

WORKING PAPER N°7

The Transformative Role of Customer Well- being in Retail Experiences

AUTHOR: BIANCHI, CONSTANZA

School Of Business
Universidad Adolfo Ibáñez

THE TRANSFORMATIVE ROLE OF CUSTOMER WELL-BEING IN RETAIL EXPERIENCES

Pilar Gardiazabal, UAI, Constanza Bianchi, UAI, Abu Saleh, University of Canberra

Abstract

Purpose – The purpose of this paper is to investigate if retail services have a transformative potential to improve the well-being of customers in a Latin American market. Transformative studies have been conducted mostly in developed countries, and consumer well-being in a Latin American supermarket context has not been addressed previously. Specifically, this study aims to understand if customer satisfaction with a supermarket experience in Chile leads to positive customer well-being. Additionally, it is examined if customer well-being influences firm outcomes, such as customer loyalty, word-of-mouth communication or retailer equity.

Design/methodology/approach – A conceptual model was developed, and data was collected through an online survey from 866 customers of a large supermarket chain in Chile. Hypotheses were tested with structural equation modeling (SEM).

Findings – The findings of this study support all the hypotheses of the model and confirm that customer satisfaction has a direct and indirect effect on customer loyalty and other firm outcomes through customer well-being.

Research limitations/implications – This research is among the few studies in the academic literature that considers retail experience and well-being outcomes for supermarket customers in a Latin American context. Limitations derive from the cross-sectional nature of the study.

Practical implications – There are implications from this study contributing to the literature on customer retail experience, in terms of the potential to transform supermarket shopping in a Latin American country. This is particularly relevant in Latin America as the extent to which for-profit organizations acknowledge their relevancy of the individuals' well-being is still at its infancy.

Social Implications – This research provides empirical support to the importance of not only looking at traditional measures such as WOM, equity and loyalty but looking into the impact services have for customers' life and well-being. This is particularly relevant in Latin America as the extent to which for-profit organizations acknowledge their relevancy of the individuals' well-being is still at its infancy.

Originality/value – This study contributes to the services literature and addresses a gap in it by exploring the transformative potential of supermarket shopping on customer well-being and in turn the role of customer well-being in retail firm outcomes. The findings also contribute in considering Chile, a Latin American context that has been overlooked in the transformative services studies. This provides managerial implications for domestic and global companies that offer grocery retailing for consumers in this region.

Keywords: Retail experience, customer well-being, satisfaction, WOM, loyalty, perceived equity, Latin America, Chile.

Research paper

THE TRANSFORMATIVE ROLE OF CUSTOMER WELL-BEING IN RETAIL EXPERIENCES

1. INTRODUCTION

One of the aims of service research is the betterment of customer welfare, yet the discipline's focus on managerially relevant outcomes has somewhat forgotten to reveal in what manner measures such as retail experience are related to customer well-being (Russell-Bennett, 2019). Previous research has discovered that offering a positive retail experience for customers will increase their satisfaction and intention to support a retail service (Terblanche, 2018). However, retail experiences such as supermarket or grocery shopping may go beyond these service measures to assume a therapeutic role in some consumers' lives (Lemon and Verhoef, 2016; Verhoef et al., 2009), and generate transformative effects, such as "improved mental, social, or physical well-being" (Rosenbaum et al., 2011: , p.2).

Transformative services refer to "research that focuses on creating "uplifting changes" aimed at improving the lives of individuals (both consumers and employees), families, communities, society, and the ecosystem more broadly" (Anderson and Ostrom, 2015: , p.243). A few studies have explored the transformative potential of retail experiences (Rosenbaum, 2006; Rosenbaum et al., 2007; El Hedhli et al., 2016; Maggioni et al., 2019; Shafiee and Es-Haghi, 2017; El Hedhli et al., 2013). However, most of this research has considered service contexts such as shopping centers and coffee shops, while transformative retail experiences considering grocery shopping in supermarkets have received little scholarly attention in the literature (Loureiro et al., 2014; Jones et al., 2006).

This is particularly important in emerging regions such as Latin America, where consumers spend a significant proportion of their income and time on grocery shopping (D'Andrea et al., 2006b). Although the grocery retail sector accounts for many small formal and informal independent businesses, modern retail formats such as supermarkets and hypermarkets have

grown fast in Latin America in the last two decades, mainly due to increasing levels of growth and development of the region, and particularly due to the entry of global retailers such as Wal-Mart and Carrefour (Child et al., 2015).

A retail experience refers to customers shopping for products and services in a retail store, which can have positive outcomes for customers and firms (Grewal et al., 2009). For example, the retail experience of shopping at a supermarket can have positive effects on customer satisfaction by providing good quality food and non-food products and services to customers (Helgesen and Nasset, 2010; Huddleston et al., 2009). Nonetheless, supermarket retailers can also have the potential to transform the lives of consumers by providing customers with social or entertainment activities, or by becoming a ‘third place’ in the customers’ lives (Rosenbaum, 2006), which can contribute to their well-being.

Furthermore, most research in retail services has linked customer satisfaction to business outcomes such as retailer sales, customer loyalty, word-of-mouth communication and profitability (Hult et al., 2019; Grewal et al., 2009; Verhoef et al., 2009). Nevertheless, customer satisfaction with a retail experience can also have a positive effect on customer well-being (Grzeskowiak et al., 2016). A retail experience can contribute significantly to customer well-being by providing customers not only with an assortment of products and services, but also by offering a place for socialization, escape and entertainment (Rosenbaum, 2006; Jin and Sternquist, 2004). For instance, Rosenbaum et al. (2017) have shown that people may heal and reduce stress by spending time in consumption settings (e.g., shopping malls) rather than in natural settings. Thus, supermarket retail experiences may have a transformative role by improving the well-being of customers (Alexander, 2019).

Customer well-being in a retail context is defined as the contribution of a retail shopping activity to customers’ well-being and quality of life (El Hedhli et al., 2013). As an example, in shopping centers customers can find entertainment spaces, community services, educational

facilities, and wellness activities that can improve for customers' well-being and quality of life (Maggioni et al., 2019; El Hedhli et al., 2013). Even frequent shopping experiences in supermarkets can provide customers with personal or social activities that may contribute to their well-being (Loureiro et al., 2014; Jones et al., 2006).

The overall retail experience covers a wide array of elements, such as the purchase of products and services, interaction with retail employees, interaction with other retail customers, layout and decoration of the store, parking, entertainment, etc., which may play an important role in customers' well-being (El Hedhli et al., 2013). Several studies have identified hedonic positive outcomes of retail experiences for customers, such as enjoyment, excitement and delight (Oliver et al., 1997; Wakefield and Baker, 1998; Arnold and Reynolds, 2003; Jin and Sternquist, 2004). These studies suggest that the retail experience can exert a positive impact on several dimensions of well-being, such as autonomy, competence, and relationships (Tauber, 1972) and on customers' overall sense of well-being (El Hedhli et al., 2016; El Hedhli et al., 2013).

While some research has supported the positive effect of transformative services on customer well-being, less is known about the impact of well-being on business outcomes. It has been suggested that the positive impact of transformative services may extend beyond the well-being of customers, generating benefits for firms (Rosenbaum et al., 2011; Anderson et al., 2013). In the context of retailing, several studies have found that customer well-being generates positive consequences for shopping centers (El Hedhli et al., 2016; Shafiee and Es-Haghi, 2017; El Hedhli et al., 2013). However, despite this significant investigation on the effect of shopping on customers' well-being, there is still a need to understand if services, particularly relevant services such as supermarket retailing, achieve the goal of improving customers welfare (Russell-Bennett, 2019). In fact, scant research has examined customer well-being outcomes for supermarket retailing, with this gap being particularly profound in less developed markets, such as Latin America. This a relevant region to investigate since it considers service contexts

where customers face less financial resources and higher inequality (Schwab, 2019), so retail services can have a greater impact on customers' well-being than on those with more resources such as more developed countries (Anderson and Ostrom, 2015). Indeed, its relevancy comes from the fact that applying research findings conducted in developed countries to emerging ones ignores the fact that expectations, costs and burdens may vary widely between countries with different levels of development (Miranda and Zaman, 2010).

There has been a rapid rise of supermarkets in Latin America in the last 20 years due to the rising level development of the region, improvement in urbanization, entry of women in the work force outside of home, and increase on income per capita of consumers (Reardon and Bergegué, 2008; Euromonitor, 2018). However, Latin America is one of the least investigated regions of the world in terms of marketing and retailing services (Fastoso and Whitelock, 2011). A few studies have examined retail consumption in Brazil, Colombia and Mexico (Diallo and Siqueira Jr, 2017; Diallo et al., 2015; Rajagopal, 2010), in Argentina during the 2005-2006 financial crisis (D'Andrea et al., 2006a; D'Andrea et al., 2006b; D'Andrea et al., 2006c), local food purchase in Chile (Bianchi, 2017), and online retail consumption in Chile (Andrews and Bianchi, 2013; Bianchi and Andrews, 2012). Elsewhere, a few analyses have considered transformative services in Latin America countries (Sanchez-Barrios et al., 2015; Rosenbaum et al., 2018; Losada-Otálora and Alkire (née Nasr), 2019).

Chile is one of the fastest-growing economies in Latin America and is internationally recognized for its agribusiness sector that benefits from its privileged natural conditions for food production (Economist Intelligence, 2012). Furthermore, supermarkets and hypermarkets are by far the most important distribution channels for food products in Chile, with a share of over 65% of food distribution outlets (Euromonitor, 2019). In spite of this, more than 30% of their population is economically vulnerable and income inequality continues to be high (World Bank, 2020). Thus, Chile is a good context from where to extrapolate results for this under-developed region.

Overall, customer experiences in retailing settings such as supermarkets have rarely addressed topics such as well-being (Russell-Bennett, 2019; Anderson et al., 2013), and there is scant understanding if consumer well-being can also affect relevant business measures such as loyalty. This is even minimal in lower income contexts such as Latin American countries (Diallo et al., 2015; Diallo and Siqueira Jr, 2017). Consequently, this research paper investigates if customer satisfaction is positively related to customer loyalty, WOM, perceived equity and well-being in the context of a supermarket retail experience. Additionally, this study examines the possible mediating role of customer well-being between customer satisfaction and loyalty. Indeed, this investigation looks to respond to the call made by Russell-Bennett and Rosenbaum (2019), in terms of the necessity to conduct research and understand the relationship between service measures that lead to profitability (e.g. customer satisfaction, customer loyalty) and customer well-being. Finally, this study contributes to expanding our understanding of consumer retail experiences in Latin American countries (Burgess and Steenkamp, 2006; O'Cass and Carlson, 2019; Paswan et al., 2010).

Understanding if retail experiences generate positive customer well-being outcomes may help Latin American service managers to develop retail strategies that lead to greater loyalty, repurchase and WOM. Hence, the main research questions of this study are: 1) Is customer satisfaction with a supermarket retail experience related to customer loyalty, WOM, equity and well-being in a Latin American country? and 2) Does customer well-being mediate the relationship between customer satisfaction and customer loyalty? This paper is structured as follows. First, the literature on customer experience and well-being is reviewed. Second, a conceptual model is developed, and hypotheses are stated. Third, the methodology and data analysis are presented. Fourth, results are stated and discussed. In the final section, theoretical, managerial implications, limitations and directions for future research are identified.

2. LITERATURE REVIEW AND HYPOTHESES

2.1 Customer retail experience

Customer experience involves the customer's cognitive, affective, emotional, social, and physical responses to the retailer (Verhoef et al., 2009). Customer experiences have increasingly become the means for competitive differentiation as goods and services are being commoditized (Pine and Gilmore, 1998). Particularly in a retail context, a customer's retail experience is defined as "the sum total of cognitive, emotional, sensorial, and behavioral responses produced during the entire buying process, involving an integrated series of interaction with people, objects, processes and environment in retailing" (Bagdare and Jain, 2013: , p.792). Several studies have addressed the customer experience in retail environments (Petermans et al., 2013; Bagdare and Jain, 2013; Yakhlef, 2015). Research shows that the retail experience is shaped not only by the factors under the control of the retailer, such as retail atmospherics, assortment, and price (Morin et al., 2007), but also by factors outside of the retailer's control, such as the influence of other customers (Yang et al., 2012; Verhoef et al., 2009).

Scholars have found that customer experiences with retailers lead to customer satisfaction and loyalty to the retail business (Verhoef et al., 2009; Bustamante and Rubio, 2017; Grewal et al., 2009). Although retail firms provide customers with utilitarian requirements, such as goods and services to satisfy their personal, workplace and family needs, they increasingly have incorporated hedonic elements to their retail mix, so that stores increasingly offer social, entertainment or community services (Ekici et al., 2018; Jones et al., 2006). For example, a customer might visit a supermarket retailer every day to purchase food and beverages for the family, and customer satisfaction is based on the functional aspects of providing acceptable levels of quality and price as well as entertainment for the customer (Jones et al., 2006). This provides retailers with an opportunity to differentiate themselves from competitors by designing retail environments that will create memorable customer experiences (Verhoef et al., 2009).

Overall, research suggests that customers expect a holistic satisfactory retail experience that satisfies and entertains them (Jones et al., 2006; Jin and Sternquist, 2004). However, to the authors' knowledge, there is scant empirical research regarding the association between retail experiences and perceived equity or WOM. Moreover, there is no investigation linking retail experiences to well-being outcomes. Thus, questions about the connection between retail services and well-being still need to be addressed (Anderson and Ostrom, 2015; Feng, 2019), particularly in Latin America, a region that requires to improve wellbeing and the quality of life of its citizens (Werner, 2020)

2.2 *Customer satisfaction*

Satisfaction has been defined as a pleasurable fulfillment of a need, goal or desire (Oliver, 1999). Customer satisfaction refers to a customer's overall evaluation of a product or service determined by its performance compared to prior expectations (Matzler et al., 2007; Oliver, 1999). Research in retailing has found a positive relationship between customer satisfaction and firm outcomes such as customer loyalty (e.g., Oliver, 1999; Anderson and Sullivan, 1993; Heskett et al., 1997), word-of-mouth communication and retail equity (Hult et al., 2019; Grewal et al., 2009; Verhoef et al., 2009).

In a retail context, customer satisfaction refers to a holistic evaluation of the total shopping experience with a retailer over time and comprises all the experiences of a customer during a visit to a particular retail store. Customer satisfaction is found to be a robust predictor of loyalty (Loureiro et al., 2014) and future patronage intentions (Terblanche, 2018; Hart et al., 2007; Martin et al., 2008) in retail settings. From a behavioral perspective, customer loyalty is seen as repeat purchase of the same product or service in a specific category (Dick and Basu, 1994). From an attitudinal perspective, customer loyalty is seen as "a specific desire to continue a relationship with a product or service provider" (Zeithaml, 2000). Moreover, most of these studies have been conducted in developed economies such as the United States and Europe (Loureiro et al., 2014). Thus, it is not known if customer satisfaction will influence loyalty in

every region of the world, especially because Latin American countries are characterized by high levels of uncertainty avoidance and low levels of trust (Hofstede, 1980). Since there have not been other studies considering Latin American retailers, it is relevant to posit the following hypothesis:

H1: Customer satisfaction with a retail experience is positively related to customer loyalty to the retailer.

Word of mouth communication (hereafter WOM) refers to informal communications from person to person regarding their evaluations of products and services (Anderson, 1998; Jansen et al., 2009). Moreover, WOM is a relevant retail firm outcome (Brown et al., 2005), that is linked with business sales (Chevalier and Mayzlin, 2006), brand image and awareness (Jansen et al., 2009). The individual degree of satisfaction with the shopping experience is generally regarded as one of the most relevant antecedents of WOM (Anderson, 1998). Yet, the empirical evidence about the relationship between satisfaction and WOM intentions is equivocal. One possible explanation for the ambivalent results is that existing research has ignored the consideration of cultural factors that might affect WOM (Brown et al., 2005), such as customers' uncertainty avoidance. In studies conducted in shopping malls (El Hedhli et al., 2013), the authors argue that customer satisfaction positively influences mall WOM. Since there are inconsistent results on the literature, it is relevant to understand the link between customer satisfaction and WOM in a Latin American retail setting. Therefore, the following hypothesis can be postulated:

H2: Customer satisfaction with a retail experience is positively related to positive WOM.

Perception of retailer equity is another relevant business outcome that occurs when a customer is familiar with the retail firm's brand and holds positive, strong and unique brand associations (Keller, 1993). Perceived equity refers to the customer perception and judgment

on the value received with a service experience and affects customers' cognitive and affective responses to the brand (Park and Ha, 2016). Perceived equity for retail services increases customers' trust of the intangible elements of retailing and helps them better understand and visualize the service(s) they are purchasing (Berry, 2000). Perceived retailer equity is determined when customers' judgment regarding the comparison between the value increases relative to the costs of the service in the exchange situation (Park and Ha, 2016). Hence, perceived retailer equity is a significant psychological response to the value that a retail service provides (Olsen and Johnson, 2003). Since it involves a judgment on the customers' satisfaction with the service, then the following hypothesis can be proposed in a Latin American context:

H3: Customer satisfaction with a retail experience is positively related to perceived retailer equity.

2.3 Customer well-being

Well-being is an intricate construct that has historically been analyzed from two main perspectives: the eudaimonic and the hedonic perspectives. The eudaimonic approach refers to the realization of an individual's true potential, i.e. self-realization (Ryff, 1989). The hedonic perspective emphasizes that well-being consists of pleasure or happiness as global life satisfaction as the key indicator of well-being (Ryan and Deci, 2001; Diener et al., 1999). This type of well-being is usually defined as subjective well-being (SWB) and broadly concerns the experience of pleasure versus displeasure in different aspects of life such as work, income, social relationships, etc. (Ryff and Keyes, 1995; Diener et al., 1999; Ryan and Deci, 2001). Indeed, SWB consists of three elements: life satisfaction, the presence of a positive mood, and the absence of a negative mood (Ryan and Deci, 2001).

Research indicates that retail experiences can also contribute to customer well-being by providing possibilities of self-expression (Sirgy et al., 2016) and hedonic value (Arnold and Reynolds, 2012; El Hedhli et al., 2013). Thus, retail experiences may also affect the well-being

of customers, employees, families and communities (Ekici et al., 2018; Sirgy et al., 2008). It is evident that retail experience can contribute to customers' satisfaction through different life domains: customer, social, leisure and community life, which will impact on people's overall well-being (El Hedhli et al., 2016). Satisfaction is the customer's perception that consumption provides a pleasurable outcome (Oliver, 1999), while customers' well-being refers to the perception that shopping contributes to their overall quality of life (Ekici et al., 2018). Moreover, there is evidence in the literature that customer well-being may impact on customer loyalty in a shopping center context (Jones et al., 2006; El Hedhli et al., 2016; El Hedhli et al., 2013). This suggests that when retail customers experience high levels of well-being related to their retail experience, they are likely to feel commitment and make positive references to others about the shopping experience. Thus, the following hypotheses are stated with consideration of the supermarket context in a Latin American country:

H4: Customer satisfaction with a retail experience is positively related to customer well-being.

H5: Customer well-being is positively related to customer loyalty.

In the same vein, customer well-being could be relevant not only as an ultimate firm outcome but could potentially serve as an effective mediator amongst other business measures (Troebs et al., 2018). Indeed, the relationship between relevant measures like customer satisfaction and customer loyalty may be mediated by customer well-being. Although customer satisfaction and customer loyalty are related, there is not always a straightforward relationship between the concepts, as the connection between these two construct can be ambiguous and nonlinear (Fornell et al., 1996; Bowen and Chen, 2001; Hallowell, 1996). As customer satisfaction has a lot to do with a customer's overall evaluation of a service provider or a product (Olsen and Johnson, 2003), it could be argued that when overall satisfaction affects customers' well-being, there are consequences in terms of loyalty, since customer well-being can contribute to

customer loyalty (El Hedhli et al., 2013). This could signify that customer well-being is relevant per se, but also, it is relevant to achieve a competitive advantage for the firm such as customer loyalty. Thus, a possible mediation effect of customer well-being between customer satisfaction and loyalty will be tested in a Latin American context by the following hypothesis:

H6: Customer well-being mediates the relationship between customer satisfaction and loyalty.

3. RESEARCH METHODOLOGY

3.1 Sample and questionnaire

Data were collected through an online questionnaire applied to a large customer database of a supermarket retail chain located in Chile, during May and June of 2019. This retail chain is the third largest in the country with national-wide presence and 289 stores. The online questionnaire was developed in English from available extant measures in the literature. To improve clarity and psychometric properties and to make it easier to respond to, the questionnaire was translated into Spanish by a bilingual qualified research academic, which is the main native language in Chile, using the direct translation method (Brislin, 1970). Pre-testing was conducted with a small number of actual customers in Chile to further modify and improve the construct measures before implementing the final survey. To reduce the common method bias, semantic differential scales as well as 5-point Likert-type scales were used (Podsakoff et al., 2003).

Data collection resulted in 892 complete questionnaires responses, with a response rate of 3% (usual range for the retailer is between 3-5%). After removing 26 outlier cases, 866 questionnaires were used in the final analysis. More than 60% of the respondents were female consumers. Respondents' age on average was 35.6 years and the largest percentage of respondents were from the lower middle class (45.2%), followed by upper lower class (28.1%) and upper middle class (19.8%). These percentages are congruent with the demographic characteristics of the country's population (see respondent characteristics in Table 1).

[INSERT TABLE 1 HERE]

3.2 *Measurements*

Constructs were adopted and adapted from well-established scales in the literature and measured with a 5-point Likert scale. Customer well-being was measured by adapting a shopper well-being scale developed by El Hedhli (2013). This scale measures customers' perceptions regarding the impact of a retail experience on life satisfaction domains such as their social life, leisure life and community life. The scale was adapted to reflect the customers' perceived impact of well-being concerning a specific supermarket retail chain. Customer satisfaction was measured by adapting a three-item scale devised by Babin et al. (2005). The scale asked customers to rate the extent to which they were satisfied with this supermarket (e.g. "I am satisfied with my decision to shop at this supermarket"). Attitudinal loyalty was measured using a 3-item scale adopted from Rosenbaum et al. (2016), which asked customers the probability of their considering this supermarket for future purchases (e.g. "All else being equal, I plan to buy from this supermarket in the future"). Word of mouth (WOM) was measured with an adapted scale from Palmatier et al. (2007). This scale asked respondents to indicate their intention to recommend this supermarket chain to friends and family. Finally, perceived retailer equity (EQ) was measured with a scale adapted from Park and Ha (2016). This scale asked customers for their opinions on the overall performance retailer with questions such as: "The result from buying at this supermarket was fair".

3.3 *Validity and common method bias check*

The sources of construct measures and their operationalization indicators are illustrated in Table 2 and the correlation matrix is shown in Table 3. In order to substantiate the convergent as well as discriminant validity of the construct measures, construct item squared correlations (Table 2), construct squared correlation (Table 3) and standardized Cronbach alpha reliability scores for each of the construct measures in Table 2 and inter-item correlations in Table 3, suggest that all applied construct measures are valid, reliable and convergent. None of the inter-item

correlation covariances surpassed any of the Cronbach alpha reliability scores, thus providing strong evidence of the construct measures' convergent validity (Gaski, 1984). To further confirm convergent validity of the measures we followed Anderson and Gerbing (1988a), Fornell and Larcker (1981) and Hair et al. (2010) procedure and have calculated composite reliability score applying following equation:

$$\frac{(\sum_{i=1}^N \lambda_i)^2}{(\sum_{i=1}^N \lambda_i)^2 + \sum_{i=1}^N V(\varepsilon_i)}$$

Where: λ_i = standardized factor loading for the i th indicator, $V(\varepsilon_i)$ = factor variance of the error term(s) for the i th indicator, and N = number of indicators.

The analyses revealed that the average composite reliability score (.804) exceeded the average coefficient alpha score (.796) (Table 2). Composite reliability produces a better estimate of true reliability. High composite reliability exceeded the rule of thumb for reliability estimate which is .7 or higher (Hair et al., 2010) and provides robust support to the convergent validity of the measures.

[INSERT TABLE 2 HERE]

[INSERT TABLE 3 HERE]

Additionally, as shown in Table 2, CFA analysis stipulates that all standardized factor loadings for all of the constructs are at the significance level of .001, presenting further proof of convergent validity of all measures (Saleh et al., 2019). To confirm the discriminant validity of the current construct measures, this study followed (Fornell and Larcker, 1981) endorsement and found that all inter-item correlations between the constructs are fairly less than the average variance extracted (AVE) for all constructs in the proposed and tested model (see Table 2). This confirms the discriminant validity of the construct measures. To confirm the convergent and discriminant validities of the measures once again, this study conducted a series of χ^2 difference tests under the constrained and unconstrained model in 1 degree of freedom for each pair of constructs (e.g., Atuahene-Gima, 2005; Saleh et al., 2019). The results revealed that all

unconstrained models are better than the constrained models, consequently providing solid evidence for both the convergent and discriminant validities of the measures. We further performed a more rigorous test and compare the AVE scores for any pair of constructs with the square of the correlation between those construct measures (Fornell and Larcker, 1981) (Table 3). During conducting CFA, we also have calculated individual item squared correlations (Table 2). The rule of thumb is that the AVE should be greater than any of the squared correlation estimate (Hair et al., 2010) to establish discriminant validity of the measures. The logic is that ‘a latent construct should explain more of the variance in its item measures that it shares with another construct’ (Hair et al., 2010: , p. 710). Our analyses revealed that the AVE scores are greater than all squared correlation estimates providing further decent evidence of discriminant validity.

To verify and overcome common method bias in this research, several steps were taken. First, the study applied and mixed different types of scales such as Likert scales and mixing both positively and negatively worded scales to psychologically and tenderly separate the measurement variables and overcome common method bias in this research (Podsakoff et al., 2003). Secondly, the study varied and altered the scale item placement in the questionnaire and response format as well. To overcome the statistical concern about the common method bias variance in collecting and analyzing data, construct items were recoded to make them symmetrical (Podsakoff and Organ, 1986). Further, exploratory factor analysis was conducted, and findings revealed there was no single factor that formulated for most of the variance in both the predictor and criterion variables. Thus, common method bias variance never emerged as a problem in this study.

4. RESULTS

4.1 Data Analysis

Using SPSS, and initial measurement purification process, item-to-total correlations, standardized Cronbach alphas, Composite reliability, Exploratory Factor Analysis (EFA) and

Confirmatory Factor Analysis (CFA) under AMOS for all constructs were conducted. Based on EFA and suggested modifications in CFA, 4 out of 16 item indicators from the five construct measures were eliminated (see eliminated items in Table 2). The initial CFA results suggested that the model was a weak fit to the data because the threshold or cut-off ranges of fit indices were too far away from the recommended levels. Verification of the modification indices signified that these items were associated with error covariances, which suggested necessary modifications to improve the model's fit. Thus, those were excluded from the measurement to identify the better fitting model. Finally, the analysis and estimation process revealed that the CFA model fits the data very well: $\chi^2/df = 4.779$, IFI = .989, TLI = .98, CFI = .989 and RMSEA = .054. To achieve this fit level, each of the constructs plunged to two item measures. Some scholars argue that two item measure is problematic to appropriately measure variance (Eisinga et al., 2013). However, there has been disagreement among scholars on this notion and it is found that many of the relevant researchers including JSM literature (Wei et al., 2019) report coefficient for their two-item measures to boost up psychometric advantages (e.g., common method variance, survey efficiency etc.) (Löwe et al., 2005). Thus, keeping measurement item debate and limitation in mind, this study relied on two item measures and followed the relevant model specification process. Considering common exercises in the structural equation modeling (SEM) technique, finally, all refined measures in CFA were used to test the proposed SEM model (Anderson and Gerbing, 1988b). A two-step procedure was followed, sequentially testing the measurement and structural models, as suggested in the literature (Anderson and Gerbing, 1988b).

4.2 Hypotheses Testing

SEM was used to test the proposed model and the indices that are widely used by researchers, such as χ^2/df (CMIN/DF), IFI, TLI, CFI, and RMSEA (Root Mean Square Error of Approximation) were assessed for model fit. The fit statistics showed a good fit for the proposed model χ^2/df (CMIN/DF) = 5.46, IFI = .985, TLI = .976, CFI = .984, and RMSEA = .054).

Results of hypotheses testing including the estimated regression coefficient β value, the standardized error (S. E.), the t-value as a critical ratio (CR) and the p-values of the parameters tested for this study (see Table 4).

[INSERT TABLE 4 HERE]

The results of the hypotheses testing indicate that all paths of the model are statistically significant, which means that all six hypotheses (including one indirect effect) are supported. Regarding H_1 , the results of this study identify a positive and significant relationship between customer satisfaction with the retail experience and customer loyalty with the retailer ($\beta=.72$, $p=.000$), thus confirming hypothesis 1. Furthermore, the data shows that the relationship between customer satisfaction with the retail experience and WOM is positive and significant ($\beta=.38$, $p\text{-value}=.000$), thus supporting H_2 . Regarding H_3 , the findings reveal that customer satisfaction with the retail experience is positively and significantly related to perceived retailer equity ($\beta=1.07$, $p\text{-value}=.000$), so this hypothesis is supported. For H_4 , the results indicate a significant and positive relationship between customer satisfaction and well-being ($\beta=1.04$, $p=.000$), thus supporting hypothesis 4. Moreover, the findings demonstrate that customer well-being is positive and significantly related to customer loyalty ($\beta=.36$, $p=.000$), thus supporting H_5 . It should be noted that the use of two item scales in SEM analyses might be a challenge and can create a controversy between item and model estimation process. To address and overcome such estimation problem, there are new techniques continuously proposed in the academia including equivalent models (MacCallum et al., 1993; Raykov and Marcoulides, 2001) as well as applying parceling technique in SEM (Matsunaga, 2008; Little et al., 2013). In this study we have applied parceling, or otherwise called aggregating items and using aggregated scores as indicators of latent construct measure which is one of the best tools for social scientists to validate the SEM results (Matsunaga, 2008). Parceling technique provides psychometric as well as modeling-related advantages and benefits. Thus, we have performed parceling by creating aggregate scores combining each of the two items for each of the underlying construct and our

SEM results revealed that all hypotheses are significant at .01 level. The lowest β -value is .373 (CR or T-value 7.42) and the highest β -value is .970 (CR or T-value 42.72). Also, the fit indices achieved absolute fit to the theoretical model and provides further evidence that there is no controversy in our theory testing procedure.

Finally, to investigate H₆, the indirect mediating effect of customer satisfaction on customer loyalty, this study applied two statistical techniques to validate and confirm the mediation effects within method triangulation approach. First, by following Baron and Kenny (1986), Byrne (2001) and Cheung and Lau (2008) procedure, we have conducted a bootstrap approximation process using SEM and second, we followed Hayes and Preacher (2010) and have conducted bootstrap mediation using SPSS macros to analyze indirect/mediating effect in this study. Mediation is evident when the relationship between two variables shows partially or fully accounted for by an intervening (indirect) variable, the mediator. Empirical results from bootstrap analyses are particularly useful for estimating the required confidence interval of a given sample or population parameter. In conducting bootstrap approximation process in structure equation modeling (SEM), we have drawn our path diagram including error terms for both the endogenous mediator as well as for the dependent variable. We further requested 5000 bootstrap iteration samples from bootstrap menu with the replacement of our original data set of 866 cases and also a request for 95% confidence interval. We requested indirect, direct, and total effects of bootstrap estimation process. The results of bootstrap estimation with path coefficients and level of significance are shown in Table 5. The results show that customer satisfaction has a significant impact on customer wellbeing and customer wellbeing significantly affecting customer loyalty. The output matrices further revealed that the direct, indirect and standardized indirect effect including the difference between upper and lower level confidence interval are highly significant providing strong evidence of mediating role of customer wellbeing between customer satisfaction and customer loyalty.

[INSERT TABLE 5 HERE]

To further validate the above SEM based bootstrap results, we have conducted bootstrap mediation in SPSS macros and detailed results are presented in Appendix 1. The analysis revealed that the model fits very well with R^2 of .60 and adequate effect size. The output indices suggest that the direct and indirect effects are highly significant at .01 level and the difference between upper and lower level confidence interval is also significant ($>.10$). Thus, we can conclude that the mediating effect of customer satisfaction on customer loyalty through customer well-being is evident in this research. This finding strongly suggests that the customer satisfaction has both direct and indirect effects on customer loyalty. In this way the results support hypothesis 6.

5. DISCUSSION

Latin America has led the way among the world's developing regions in the growth of the supermarket sector, and many customers shop daily in supermarkets where they spend a significant proportion of their income on grocery shopping (D'Andrea et al., 2006b). However, customer experiences with retail services have been barely investigated in this region (Diallo et al., 2015; Diallo and Siqueira Jr, 2017; D'Andrea et al., 2006b). This is particularly relevant in Chile, where the retail marketplace is largely dominated by modern format retailers (Euromonitor, 2019). Thus, the purpose of this study was to investigate if satisfactory retail experiences generate increased customer loyalty, WOM, perceived equity and well-being, and if well-being has a mediation role. The findings of this study suggest that retail services in Chile need to consider customer well-being if businesses are to improve their profits (El Hedhli et al., 2013).

5.1 Theoretical Contribution

The results of this investigation offer several theoretical contributions to the services and retailing literature. First, the findings confirm that even though shopping in supermarkets can be seen as a frequent tedious chore which is necessary for daily living, satisfactory supermarket retail experiences may have a transformative effect on Latin American customers, and improve

their customers' well-being (Rosenbaum et al., 2011). These findings support and expand previous research on retail services which finds that retail services can enhance customer well-being and quality of life (Sirgy and Lee, 2008; Rosenbaum et al., 2007). Firstly, they consider the context of supermarket retail services in a Latin American country, that has a strong modern retail sector. Secondly, the findings respond to calls for more research on understanding the outcomes of services in terms of well-being improvement. Thirdly, the findings help to optimize retail services and emphasize its well-being effect on people (Ostrom et al., 2010; Ostrom et al., 2015). Moreover, this investigation supports the expansion of the transformative service research field because it helps us to understand the role services play in affecting the well-being of customers. It does this by investigating a service setting that does not typically hold clear transformative goals (Rosenbaum et al., 2011). The findings further contribute to a better understanding of well-being impact as a broader concept, one that needs to be identified by the vast majority of services participating in people's daily routine and consumption activities. This refers not only to the services that have been traditionally considered as transformative (Troebbs et al., 2018; Rosenbaum et al., 2011; Anderson et al., 2013).

Second, this study examines customer well-being as an important measure for supermarket retail firms because it can positively affect customer loyalty. Although these findings are congruent with previous empirical research on customer well-being in shopping centers (El Hedhli et al., 2016; El Hedhli et al., 2013), this study is the first to identify the mediating role of customer well-being between customer satisfaction and loyalty. These empirical results provide further support to the argument that customer well-being can lead to positive consequences for retail organizations (Troebbs et al., 2018). Additionally these findings respond to the call made by Russell-Bennett and Rosenbaum (2019) in terms of understanding the relationship between well-being and service outcomes, as it provides an empirical base to support the fact that well-being is relevant for retailers. Essentially, it can act as a good predictor for customers' loyalty intentions.

Finally, this study contributes to increasing the amount of research on retail services in Latin American countries. The Latin American region has been overlooked in terms of business and marketing research (Fastoso and Whitelock, 2011), particularly considering customer retailing experiences. Supermarket retailing is growing in importance as countries are developing and modern supermarkets are taking over the traditional informal formats due to economic changes these countries are experiencing (Reardon and Berdegue, 2008), particularly in Chile where the retail sector is dominated by supermarkets and hypermarket formats (Euromonitor, 2019). Furthermore, conducting research in the Latin American region responds to the call made by Anderson and Ostrom (2015) in terms of the relevance of studying important but understudied service contexts focusing on how services affect the lives of individuals. Moreover, as argued by Shultz II et al. (2012), to understand how marketing and services transform the well-being of people, it is important to investigate market contexts with different levels of development and income levels, such as Latin American countries. This can stimulate new conceptualizations, research and best practices that can ultimately expand theory and more importantly, transform consumer well-being. By broadening the settings and geographical areas in which retail experiences are investigated, a more compelling perspective on the importance of investigating the well-being outcomes of retail services experiences can be accomplished.

5.2 *Managerial Implications*

The findings presented in this paper also have valuable insights for practitioners. From a managerial perspective, it will help retail managers from the Latin American region and global managers who look to expand to this region to recognize that with the retail strategies they are implementing, they are in fact influencing their customers' well-being satisfaction, loyalty and other traditional measures (Anderson et al., 2013). Additionally, they are also providing retail experiences that can have a transformative potential. Indeed, the findings of this study confirms Rosenbaum (2015)'s argument regarding that all service businesses, service employees and consumer have the capacity to enhance well-being during service encounters. This scenario

proves to managers that well-being is an interesting and worthwhile objective for them to pursue as it helps them to understand the link between satisfaction and loyalty. Therefore, the advice is that managers should focus on improving the experiences customers have in terms of their personal, social, community and leisure well-being. This is particularly relevant for grocery supermarkets in Latin American countries that compete against street markets or small shops, where service providers are perceived to have better listening skills and the potential to resolve consumer problems with prolonged customer interactions (Rajagopal, 2010).

Moreover, this research helps managers to develop customer plans focused on these four domains as to obtain better customer loyalty in the form of intention to re-purchase. Managers therefore need to determine what changes and redesigns they need to accomplish the customer journey, their customer relationship management actions, supermarket mix, layout and the additional activities they provide not only for shoppers but also for their families and communities to position supermarkets as centers of individual and communal well-being. This will result in positive effects in terms of customer well-being and, as per this research findings, it will improve customer loyalty which can be leveraged as a competitive advantage for their businesses in increasingly cut-throat industries, as customers will be more loyal and also may be willing to pay a price premium to service retailers that care and look after their well-being (Rosenbaum, 2008). Moreover, practitioners could monitor and benchmark customers' well-being levels and consequently impact on their loyalty, which will help them understand better the long-run effects of their retail experience programs. By explaining the importance of customer well-being in a business setting, this research helps bridge the gap between relevant research not only from a theoretical point of view but also managerial relevant investigations (Klaus, 2019) as it provides business insights into the growing interest in factoring well-being as a relevant measure (Maggioni et al., 2019)

5.3 Social Implications

Retail services, as many other for-profit services, are usually conceived and studied as organizations where their only purpose is to maximize profits without explicitly considering their beneficial contribution to customers' well-being (Rosenbaum, 2008). However, the world is changing and individuals and society are demanding more out of for-profit organizations, in terms of the effects their actions have on customers, employees and the service system in which they are inserted (Russell-Bennett, 2019; Russell-Bennett and Rosenbaum, 2019). This research looks to contribute in that sense, by providing empirical evidence on how services can have consequences in terms of individual well-being and on the importance of not only looking at traditional measures such as WOM, equity and loyalty but looking into the impact services have for customers' life and well-being. For-profit organizations are called to fulfill their obligations to broaden the measure to which they have usually been evaluated (Anderson et al., 2013) and this is particularly relevant in Latin America as the extent to which for-profit organizations acknowledge their relevancy of the individuals' well-being is still at its infancy. Hence, this investigation helps on acting as a research-pathfinder that can help Latin American retailers into understanding the social implication, beyond traditional measures, of delivering retail services in terms of personal, social, community and leisure well-being for customers.

5.4 Limitations and further research opportunities

The findings of this paper support the conceptual model developed and the predicted relationships. However, like any research, some limitations of this study need to be noted. Regarding data collection, the study used cross-sectional data in a single-country context. This affects the ability to provide support for causality in the model and generalization to other countries in Latin America. Therefore, replication of this study in other countries in the region and a longitudinal study is suggested for future research directions. This could provide scholars with a better understanding on the transformative role of retail experiences in Latin America. Second, the transformative impact of retail experiences could also be investigated across other

retail formats, such as department stores, pharmacies, among others; and could also try to understand other aspects of the retail experience such as customer journey, net promoter score, etc. Future research on these topics could provide a broader perspective on the transformative impact of people's retail experiences. Third, this study is not out of criticism in applying two item construct measures. Although, defensive arguments were made in section 4.1 to justify current measurement assessment procedure, the study acknowledges that this is an obvious limitation. Moreover, to avoid any possible misconception or misinterpretation in measurement process, following true score theory any future study incorporating more items lead to better construct representation would provide better precision in model estimation process and that will further provide more robust evidence in the academic literature (Emons et al., 2007). Lastly, since the omni-channel environment is a growing trend among retailers, future research could investigate the role of customer well-being among both the physical and digital platforms of a retailer, so that the retail experience and its impact on customer satisfaction and well-being can be holistically understood.

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Figure 1: Conceptual Model

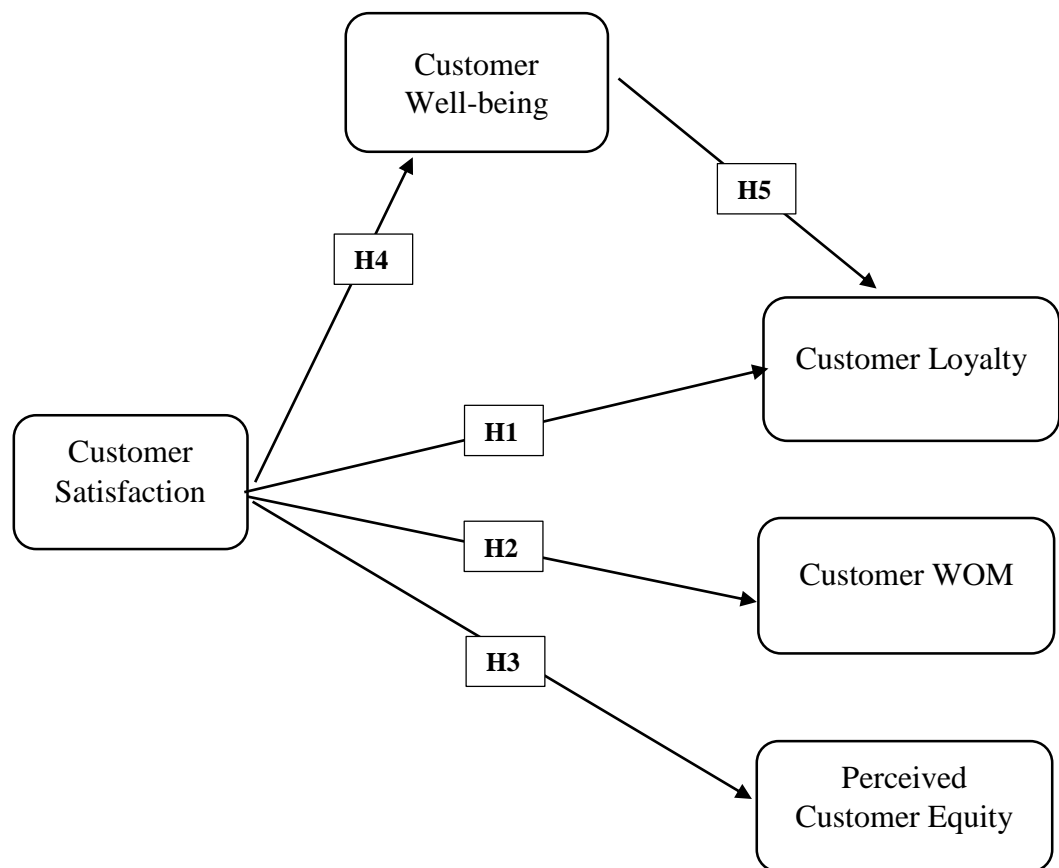


Table 1: Sample descriptive analysis (N= 866)

Respondent profile	Percentage
Gender	
Male	39.2
Female	60.8
Age Range	
Less than 25	0.6
25 to 34	16.3
35 to 49	46.3
50 to 64	29.2
65+	7.6
Socioeconomic Status (SES)	
Upper	6.4
Upper Middle	19.8
Lower Middle	45.2
Upper Lower	28.1
Lower	0.5

Table 2: Construct Items, Means, St. Deviation, Standardized Alpha, Composite reliability, St. Estimates and item squared multiple correlations

Constructs / Items	Mean	St. Dev.	St. Est	Item Sqd Correlations
Customer Satisfaction (SAT), Standardized Alpha .85, Composite reliability score .85				
I am 100% satisfied with shopping at this supermarket	4.38	.835	.883**	.78**
I am satisfied with my decision to shop at this supermarket	4.54	.739	.838**	.70**
I am not satisfied with the service provided by this supermarket ^a	4.23	.812	----	
Customer Loyalty (LOY), Standardized Alpha .83, Composite reliability score .83				
In the future I will shop more at this supermarket than I do now	4.16	.993	.825**	.68**
If everything stays the same, I plan to shop at this supermarket in the future	4.28	.959	.860**	.74**
This supermarket will not be my first option next time I go shopping ^a	4.20	.962	----	
Customer Well-Being (WEL), Standardized Alpha .75, Composite reliability score .76				
In relation to my leisure time, this supermarket has an important role in my well-being	4.18	.929	.863**	.75**
In relation to my social well-being, this supermarket does not have an important role	3.89	1.144	.701**	.49**
This supermarket does not have an important role in contributing to the well-being of my community ^a	4.01	.936	----	
WOM Communication (WOM), Standardized Alpha .84, Composite reliability score .84				
I will not make positive comments about this supermarket to others	3.93	1.470	.901**	.81**
If someone asks me I will say positive things about this supermarket	4.03	1.440	.805**	.65**
I will not encourage my family or friends to shop at this supermarket ^a	3.98	1.454	----	
Retailer Equity (EQ), Standardized Alpha .71, Composite reliability score .74				
The result I obtained from buying at this supermarket was fair	4.42	.838	.613**	.81**
When shopping at this supermarket I didn't obtain what I deserved ^a	4.20	.920	----	
When having to solve a problem, this supermarket offered a satisfactory solution	4.14	1.100	.898**	.38**
The result from shopping at this supermarket was not what I expected ^a	4.24	.965	-----	
CFA Model Fit Statistics: $\chi^2/df=4.779$, IFI= .989, TLI=98, CFI=.989 and RMSEA=.054.				

Notes: ^a items eliminated from the analysis, **Significant at the .001 level.

** Item Sqd (Squared Multiple Correlations) Correlations are significant at .001 level.

Table 3: Squared Correlations, AVE and inter-item correlations

Name of Construct	AVE	1	2	3	4	5
1. WOM	.93	1.00 (.73)				
2. LOY	.83	.03**	1.00 (.71)			
3. EQU	.79	.05**	.92**	1.00 (.55)		
4. WEL	.80	.01**	.79**	.82**	1.00 (.61)	
5. SAT	.86	.05**	.77**	.61**	.95**	1.00 (.74)

*Note: **All squared correlations are significant at the .01 level and numbers within parentheses are inter-item correlations. AVE=Average variance extracted*

Legend: SAT=Customer Satisfaction, LOY=Customer Loyalty, WEL=Customer Well-being, WOM=Word of Mouth Communication, EQU=Retailer equity

Table 4: Summary of Hypothesis Testing and Model Fit

Hypotheses	Path directions	St Beta (β)	S. E.	CR	P	Results
H ₁	SAT \rightarrow LOY	.72	.123	5.83	***	Support
H ₂	SAT \rightarrow WOM	.38	.060	6.31	***	Support
H ₃	SAT \rightarrow EQU	1.07	.026	40.97	***	Support
H ₄	SAT \rightarrow WEL	1.04	.026	40.60	***	Support
H ₅	WEL \rightarrow LOY	.36	.115	3.17	***	Support

Legend: SAT=Customer Satisfaction, LOY=Customer Loyalty, WEL=Customer Well-being, WOM=Word of Mouth Communication, EQU=Retailer equity

SEM Model Fit Statistics: $\chi^2/df=5.46$, IFI=.985, TLI=.976, CFI=.984 and RMSEA=.059.

*P-value significant at ***.01*

Table 5: Results of Bootstrap Standardized Mediating Effects of Customer Satisfaction on Customer Loyalty

Path Direction	Estimates (β -value)	Leve of significance	Difference between Upper Level and Lower level confidence interval
Direct effect: SAT \rightarrow LOY	.16	.01**	--
Partial effect: SAT \rightarrow WEL	.1.04	.01**	--
Indirect effect: SAT \rightarrow LOY	.15	.01**	.682-.105=.577
Standerdized indirect effect: SAT \rightarrow LOY	.105	.01**	.587-.088=.499

*Level of significance at: ** $p \leq .01$ and figure within the parenthesis is β -value.*

Legend: SAT=Customer Satisfaction, LOY=Customer Loyalty, WEL=Customer Well-being,

OUTCOME VARIABLE: Customer Loyal

Model Summary

R	R-sq	MSE	F	df1	df2	p
.7774	.6043	.3226	980.6133	2.0000	1284.0000	.0000

Model output:

	coeff	se	t	p	LLCI	ULCI
Constant	.2324	.0977	2.3780	.0176	.0407	.4242
Satisfaction	.5948	.0335	17.7287	.0000	.5290	.6606
Wellbeing	.3318	.0265	12.5212	.0000	.2798	.3838

DIRECT AND INDIRECT EFFECTS OF Satisfaction ON Customer loyalty

Direct effect of Satisfaction ON Customer loyalty

Effect	se	t	p	LLCI	ULCI	c'_ps	c'_cs
.5948	.0335	17.7287	.0000	.5290	.6606	.6592	.4839

Indirect effect(s) of Satisfaction on Customer loyalty:

	Effect	BootSE	BootLLCI	BootULCI
Wellbeing	.3217	.0339	.2554	.3890

Partially standardized indirect effect(s) of Satisfaction on Customer loyalty:

	Effect	BootSE	BootLLCI	BootULCI
Wellbeing	.3565	.0376	.2843	.4311

Completely standardized indirect effect(s) of Satisfaction on Customer loyalty:

	Effect	BootSE	BootLLCI	BootULCI
Wellbeing	.2617	.0267	.2089	.3138

Note: 95% level of confidence for all confidence intervals in output

Number of bootstrap samples for percentile bootstrap confidence intervals:
5000