

CHAPTER 2

THEORETICAL FOUNDATION

2.1 Consumer Behavior

Consumer behavior is defined as the involvement of thoughts and feelings people experience and the actions they perform in consumption processes, which are dynamic because the thinking, feelings, and actions amongst consumers are constantly changing (Peter & Olson, 2009). Consumer behavior can also be described as the reflection of the totality of consumers' decisions over time on acquiring, consuming, and disposing goods, services, experiences, activities, and ideas that are generated from human decision-making units, comprising of information gatherer, influencer, decider, purchaser, and user (Hoyer & Macinnis, 2010). According to Babin and Harris (2011), when a consumer realizes that something is needed, a chain reaction begins as consumer seeks for favorable ways to fill this need. In the chain reaction itself, various psychological processes, including thoughts, feelings, and behavior are involved that will ultimately form value.

Consumer behavior involves many different actors (Solomon, 2007) as well as interactions (Peter & Olson, 2009). In addition, consumer behavior involves interactions, in a sense that it encompasses through people's thinking, feelings, actions, and environment (Peter & Olson, 2009). Therefore, marketers should understand the factors that influence these aspects to satisfy the needs and wants of consumers, and create value for them.

2.2 Social Cognitive Theory

Social cognitive theory that was introduced by Bandura (1986) is a reflection of triadic relationships between behaviors, personal factors and environmental factors. In figure 2.1, each element is connected with two-way arrows, which means that any of these three elements can either be a cause or an effect of and for one to another (Peter & Olson, 2009).

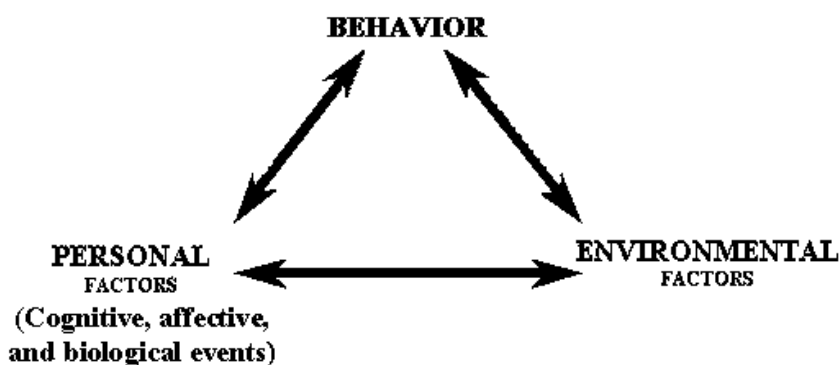


Figure 2.1 Relationships of Behavior, Personal, and Environment

Source: (Pajares, 2002)

Social cognitive theory can help to ground an understanding of how behavior, personal factors, and environment factors are affecting and affected one and another. Dixon (2012) stated that the basic doctrines of the theory allow us to learn human behavior by observing others and modeling their behaviors.

2.2.1 Physical Environment

In the latter context of consumer behavior, consumer environment has become important to marketing, because it is considered as the medium in which stimuli is placed to influence consumers. The consumer environment is classified as everything external to consumers, whether it is social stimuli (e.g: cultures social classes,

families) or physical stimuli (e.g: stores, products, advertisements) that influences consumers towards what they think, feel and do (Peter & Olson, 2009).

Taking a deeper perspective on consumer environment, it essentially goes to the area of shopping environment. The shopping environment constitutes of the physical, spatial, and social characteristics of places where consumers shop for products or services (Peter & Olson, 2009). In the physical environment alone, it can be differentiated into spatial and non-spatial elements. Peter and Olson (2009) stated that spatial elements refer to the physical objects of all types whereas non-spatial elements refer to the intangible factors, such as noise level and temperature that they believe can influence consumers' affect, cognitions, and behaviors.

Accordingly, There has also been evidence throughout the years that suggests surroundings in the context of service provider, play a significant role as non-verbal communication and influence a person's beliefs about the overall service and service provider (Broadbent, Bunt, & Jencks, 1980; Rapoport, 1982). Thus, some researchers have formulated the concept of servicescape (Bitner, 1990, 1992; Bitner et al., 1994), which puts surroundings as an instrument that customers use to compartmentalize services and stated that servicescape may serve as a substitute for service quality (Bitner, 1992).

The term "servicescape" that was introduced by Booms and Bitner (1981) is regarded as the manmade, physical surroundings as opposed to the natural or social environment within the place where service is assembled and interaction between consumer and seller occurs. Moreover, Lovelock et al. (2005) defined servicescape as the style and presentation of physical surrounding and other attributes that influence customer's experience within the place of interaction with service provider.

Servicescape consists of several dimensions that can give impacts to the whole perceptions of customers towards the service. Researchers then diversified the elements of servicescape into three segments, which are ambient conditions, spatial layout and functionality, and signs, symbols and artifacts. Ambient conditions are the surrounding characteristics (e.g., temperature, lighting, noise, music and scent) that stimulate the five senses of human. Second, spatial layout and functionality is referred to the layout of stores in a setting that facilitates the need of customers. Lastly, signs, symbols and artifacts are referred to items that communicate about the place in order to allow users to perceive certain images and help them attain their goals (Bitner, 1992; Lovelock & Wirtz, 2011)

Furthermore, a number of pragmatic studies have shown that servicescape characteristics are important on customer satisfaction and perceptions of service quality (Cannon, Miles & Miles, 2012). Also, Athanasopoulou (2008) in the athletic service industry discovers that appropriate servicescape can enhance relationship quality that results in customer satisfaction and loyalty. Thus, this study employs the term “servicescape” suggested by Bitner (1992) and ultimately takes physical surroundings into account.

Additionally, previous study about the servicescape by Ostrom et al. (2010) suggests several significant ideas. First, services comprise of numerous interactions between customers and providers that later take physical surrounding into consideration as another dimension of fulfilling the needs. Second, the literature indicates that the elements of servicescape can stimulate particular emotional responses, allowing customers to classify the service in a particular way. Third, the servicescape dimensions should be considered a priority, since they may come in as a crucial benchmark on designing, planning and executing services within any

industry. Hence, these ideas are considered vital, because they all demonstrate the occurrence of relationship between a firm's strategy to shape the image that customers conceive of the appropriate servicescape and the service that the customers actually perceive. It has also been acknowledged that physical factors in the shopping environment, such as store design and layout, lighting, color, and even noise level in a store may affect consumers' behavior and their cognition and affective states (Peter & Olson, 2009).

2.2.2 Consumer Affect and Cognition

There are two types of mental responses generated from consumers towards stimuli and events in the environment, known as consumer affect and cognition. Consumer affect reflects the feelings of consumers, whereas consumer cognition refers to their thinking towards stimuli and events (Peter & Olson, 2009). In this case, stimuli refers to any unit of input to any of the senses, which will be selected, organized, and interpreted into a meaningful and coherent picture of the world by an individual through a process called perception (Schiffman & Kanuk, 2010).

Within the context of perceptions, sensory functions (to see, hear, smell, taste, and touch) derived from sensory receptors (the eyes, ears, nose, mouth, and skin) come into play, as they are exposed to a stimulus (Schiffman & Kanuk, 2010). Due to its relation with human senses, perception can differ from one to another. According to Schiffman and Kanuk (2010), two individuals can be exposed to the same exact stimuli under the same circumstances, but how they recognize, select, organize, and interpret the stimuli is based on each person's needs, values, and expectations. In other words, perception is a process of how each of us individually perceives towards what is around us.

Furthermore, consumer affect and cognitions are also included as the components of attitude, which plays an important role in motivating people in relatively consistent ways (Babin & Harris, 2011). Attitudes are crucial because they influence our thoughts (cognitive function), our feelings (affective function), and our behavior (conative function) (Hoyer & Macinnis, 2010). Moreover, the foundation of attitudes is diversified into two approaches. One approach of attitude suggests that attitudes are formed based on cognitions (Zemboorian & Johar, 2007). This means that attitudes are formed based on thoughts that we have about information obtained from an external source or recalled from memory. A second approach recognizes the formation of attitudes is based on emotions, where a favorable attitude is influenced simply because it feels good or seems right (Hoyer & Macinnis, 2010).

Consumer affect, which relates to the consumers' feelings cause post-consumption reactions in a form of emotions such as delight, disgust, surprise, exhilaration, and even anger (Babins & Harris, 2012). Hence, an experience that produces positive emotions will logically be satisfying, but an experience that gives negative emotions to consumer will be regarded unfavorable. On the other hand, consumer cognition is considered as perceptions that stimulate emotions (Mehrabian & Russell, 1974). Cognition, in the area of satisfaction has been studied as a mental response that is used by people when comparing expectation with perceived performance (Oliver, 1980). Oliver (1997) suggests that affect is in harmony with different cognitive judgments in producing satisfaction and thus, it is vital for understanding customer's experience. Syzmanski and Henard (2001) also believe that affect and cognition are strongly correlated with satisfaction.

2.2.3 Customer Satisfaction

The term “customer” is occasionally puzzled with the expression “consumer”. Solomon (2009) mentioned the difference between these two terms by stating that customers are those who buy the products, whereas consumers are addressed to those who consume the products. Therefore, a customer may not be necessarily a consumer and vice versa.

Furthermore, when a customer or a consumer is gratified with the products or services, it is then called satisfaction. According to Kotler and Keller (2009) satisfaction can also be expressed, as a person’s feelings of pleasure, delight or disappointment derived from comparing the perceived performance with expectations. When perceived performance is lower than expectations, consumers feel dissatisfied, but when perceived performance is exceeding expectations, it will be satisfactory for the consumers (Kotler & Keller, 2008). Ciavolino and Dahlgaard (2007) imply that customer satisfaction is the total assessment of customers to the service performances or utilization. Oliver (1980) identified that customers would form expectations prior to purchasing a product or service, before they eventually obtain perceived quality that is essentially influenced by expectation from consuming or experiencing the products or services.

Customer satisfaction whose signs include of customer happiness towards their experiences or with the associated products of a firm has always been the most crucial aspect for any organizations. Tse, Peter and Wilton (1988) define customer satisfaction as the response from customers by distinguishing discrepancy between their expectations and the actual performance. In a greater examination, customer satisfaction is essentially identified by a cognitive or affective response relating to

the customer's purchase experience and/or the products offered that arises at a certain time (Giese & Cote, 2002). Some other authors later supported this definition by stating that customer's level of satisfaction is assessed through the collective experience of customers when they are at the point of contact with the seller (Sureshchander et al., 2002).

Atkinson (1988) found out that the level of customer satisfaction could be determined through some elements such as, cleanliness, security, value for money and courtesy of staff. Knutson (1988) also suggested that cleanliness and comfort, convenience of location, prompt service, safety and security, and friendliness of employees are important.

Nevertheless, measuring customer satisfaction could pose a difficult challenge, since it is an attempt to measure human feelings, which may vary from one person to another. Therefore, Agbor (2010) suggested that the easiest way to know how customers feel and what they want is to simply ask them. Moreover, Yuen and Chan (2010) stated that once a firm focuses on its current customers, satisfaction can be obtained through this process and will positively force the creation of customer loyalty, increased customer patronage, and positive word of mouth that generates publicity from making references and referrals. Having said that, companies should be paying enough attention to their current customers to gain competitive advantage. Cook (2000) stated that keeping customers satisfied is the best competitive advantage against competitors. She later revealed the reasons why companies should maintain long-term relationships with their customers, as follows:

- Obtaining new customers costs 5 to 10 times more than the costs of satisfying current customers

- Loyal customers tend to purchase more yet cost less to serve
- Satisfied customers are likely to result in positive word-of-mouth
- Retaining existing customers hinders competitors to gain market share
- A 5% reduction in the customer dissatisfaction rate can allow firms to obtain increased profits by 25% to 85%, depending on the industry. (Cook, 2000)

2.3 Relationships among Behavior, Affect and Cognition and Environment

As an example, a customer in a store finds the surrounding of the store appealing, making him or her feel happy with the atmosphere. This later leads the customer to be satisfied and may have the intention to return. In this case, we can see how environment (appealing surrounding) intertwines with affective (feeling of pleasure) and behavior (intention to return). Another example, a customer is dissatisfied with a particular product, finds a substitute in the shop, and then purchases the alternative product. Therefore, a change in personal factor (feeling dissatisfied), can lead to a change in environment (substitute in the shop) and a change in behavior (purchase the alternative product). Hence, this can be concluded that three elements have a reciprocal relationship, meaning that a change in one element can pose a significant change to the other two elements (Olson & Peter, 2009).

Nevertheless, the author limits the complex reciprocal relationships amongst all the three elements by putting merely behavior as an effect of both environmental and personal factors. Hence, the author focuses on the model shown on Figure 2.2.

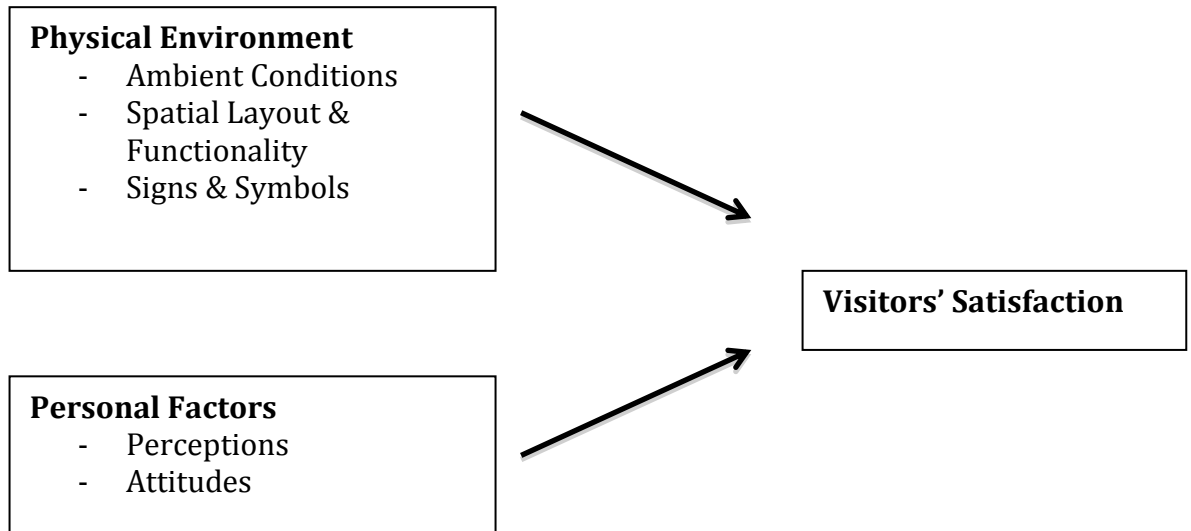


Figure 2.2 Modified Model

In terms of environmental factors, the author will focus on the physical environment, whereas personal factors will be concentrated on perceptions and attitudes. As for the behavior aspect, author will go to the area of satisfaction. This modified model will then be brought up towards evaluating visitors' experience in the airport shopping facilities or commonly known as airport retail.

2.4 Airport Retail Classification

Originally, airports merely focused on the aviation sector of the business. However, the focus of airports has shifted from earning aviation-related revenue to gaining non-aviation revenue through the evolving commercial activities as well. According to Freathy (2004) this change of emphasis was triggered by the revolution of two distinctive approaches towards the functions of airports, which are traditional and alternative approaches. Traditional approach recognizes the existence of airport, as an establishment that ensures an efficient flow of passengers between destinations. Meanwhile, alternative approach translates airports in a broader perspective of economic change and commercial prospect. Hence, airports have grown to become

more sophisticated and may be described as a “multipoint service-provider firm” because of the implementation of this commercial-oriented approach (Jarach, 2001).

Airports have now been enfolded in the milieu of change. Graham (2007) suggested that this radical transformation was fostered by three key developments that have been witnessed within the airport industry. First, Airport commercialization, which refers to the alteration of an airport from public to commercial enterprise along with the implementation of a more businesslike management viewpoint. Another key development is Airport privatization, which allows airports to be managed and owned by private sector through various methods. Lastly, Airport ownership diversification, which relates to the occurrence of different types of new investors and airports operators who have interests towards the increasing number of airports across the globe.

Due to this transformational episode of airports, Graham (2007) identified the revenue streams that airports generate have been diversified into aviation and non-aviation revenues (Table 2.1). The difference between both revenues lays onto the fact that aviation revenue or aeronautical related revenue is dependent on the airport’s flight operation whereas non-aviation revenue or non-aeronautical related revenue is not directly associated with the flight operation (Zenglein & Müller, 2006).

Table 2.1 Airport Revenue Sources

Aeronautical	Non-Aeronautical
Landing fees Passenger fees Aircraft parking fees Handling fees Other aeronautical fees (air traffic control, lighting, air bridges)	Concessions Rents Direct sales (shops, catering and other services provided by airport operator) Car park Other non-aeronautical revenue (consultancy, visitor and business services, property development)

Source: (Graham, 2007)

Aviation revenues of airports have encountered significant pressure towards the emerging liberalism in the market (Zenglein & Müller, 2006). This is indisputably a result of several factors of change that have formed assorted regulations to which the industry reacted employing commercialization practices (Freathy, 2004). First, strong competition amongst airlines has led into lower airfares and increasing numbers of passengers, making airlines have to cut cost for operation while regulated aviation charges tend to remain stagnant (Freathy & O'Connell, 1999). Second, privatization to airport operation and less control from public entity have also magnified forces on airports to recognize another source of revenue to obtain a sustainable revenue growth and maintained or increased profitability. In the moving flow of airport economics, non-aviation revenue has then come as a vital aspect on generating additional source of revenue as well as a new value proposition for contemporary airports. Hence, small to big airports have now strived to enhance their share from non-aviation, as profit margins from this sector are typically higher (De Neufville & Odoni, 2003). Gittens (2012) as the World Director General of Airport Council International suggested that non-aviation revenues generate higher profit margin than

aviation-related activities and thus, making them a crucial element in the economics of airports as they critically determine the financial sustainability of an airport.

With the view of non-aviation revenue that has become significantly important, airports are now approaching airport retailing that offers a wide range of commercial activities to enhance non-aviation revenue. Convenience stores, specialty stores, duty-free shops, food and beverage services, passenger service facilities, leisure facilities and airport advertising or telephone services are the most common commercial outlets and activities that can be generally found at airport (Brenngman, Geuens, & Vantomme, 2003). However, in order to stay competitive and maximize commercial revenues, some airports strive to provide more unique commercial establishments. For instance, Schiphol airport, Netherlands provides a casino and imaginary golf facilities whereas Changi airport, Singapore offers karaoke, swimming pool and bathing room as an effort to enrich customer satisfaction and sales on retail shops and leisure facilities (Kim & Shin, 2001).

2.4.1 Types of Retail Outlets at Airport

Although there is an extensive range of commercial activities and retail outlets, this study diversifies retail outlets based on the study of “Understanding Airport In-Terminal Concession Programs” (LeighFisher, 2011) into the following:

a. Food and Beverage Services

F&B services at airports generally include of:

- Table-Service restaurants, which typically offer meals, snacks, and beverages and normally employ wait staff to serve patrons in a table-service manner. In Terminal 2, Solaria restaurant can be the perfect example of this category.

- Quick-Service Food & Beverage – Offering meals, snacks, and non-alcoholic beverages using counter service concept. According to Walker (2008), this type of restaurant implements a self-service technique and has a limited and simple menu. The examples of this type are KFC, McDonald's, and A&W to name a few.
- Specialty Coffee – Offering premium coffee, tea, juices, light meals, pastries and sandwiches. Starbucks, Dunkin Donuts, and Oh La La are a few examples that can be found at Terminal 2. There is also a range of premium departure lounges, which implements a buffet concept offered for credit card holders of particular banks such as BNI, BCA, or Mandiri.

b. Convenience and Specialty Retail

Convenience retail generally includes of newsstands and news/gift shops that offer a mix of merchandise. It typically offers a wide assortment of newspapers, magazines, and books. Some convenience stores may also offer candies, mints, cigarettes, health and beauty amenities, traveler conveniences, as well as range of souvenirs. On the other hand, Specialty Retail offers a particular category of products such as apparel, electronics, travel accessories, and books. According to Madaan (2009), specialty store is the retail format that specializes on offering a specific range of items. PERIPLUS at terminal 2 Soekarno-Hatta Airport can be an example of stand-alone bookstore that should also be included as specialty retail. In addition, POLO and Batik Keris can be two examples of specialty retail that offer and sell clothing.