



# The Relationship of Social Environment, Relational Benefit, Customer Positive Emotion, Price and Behavioral Intentions in Indonesia Traditional Wet Market setting

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## **Abstract**

*Purpose – The objective of this study is to examine the relationship of social environment, relational benefit, customer positive emotion, price and behavioral intentions in Indonesia traditional markets setting*

*Design/Methodology/Approach – data collected from 504 shoppers of revitalized traditional markets in Jakarta and analyzed using SEM.*

*Findings- Research found that customer positive emotion mediated the relationship of social environments, relational benefits and behavioral intentions . On the other hand, price directly influenced behavioral intentions .*

*Practical implications – This study will provide information on factors that influence positive emotion and behavioral intentions in traditional wet markets.*

*Research limitations-The study was conducted only in a few revitalized traditional markets in Jakarta. This study emphasized only on social environments, relational benefits and price level image. This study did not consider demographics aspect of respondents.*

*Originality/value – Little research has been done on understanding the influence of social environments, relational benefits on positive emotion in traditional markets .*

**Keywords** – Traditional market, food quality, customer loyalty, relational benefit.

*Paper type: Research pape*

## **Introduction**

Traditional markets , also it is known as wet markets or *pasar tradisional* in Indonesia have been encountering tight competition and serious challenges from modern retailers i.e. supermarkets, hypermarkets and convenience stores

Many consumers switch to modern retailers, particularly mini-markets, for their grocery needs (Market Analysis Report, Agriculture and Agri-Food Report Canada, 2011).

However these traditional markets are still becomes one of the most popular retail formats for many Asian families especially when they purchase daily convenience products such as foods and basic household goods (Davis, 2013; Dholakia et al., 2012).This is also occur in Indonesia retail's context.

A survey conducted in Taiwan reported that Eighty-two percent of people stated that they go to traditional markets to buy fresh meat, vegetables and fruit; among them, 43 percent reported that the quality was better, and 27 percent said that the markets are closer to their homes. The other factors that make the characteristic of traditional markets could not be replaced: the relationship between the seller and the buyer, the instant dealing with the food and the fun of picking up food with one's own hands.

A study conducted by Huang et al (2014) in Taiwan, found that food quality and relational benefit positively affect consumers' satisfaction. Social factors were the key forces by which Taiwanese consumers build their relationships with sellers at wet markets, and the opportunity to establish the interpersonal interactions is obviously become the attractiveness of that markets. Other findings showed that ambience and employee service were also influence satisfaction to shop in the wet markets.

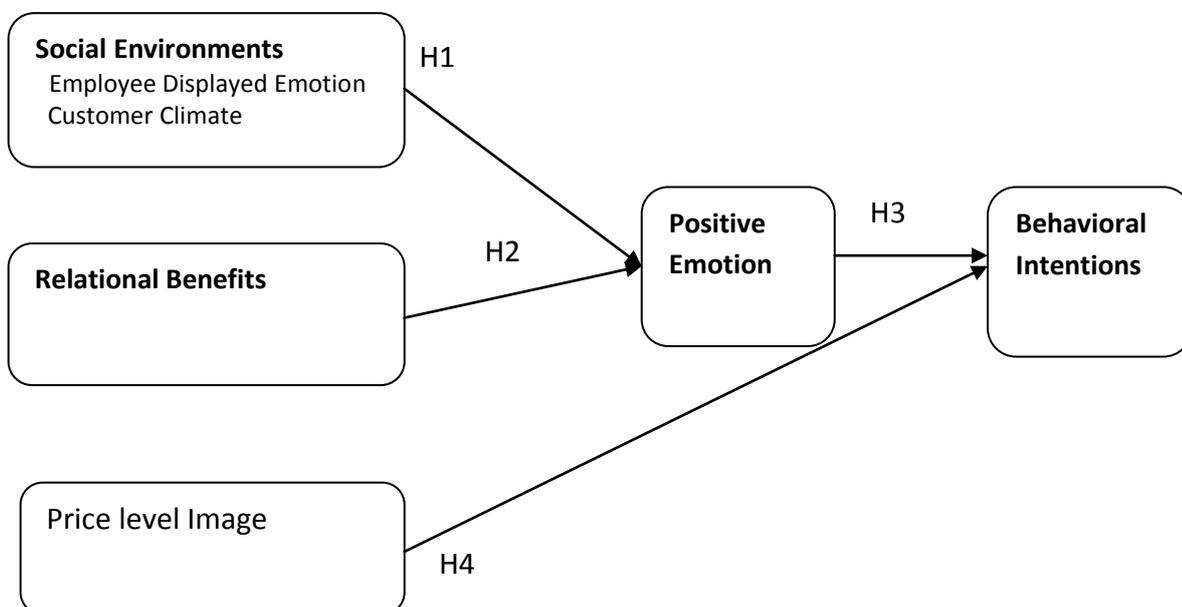
Furthermore, despite a substantial amount of research investigating the effect of service environment on consumer behavior in the retail setting, little attention has been given to traditional or wet markets. Specifically, there has been very little effort made to examine the effect of social environment and relational benefits and price level image on consumer behavior in traditional market settings.

Therefore the objective of this study is to examine the relationship of social environments, relational benefits, positive emotion, price and behavioral intention in the context of traditional markets in Indonesia.

#### Theoretical framework

Social environments and relational benefits predicted could have a major influence on positive emotion and behavioral intentions and price is predicted to have a direct influence on behavioral intention as depicted in Figure 1.

Figure 1: Conceptual framework



## Social Environment and Positive Emotion

Service environment could become a rich opportunity for market differentiation . In the context of increasing competition, have to be certain that service environments could attract customers (Sheng et al, 2011). Mehrabian and Russell (1974) offered a framework showing that environmental stimuli influence and individual's emotional state which in turn influence behavioral responses based on stimulus-organism-response (S-O-R) paradigm. In retail settings, store environments influence the consumer emotional state, which in turn influence buying behavior (Donovan and Rossiter (1982), Donovan et al. (1994). Based on Baker et al (2002), social factors are part of service environments, emphasizing on perceptions of employee characteristics.

Sheng et al, 2011) found that both social and physical environments have positive effect on customer emotion and satisfaction that lead to behavioral intentions. Service employees' expression of emotion can result in customers' emotional state (Pugh, 2001; Tsai and Huang, 2002). Several studies have shown the importance of friendly employees in improving service outcomes (Hurley, 1998., Bitner et al, 1990., Sheng et al., 2011., Henig Thureau et al., 2006).

In many service contexts, fellow customers are present in the service environment and can influence the nature of the service outcome processes (Zeithaml et al., 2013). Sheng et al (2011) found that customer climate i.e. customer's perception of the environment shared by other customers receiving the service influenced customer positive emotion. Furthermore, Huang (2008). Moore et al (2005) indicated that interaction among customers within service environment influences emotion. The following hypotheses were proposed:

H1: Social Environments influences Positive Emotion

## Relational Benefits and Positive Emotion

Relational benefits can be classified into two categories: functional and social benefits (Beatty et al. (1996). Functional benefits consists of : confidence benefits, social benefits, and special treatment benefits (Gwinner et al., 1998). Confidence benefits refer to perceptions of reduced anxiety and comfort in knowing what to expect in the service encounter; social benefits, related to the emotional part of the relationship and are characterized by personal recognition of customers by employees, the customer's own familiarity with employees, and the creation of friendships between customers and employees; and special treatment benefits, which take the form of relational consumers receiving price breaks, faster service, or individualized additional services (Hennig-Thureau et al., 2002).

Most satisfaction studies have focused mainly on cognitive aspect, while seemingly important affective aspect has been largely ignored (Stauss and Neuhaus (1997).

Shopping has been attributed as a joyful retail experience (Jin and Sternquist, 2004). Enjoyment has been found to be a source of motivation in retail shopping and characterized as personal in nature (Ballantine et al., 2012). Therefore we propose hypothesis :

H2: Relational Benefits influence positive Emotion

Positive Emotion and Behavioral Intentions

Behavioral intentions have been described as the stated likelihood to engage in a particular behavior (Oliver (1997). It is considered to include revisit and word-of-mouth intentions (Han and Ryu, 2006; Han and Kim, 2009; Han et al., 2009; that can predict the future consumption behavior of the consumer.

Prior studies have shown a relationship of customer positive emotions and behavioral intentions (Sheng et al., 2011; Jang and Namkung, 2009; Kincaid et al., 2010; Lin and Liang, 2011). Liljander and Strandvik (1997; Stauss and Neuhaus, 1997) found that there was a positive relationship between emotion and loyalty behavior. A recent study (Prayag, G et al., 2014) found that positive emotion has a direct effect on behavioral intentions. Thus we propose:

H3: Positive Emotion Influences Behavioral intentions

Price Level Image and Behavioral Intentions

Price competition is an important topic for grocery retailers. Research found that price is an important factor in choosing a retail food store (Tigert, 1983) and price perceptions are an integral part of a retailer's store image (Lindquist, 1974; Zimmer and Golden, 1988). Customers can reduce the perceived risk of shopping in the stores, by shopping in those in which they are more certain about prices. (Mitchell and McGoldrick, 1996). Therefore we propose:

H4. Price level Image has a direct influence on Behavioral Intentions.

## Method

Visitors of revitalized traditional markets in Jakarta participated in this study. A purposive sample was used in term of regular shopping in wet markets. From 514 responses collected, 504 valid responses were used for further analysis.

## Measures

Social environment (Employee displayed emotion and customer climate)

Eight items were adapted from Sheng et al. (2011) and Huang et al. (2014): e.g. the sellers are friendly

### Relational Benefits

It was measured using 6 items (“I was recognized by certain sellers in the market), adapted from Hennig-Thurau (2002).

### Behavioral Intentions

Four items (e.g. “I will remain loyal to this seller”) were adapted from Sheng et al. (2011).

### Price-level image

Three items adopted from Zielke, S (2008) (e.g. “The prices are generally very low here”).

## RESULTS AND DISCUSSION

A measurement model was first estimated using a confirmatory factor analysis (CFA). Each measurement item was loaded on its prior construct. The instrument reliability was assessed using Cronbach’s alpha. The alpha values range from 0.615-0.902.

Convergent validity meets the requirements in this study all the items had relatively high factor loadings on the underlying construct, the values range from 0.631 to 0.831. Overall model fit for CFA was assessed using the Chi-square test and goodness of-fit-indices. The Chi-square test of the measurement model in this study was significant ( $\chi^2 = 1446.50$ ,  $df = 507$ ,  $p = .000$ ), indicating the model was a poor fit. Other indices of fit were assessed i.e. Comparative Fit Index (CFI), Root Mean Square Error (RMSEA) indicated the measurement model fit the data well :CFI=0.838, NFI=0.911, RMSEA=0.061.

Results of estimated structural coefficients were presented in Table1.

Table 1. Structural model results

Hypothesized relationship	Standardized coefficient	p-value	Results
H1 Social Environment → Positive Emotion	0.279	0.013	supported
H2 Relational Benefits → Positive Emotion	0.164	0.003	Supported
H3 Positive Emotion → Behavioral Intentions	0.320	0.000	Supported
H4. Price Level Image → Behavioral Intentions	0.173	0.0047	Supported

All predictor variables were found to be significantly and positively influenced positive emotion. H1 was supported that social environments influenced positive emotion ( $\beta=0.279$ ,  $p$  value=0.013, ). H2 was also supported that relational benefits influenced positive emotion ( $\beta=0.164$ ,  $p$  value=0.03). Positive emotion positively influence behavioral intentions ( $\beta=0.320$ ,  $p$  value=0.000), it supports H3. Finally H4 was also supported that price level image directly influence behavioral intentions.

### Conclusions and Implications



This study found that in terms of social environments, current results showed that employee displayed emotion and customer climate were positively related to positive emotion, supporting past research (Sheng et al., 2011). This findings support several studies which have shown the importance of friendly employee's in improving service outcomes (Hurley, 1998., Bitner et al, 1990., Sheng et al., 2011., Henig Thurau et al., 2006).

Results were also found that relational benefits were related to positive emotion. This is in line with findings of Huang et al (2014) that social benefits were the key reasons why Taiwanese consumers go to traditional markets. They feel that they are comfortable with sellers who recognize them and have been establishing long term friendship.

Findings also showed that positive emotion had a positive relationship with behavioral intentions i.e. repatronage intention and word of mouth recommendations. These findings supported previous studies (Sheng et al., 2011; Prayag 2014; Jang and Namkung, 2009).

#### Managerial Implications

This research provides insights for traditional markets managers as well as food retailers. Our results suggest that social environments and relational benefits were the major factors influencing customer positive emotion that lead to behavioral intentions. On the other hand price directly influences behavioral intentions. Traditional market managers could consider particularly social environments and relational benefits and keeping price level image as source of competitive advantage in facing the challenges of modern retail market .

#### Limitations and future research

There are several limitations of this study. First, the study was conducted only in a few revitalized traditional markets in Jakarta. This study emphasized only on social environments, relational benefits and price level image. Since the consumers are fragmented into several segments, future research is recommended to consider demographics aspect of respondents.



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