporate the benefits derived from perceptions of playfulness, aesthetics, customer return on investment and service excellence is incorporated in the proposed model. Structural validity of the model is finally processed by using Statistical Package for the Social Science (SPSS) 18.0 and AMOS 4 software based on the sample of 300 customers. The paper suggests that marketers should consider experiential marketing in quick services chain restaurants will lead to materialization of the sales.

Keywords: Experiential Marketing, Experiential value, Purchase Intention.

Introduction

Experiential marketing deals with customer experiences which is different from traditional forms of marketing, where main focus is on functional features and benefits of products. It can be applied creatively to deliver greater impact with reduction in cost associated to weave in market research for customer insights that was not inherent traditionally. It is a private event that happens to people in response to some kind of internal or external stimulus resulting experiential aspect about products and services. The aim of experiential marketing is to make the customer delighted in exultant jubilation. It uses customer data to match their experiences and incorporating them in future sales processes that demanded by the enlightened and ever changing expectations of empowered consumers. Experiential marketing is the most effective communication tool to engage consumers and marketers together on common sharing platform. It is a fusion of non-traditional modern marketing practices integrated to enhance a consumer's personal and emotional association with a brand (Chang, 2008).

Experiential marketing is defined as event or experiences that bestow target audiences to explore product and experience it for future purchases. Experiential marketing is more focused on extracting the essence of products and then applying it to intangible, physical, and interactive experiences that increase the value of products or services and helps customers make their purchasing decisions (Williams, 2006). Experiential marketing is more focused on extracting the essence of products and then applying it to intangible, physical, and interactive experiences that increase the value of products or services and helps customers make their purchasing decisions. Smilansky (2009) defines experiential marketing as a process of identifying and satisfying customer needs and aspirations profitably, engaging them through two-way communications that bring brand personalities to life and add value to the target audience. Experiential marketing helps to create experiences and emotions to the customers. International Experiential Marketing Association (2011) stated that experiential marketing allows customers to engage and interact with brands, products, and services in sensory way. Experiential marketing typically occurs on a smaller scale than mass media marketing channels. This is an inherent consequence in the channel, as it does not simply broadcast a one-

way message, but seeks to provide a two-way dialogue, hands-on experience and a more intimate engagement between the brand and consumers. This leads to high quality consumer engagements but a lower number of impressions compared to mass media.

Conceptual Foundation

1 Dimensions of Experiential Marketing

Experiential marketing serves as a differentiation tool that separates the company or the product from competition. It focuses on imparting experience to customers through strategic experiential modules. Schmitt (1999) identifies five different dimensions or 'strategic experience modules' (SEMs).

(a) SENSE

These are sensual and tangible aspects of a product or experience that appeal to the five senses of sight, sound, scent, taste and touch. Sense experiences are particularly useful to differentiate products or services, to motivate potential customers, and to create a sense of value in the mind of the purchaser.

(b) FEEL

Feel marketing is devoted to inducing affects in the creation of moods and emotions that adhere to the company and brand. Clearly, positive or negative feelings toward a product or service will influence the extent to which it is consumed.

(c)THINK

The objective of think marketing is to encourage customers to engage in elaborative and creative thinking that may result in a reevaluation of the company and products.

(d) ACT

Act marketing is oriented towards the creation of experiences through behavior on the part of the customer, either privately or in the company of others. The goal is to change long-term behavior

and habits in favor of the particular product or services.

(e)RELATE

Relate marketing expands beyond the individual's private sensations, feelings, cognitions and actions by relating the individual self to the broader social and cultural context reflected in a brand. In other words, relate marketing plays upon the identification of self with the context and associations bound up in the product or service used.

Schmitt (1999) proposes two strategic experience modules

(a) Strategic Experiential Modules (SEM)

SEM creates synchronization between consumers and their responses to different attributes or the contemporary marketing mix i.e. sense, feel, think, act, and relate. The attributes act as experience providers for customer perception.

(b) Experience Providers (ExPros)

It includes various agencies that deliver the experiences. The attribute requires for experiences should managed consistently, coherently and attentively Five different types of experiences (SEMs) are conveyed to individuals through experience providers (ExPros) (Grundey , 2008).The vehicles deployed generally includes:
1. Communications: advertising, external and internal company communications, public relations campaigns visual and verbal identity and signage, including names, logos, colors, etc.

2. Product presence: design, packaging, and display

3. Co-branding: involving event marketing, sponsorships, alliances and partnerships, licensing, product placement in movies, etc.

4. Spatial environments: which include the external and internal design of corporate offices, sales outlets, consumer and trade fair spaces, etc.

5. Web sites.

6. People: salespeople, company representatives, customer service providers, call centre operators.

Figure 1
Schmitt Experiential Grid
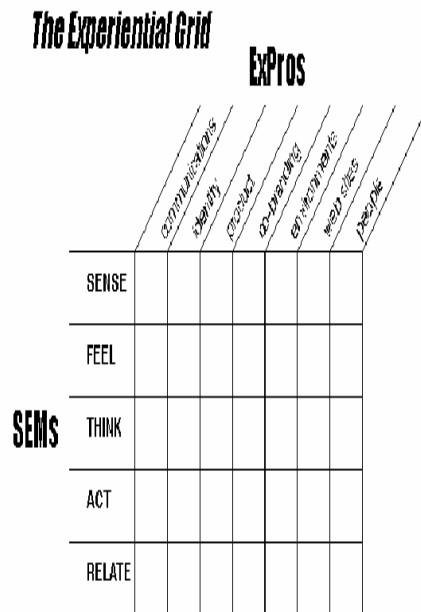
Source Grundey D. (2008), "Experiential Marketing V/s Traditional Marketing: Creating Rational and Emotional Liaisons with consumers" *The Romanian Economic Journal*, **Year XI no 29, pp 133-151**

Interaction of SEMs with ExPros generates 'Experiential Grid': shown in Figure 1   .Grid gives comprehensive framework for considering all the ways in which experiences can be induced on the part of an actual or potential customer.

2 Experiential Value

Experiential value has been defined as perceptions and interactions involving either direct usage or distanced appreciation of goods and services. These interactions provide the basis for the relativistic preferences held by the individuals involved (Holbrook & Corfman, 1985; Mathwick et al., 2001). Experiential value offered both extrinsic and intrinsic benefits (Batra & Ahtola, 1991; Holbrook, 1994). It broadens the traditional extrinsic-intrinsic conceptualization of experiential value by including an activity dimension. Reactive or passive value derives from the consumer's comprehension of appreciation for consumption of object or experience. Active or participative value, on the other hand, implies a heightened collaboration between the consumer and the marketing entity. Experiential value is relevant for acquiring social stimulation, which enhances consumer's shopping experiences (Hoffman and Novak, 1996). Experiential value dimensions have been the subject of much research in the organized retailing of fast food products through quick service restaurants (Babin et al., 1994; Hoffman and Novak 1996).

Deighton and Grayson (1995) identified that consumer collaboration as a necessary prerequisite for creating a playful, game like exchange experiences. Collaboration can come in the form of cognitive, behavioral or financial investment on the part of the consumer. The activity dimension is used in this study as a means of bringing economic and experiential sources of value under one conceptual umbrella. Typology of the intrinsic and extrinsic value dimensions of experiential value shown in Figure 2.

(a) Sources of Extrinsic Value

(i) Consumer Return on Investment

It comprises of active investment in financial, temporal, behavioral and psychological resources that potentially yield a return. The consumer may experience this return in terms of economic utility and the perception of affordable quality (Holbrook, 1994)

(ii) Service Excellence

Service excellence portrays inherently reactive responses in which consumer consumes to admire a marketing entity for its capacity to serve as a means to self-oriented end (Holbrook & Corfman, 1985; Holbrook, 1994). These dimensional value operating as an ideal standard against which quality judgments are ultimately formed.

## (b) Sources of Intrinsic Value
(i) Aesthetics
An aesthetic response is a reaction to the symmetry, proportion and unity of a physical object, a work of poetry or a performance (Veryzer, 1993).Both visual appeal and the

entertainment dimension of the aesthetic response offer immediate pleasure for its own sake, irrespective of a retail environment's ability to facilitate the accomplishment of a tasks in the fast food chains.

(ii) Playfulness

Playful exchange behavior indicates the intrinsic enjoyment that comes from engaging in activities that are absorbing, to the point of offering an escape from the demands of the day-to-day world. Playfulness exists to some degree in any activity that is freely engaged in. Playful acts have a restorative capability and operate outside of immediate material interests. The intrinsic enjoyment of playful exchange behavior serves as an end unto itself, engaged in without concern for practical considerations (Babin, Darden & Griffin, 1994).

Figure 2
Typology of the Experiential Value
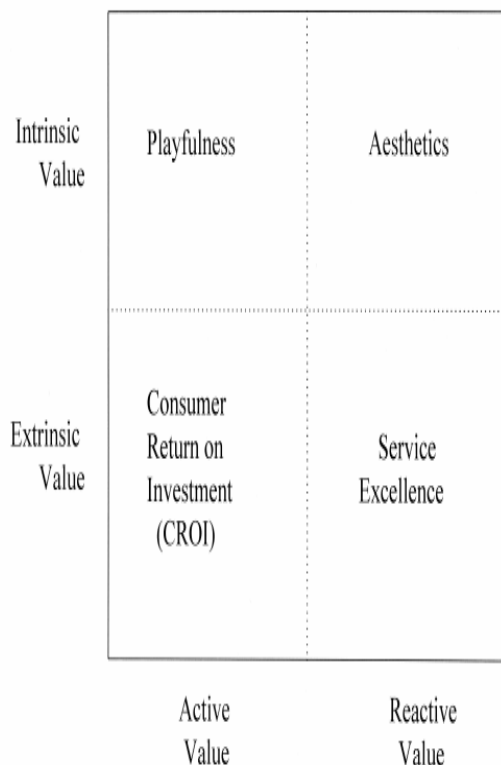
Source: Mathwick C, Malhotra N. and Rigdon E (2001)", Experential value: conceptualization measurement and Application in the catalog and Internet shopping environment", Journal of Retailing, pp 39-56

3 Purchase Intentions

Purchase intention is defined as the probability that the consumer will purchase the product. Purchasing intention is stimulated when consumers showed interests in some products and has the urge to take action. Dodds et al. (1991) believed that purchase intention is the possibility of an attempt to purchase a product. Newberry, Klemz and Boshoff (2003) divided the purchase intentions of the consumers into two types. The first type is consumers who have the intention to buy and decided to purchase the product. The second type is consumers who have the intention to buy but decided not to buy the product. Whether the interface design of the website is user-friendly would also affect the purchasing intention of the consumers. According to theory of planned behavior purchase intentions are governed by the behavior, subjective norms and perceptions to successfully engage in the purchase process. Good experiences can improve customer satisfaction and promote positive customer behavior. This applies to both vendors of physical products and to service providers. Measuring purchase intention can increase the accessibility of the respondent's attitude toward the product category and increases the accessibility of attitudes toward the most salient brands offered (Nedungadi, 1990) in the fast food category. Gronholdt et al. (2000) concluded purchase intention leads to recommendation of brand or company to others, price tolerance and cross-buying among the consumers. Wong (2009) concluded that time limited pressure has positive significant influence on customer intentions for purchasing. Zhou (1996) suggested that variables such as customers' consideration in buying a brand and expectation to buy a brand can be used to measure consumer purchase intention.

Problem Statement

The study is to investigate the interrelationship of experiential marketing, experiential value and purchase intention of customers in organized quick service restaurants. The study is focused to develop tool of experiential marketing and experiential value on purchase intention .Proposed framework is shown in figure 3.

Figure 3
Proposed Framework
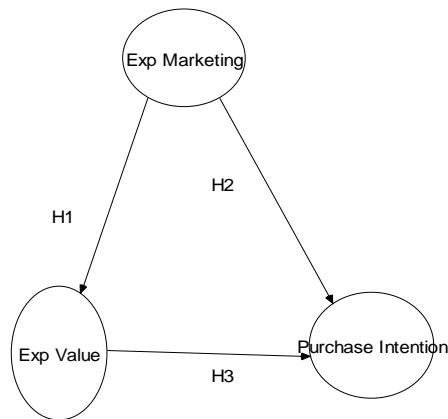
Relationship of Experiential Marketing on Experiential Value

Schmitt (1999) addressed that the core concepts of the experiential marketing and draws positive relationship between experiential marketing and experiential value. Barlow & Maul (2000) mentioned experiential marketing is the core elements for delivering and creating the customer value through marketing approach. It could help to make profitable and sustainable growth to promote the business.

Relationship of Experiential Marketing on Purchase Intention

Singh and Sirdeshmukh (2000) believed that experiential marketing is key exogenous construct for resulting purchasing intention. It can bring out the long-term loyalty of the customers and closely bond the trading relationship of the two parties. Consumers produce familiarity, relationship and closeness after experiential marketing practices and resulting in increase customer intention to purchase product and services.

Experiential Value has Positive influence on Purchase Intention

Experiential value is a primary factor influencing purchase intention (Chang and Wildt,1994). It has a positive effect on consumer satisfaction and determines whether the consumers will repurchase in the same restaurants (Iglesias and Guillén, 2004). Previous studies proposed that the experiential value would create the behavioral intention for the purchase of product and services in the fast food in quick service chains.

Hypothesis For the proposed Model

H1: Experiential marketing has Positive Influence on Experiential Value

H2 Experiential Marketing has Positive Influence on Purchase Intention

H3 Experiential value has Positive influence on Purchase Intention

Research Methodology

According to review of literature research consider experiential marketing and experiential values are antecedents of purchase intention. The study conducted is cross sectional in nature and follows causal research design. The data was collected from customers through mall intercept method. The quick service restaurant chains included in sample were McDonald, Outlets of Yum restaurants running Pizza Hut and Domino's, Subway, Pollo Campero, Pino Pasta Pizza, Upper Crust, Zamber and Punjab Grill. The customers were selected to collect the data as the study was focused on purchase intentions. Convenience sampling technique was adopted for the study. Self administered questionnaire was used for the data collection which was adopted from the study of Artur et.al (2003). Data of 300 customers were collected in first quarter of 2012 among the customers of quick service chain restaurant outlets in National Capital Region and Delhi in India. Data analysis of this research was processed by using Statistical Package for the Social Science (SPSS) 18.0 and AMOS 4 statistical software. Confirmatory Factor Analysis (CFA) was used to analyze the items that measured each latent

variable. In order to analyze the relationships between the variables, structural equation modeling (SEM) was applied. Model fit for both the CFA and SEM is evaluated numerous indices. For this study, Chi-square the goodness-of-fit statistic, CMIN/DF ratio and root mean square error of approximation (RMSEA) were examined.

Empirical Analysis and Results

Structural equation modeling is a statistical technique that takes a confirmatory approach to the analysis of a structural theory bearing on some phenomenon which links regression analysis to factor analysis (Byrne, 2010). According to Hair et al. (2006) SEM is a family of statistical models that seek to explain the relationships among multiple variables. SEM is useful in testing theories that contain multiple equations involving relationship in order to

identify the most relevant factors that influence customer's satisfaction and a well-fitting hypothesized model, CFI, RMSEA, Normed Chi Square are taking into account. Goodness of fit indices is the value of chi-square (non significant) and $p > 0.05$. The indices for the whole model are given in Table 2.

Reliability Analysis

The reliability analysis results of experiential marketing, experiential value and purchasing intention is shown in Table 1 indicating reliability value is above 0.6 indicating high reliability of three constructs considered in proposed framework of model.

Table 1
Reliability Analysis Results of the Constructs and Variables

Sr. No	Construct	Variables	Overall Cronbach's α
1	Experiential Marketing	Sense Feel Think Act Relate	0.86
2	Experiential Value	Consumer Return on Investment Service Excellence Aesthetics Playfulness	0.79
3	Purchase Intention	Immediate Purchase Purchase 1 to 3 Months Purchase More than One Year	0.74

Source: Field data

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Table 2
Goodness of Fit Indices on Structural Linear Model

Name of Index	Judgement Value	Literary Contribr-ution
Normed Fit Index	>0.90	Bentler and Bonett(1980)
Goodness of Fit Index GFI	>0.90	Hu and Betler (1999)
Adjusted Goodness of Fit Index AGFI	>0.80	
Parsimonious Goodness of Fit Index	>0.50	Mulaik(1989)
Comparitive Fit Index CFI	>0.95	Bentler(1995)
Root Mean Square Error of Approximation ,RMEA	<0.08	Browne and Cudeck (1993)
Root Mean Square Residual,RMR	<0.05	Hair et.al (1998)

Research framework in Fig. 1 was tested by using the three constructs namely experiential marketing, experiential value and purchase Intention. Factors of "sense experience", "feel experiences", "think experience", "related experience" and "act experience" were served as the measurement variables of experiential marketing. Factors of "consumer return on investment", "service excellence", "playfulness", and "aesthetics" were served as the measurement variables of experiential value. Factors of "likely to Immediate Purchase ', 'Purchase one to three months' and 'Purchase more than one year' are

different manifest variables considered for different constructs.

Table 3
Goodness of Fit Indices of Proposed Structural Linear Model

Sno	Value of Index	Results
1	X^2 Chi Square Value	210.43
2	Df (Degree of Freedom)	68
3	X^2 / Df	3.09
4	Normed Fit Index	0.91
5	Goodness of Fit Index GFI	0.92
6	Adjusted Goodness of Fit Index AGFI	0.82
7	Parsimonious Goodness of Fit Index	0.57
8	Comparative Fit Index CFI	0.98
9	Root Mean Square Error of Approximation ,RMEA	0.07
10	Root Mean Square Residual,RMR	0.045
11	Tucker Lewis Index TLI	0.097

Source: Output values are generated with the help of AMOS 4 software

All values in Table3 are with the permissible limits shown in table 3.

The structural model was tested to assess the hypothesized structural relationships of the three constructs (Refer to Figure 1). The results revealed that the structural model has a significant χ^2 value (χ^2 = 210.43, df = 68, p< 0.001) indicating adequate fit of the data with the hypothesized model.

Table 4
Summary of Hypothesis Testing Results

Hypothesis	Path Coefficients (Standardized Parameters)	t-value	p-values	Testing result
H1 Experiential Marketing has Positive Influence on Experiential Value	0.91	12.93	0.001	Supported
H2 Experiential marketing has Positive Influence on Purchase Intention	0.85	103.56	0.001	Supported
H3 Experiential value has Positive influence on Purchase Intention	0.57	86.93	0.001	Supported

Source: output is generated in AMOS 4 and SPSS 18
Note: $p > 0.05$

All the hypothesis formulated for the proposed model are supported shown in table 4 indicating that hypothesized model could fits the empirical data well. The proposed model have indices with the permissible limits the model is supported (Hair, 1999)

Conclusions and Managerial Implications

The 12 item instrument was analyzed using structural equation modeling. The findings of the study indicate that experiential marketing is an important driver that can influence experiential value and purchase intention in quick service chain restaurants. Experiential marketing (sense, feel, think, act and relate) of the consumers would affect the purchasing intention of the consumers. If the consumer has a memorable experience with the restaurant the purchasing intention would be higher. On the other hand, if the consumers have no good experience with the restaurant the purchasing intention of the consumers would decrease. It is also been concluded from the research study that increased experiential value would lead to positive purchase intention in quick service restaurants. The results are in support of (Schmitt, 1999; Zeithaml et.al, 1996). The management of restaurants should be more focused on excitement and innovative experiences that are to be delivered to customers. The management needs to understand what

customers want and the frequency of customers purchase intentions which ultimately leads to actual sales of fast food products. Well planned and executed marketing programs can be memorial and can result in positive impact on customer purchase intention and experiential value. Additionally, this model is reliable and strong to prove that there are each variable and how likely they are linked to each other as it is based on a comprehensive literature review corresponding to a proposed theoretical framework.

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