THE EFFECT OF UTILITARIAN VALUE AND HEDONIC VALUE ON TEENAGERS CUSTOMER LOYALTY AT MANADO TOWN SQUARE

PENGARUH NILAI UTILITARIAN DAN NILAI HEDONIS TERHADAP LOYALITAS PELANGGAN REMAJA DI MANADO TOWN SQUARE

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Abstract: Study found adolescent population is growing very rapidly, and trends in the behaviour of teenager consumer shopping styles that consumptive cause marketers interested in knowing the values teenager sought in shopping. By knowing the values, marketers can increase customer loyalty at malls to keep win the market share and be better than competitors. This research focuses on teenager customer loyalty of Manado Town Square. The purpose of this research is to find out the effect of Utilitarian and Hedonic Value on Customer Loyalty in Manado Town Square, simultaneously and partially. This research use quantitative method and the Multiple Regression Analysis. The data in this research is gathered from 100 teenager respondents between 13 until 24 years old by using purposive sampling method. The result of this research is indicated the significant effect of Utilitarian and Hedonic Value on Customer Loyalty partially and simultaneously. The recommendation of this research is for management of Manado Town Square should pay attention to the Utilitarian and Hedonic value to keep the good and long term relationship with customers which can increase Customer Loyalty.

Keywords: utilitarian value, hedonic value, customer loyalty


Kata kunci: nilai utilitarian, nilai hedonis, loyalitas pelanggan
INTRODUCTION

Research Background

Mall is one of the fastest growing trade centres in big cities including in Indonesia. Iyer and Eastment (2010) in their research found that in the early 1990s, half of all retail sales were mall transactions. Along with economic development and the change in consumers’ culture of shopping malls in Manado, as in Indonesia, have gradually replaced traditional department stores and retail outlets and have become the major venues for shoppers. Manado has long been the entry point for foreign investors. Manado has six malls but one of the successful malls is Manado Town Square. Manado Town Square is one of the malls in Manado with large number of customer visiting and shopping.

In this globalization era, shopping malls have to fight harder in order to win and keep a share of the profit pie. The rules of the game are simple: understand what customers want better than the competitor can and then make them want to come back for more to become a loyal customer. One of the main goals of business entity is to retain its customer and keep them be loyal. Interestingly, previous studies have examined the role of hedonic and utilitarian values in determining post-shopping responses in the mind of consumer impulse buying decision such as satisfaction and loyalty.

Researchers have recently shown that the shopping experience provides consumers with a combination of utilitarian and hedonic shopping value. Utilitarian value is task-oriented, planned, necessity and rational behaviour whereas hedonic value is tied to the emotional aspects of the shopping experience.

The number of teenagers and young people grow rapidly, approximately 1 billion people or 1 in among 5 populations in the world are teenagers. In Indonesia, the number of teenagers and young people grow rapidly, the total teenagers age of 10-24 years old reached out 64 million or 27.6% from total population in Indonesia (BKKBN, 2013). According to Depkes RI (2009) first adolescence starts at 12-16 years and last adolescence at 17-25 years. The author decide to follow the opinion from Depkes RI where adolescent age range between 13-25 years.

The author is tried to understand the complex interrelationship between hedonic and utilitarian value on teenager customer loyalty, even though such relationships would seem to be particularly important given the tremendous amount of resources and expenses that marketers and domestic and foreign investors are devoting to create satisfied and loyal customers. Findings of this study can provide invaluable practical insights for investors, as well as current and future mall industry managers in Manado to gain a better understanding of the consumers’ preferences and the underlying values which influence their satisfaction and loyalty intentions. This led the authors to investigate proposition for this study: How utilitarian and hedonic value effects customer loyalty in Manado Town Square in Manado especially for teenager customer ?

Research Objectives

The objectives of this research to identify the significant effect of:
1. Utilitarian value and hedonic value on customer loyalty simultaneously.
2. Utilitarian value on customer loyalty partially.
3. Hedonic value on customer loyalty partially.

THEORITICAL FRAMEWORK

Theories

Consumer Behaviour

Schiffman and Kanuk (2007:3) take a similar approach in defining consumer behaviour which is the behaviour that consumer displays in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs or wants. They further elaborated on their definition by explaining that consumer behaviour is therefore the study of how individuals make decisions to spend their
available resources (time, money, effort) on consumption-related items. The representatives of the first one propose a theory that buying is motivated by personal factors, meanwhile other researches focus attention to more holistic, hedonic and utilitarian shopping motives (Guido, 2006). Kazakeviciute and Banyte (2012) are stated that the aspect of the consumer behaviour is very relevant for representatives of the retail sector: the buying process or participation in this process is not initiated because of the main function satisfaction of material needs but because utilitarian and hedonic aspect of the buying process is becoming more and more important. The study of consumer behaviour is very important to marketers because it enables them to understand why people shop, so that they can effectively develop strategies that will predict consumer buying behaviour in the marketplace. The knowledge of consumer buying behaviour enables marketers to know why consumers buy particular products, when, where, how they buy it, how often they buy it, and also how they consume it as well as dispose it.

Perceived Value

Hanzae and Rezaeyeh (2013) said that perceived value has been conceptualized as what consumers get for what they give, or the consumer’s overall evaluation of the utility of a product or service provision based on perceptions of what one receives for what one gives. Chen and Hu (2010) found that perceived value is operationalized in some hospitality literature and marketing literature with a single-item scale in measuring customer perceived value in terms of “value for money” or functional value. In general, consumers perceive value divided into utilitarian value by acquiring the product that necessitated the shopping trip while simultaneously and perceiving hedonic value associated with the enjoyment of the shopping experience itself (Carpenter, 2008). Thus, perceived value is one of the most important concepts for understanding customers in the service industry. Value itself plays important role in predicting customers’ choice and future repurchase intention.

Utilitarian Value

Irani and Hanzae (2011) stated that utilitarian value is task oriented and cognitive in nature, consumers perceive utilitarian value by acquiring the product that necessitated the shopping trip. A consumer receives utilitarian shopping value when he or she obtains the needed product, and this value increases as the consumer obtains the product more effortlessly (Babin, Darden and Griffin 1994). According to Hamzah (2013) utilitarian shoppers are motivated based on cognitive activities and goal-oriented tasks. Therefore, utilitarian purchasing behaviour is more logical, rational, planned, part of daily routine and always includes in purchases.

Hedonic Value

Compared to utilitarian value, hedonic shopping value is more subjective and individualistic. Its value is perceived through fun and pleasure as opposed to goal achievement (Hirschman & Holbrook, 1982). Bakirtas and Divanoglu (2013) state that Hedonic consumption signifies the joy and pleasure the consumer expects from shopping. As the expectation from shopping is different for each consumer, so is the feeling experienced during shopping. Some of the consumers are affected by various motivational aspects in order to get joy and pleasure from shopping. In a similar context, Babin et al. (1994) defined hedonic shopping value as perceived entertainment and emotional worth provided through shopping activities. Hedonic shopping value reflects the pleasure, joy and emotional worth of shopping. Hedonic consumption is based on hedonism.

Customer Loyalty

The key to building lasting customer relationships is to create superior customer value and satisfaction, customer satisfaction is one of the determinants of customer loyalty, driving force in sales growth, sales and a strong multi-channel strategy where each channel is optimized to meet customers’ needs. Kotler and Armstrong (2008:13) stated that satisfied customers are more likely to be loyal customers and to give the company larger share of their business. Loyalty is without doubt a crucial construct in marketing and has major implications for any businesses, since in the modern world it is not sufficient to merely attract new customers – retention and repurchase is a key component of success. According to Shirin and Puth (2011) one of the most common determinants of loyalty is customer satisfaction and. Loyalty of customers is extremely important to any business because it is considered to be one of the main factors of the business success, particularly because loyal customers exhibit repurchase behaviour, spend more money with the organisation and worth of mouth.
Previous Research

Irani and Hanzae (2011) in their research about “The Effect of Variety Seeking Buying Tendency and Price Sensitivity on Utilitarian and Hedonic Value in Apparel Shopping Satisfaction” result showed that shopping satisfaction can be increased through manipulating consumers’ utilitarian and hedonic value. Providing variety of new products, provision of better assortment of products, friendly sales personnel, and exciting shopping environments, providing shopping information regularly, and offering a high level of service might make shopping activities more recreational, enjoyable, and functional. Nejati and Moghaddam (2012) in their study about “The Effect of Hedonic and Utilitarian Values on Satisfaction and Behavioural Intentions for Dining in Fast-Casual Restaurants in Iran” had three major findings. First, hedonic and utilitarian values both significantly influence customer satisfaction, which consequently cause a significant influence on behavioural intentions of consumers. Second, similar to the previous studies of Babin et.al (1994), utilitarian value has a greater influence on customer satisfaction than hedonic value. Third, customer satisfaction acts as a partial mediator in the link between hedonic/utilitarian value and behavioural intentions. Hanzae and Rezaeyeh (2012) in their research about “Investigation of the Effects of Hedonic Value and Utilitarian Value on Customer Satisfaction and Behavioural Intention” results showed that hedonic value against the utilitarian value did not significantly influence behavioural intentions, and customer satisfaction had a significant role in changing behavioural intentions. Second, the results of the research indicate that hedonic aspects of consumer value play a greater role in customer satisfaction. This result implies that the hedonic aspect of value should not be ignored in marketing activities. Third, the results indicate that utilitarian aspects of consumer value play a greater role in behavioural intentions.

Conceptual Framework

![Figure 1. Conceptual Framework](source: Data processed (2015))

Research Hypothesis

H$_1$: There is significant effect of utilitarian value and hedonic value on customer loyalty of Manado Town Square simultaneously

H$_2$: There is significant effect of utilitarian value on customer loyalty of Manado Town Square partially

H$_3$: There is significant effect of hedonic value on customer loyalty of Manado Town Square partially

RESEARCH METHOD

Type of Research

This research is a causal type of research in which, it will identify the effect of utilitarian value and hedonic value toward customer loyalty. According to Hair, Money, Samuel and Page (2007:160) causal research tests whether or not one event causes another. This research use quantitative method. Quantitative research methods seek to quantify the data and typically apply some statistical analysis. It emphasize on using formalized standard questions and predetermined respond option in questionnaires or surveys administered to large number of respondents.
The effect of utilitarian and hedonic value on customer loyalty

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Place and Time of Research

This research conducted in Manado from May until June 2015.

Population and Sample

The Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. It is the group of people, event, or things of interest for which the researcher wants to make inferences (based on sample statistics). (Sekaran and Bougie, 2009). The target population for this research would encompass those tertiary people who have prior shopped experience in Manado Town Square. Questionnaires were sent out to those tertiary people in Manado (Indonesia) which is teenagers between 13-25 years old and self-administered survey method was adopted. The sampling method that used in this research is purposive sampling. Purposive sampling is a technique to collect sample of data source with some consideration like people who are considered understand the matter, can be trusted or people who has authority that will make it easier for the researcher to explore the certain object or social situation (Sugiyono, 2007:118). This research was conducted with 100 respondents which proved that a more than sufficient sample size is achieved.

Data Collection Method

The source of data can be from primary and secondary sources. Primary data is data originated by the researcher specifically to address the research problem (Sekaran and Bougie, 2009:35). The researcher obtains primary data from results of survey and questionnaires. Questionnaires are distributed to the costumers of Manado Town Square. The secondary data is collected from books, journals, and internet.

Operational Definition of Research Variables

1. Utilitarian Value (X₁) is when consumer purchased something by its value or usefulness and the products or services needed by them.
2. Hedonic Value (X₂) is value perceived through fun and pleasure.
3. Customer Loyalty (Y) is the result made by customer when they enjoyed and have positive emotional experience, based on satisfaction and perceived value of an experience from products or services.

This research uses Likert Scale as a measurement. Malhotra and Peterson (2006:264) stated that the end points of a Likert Scale are typically “strongly disagree” and “strongly agree”.

Data Analysis Method

Validity and Reliability Test

Validity is a test of how well an instrument that is developed measures the particular concept it is intended to measure (Sekaran & Bougie, 2009:157). Validity test can be done by looking at the MSA (Measures of Sampling Adequacy). If the MSA value above 0.5 the test is valid. The validity coefficient for each variable is good if the values are above minimum level of 0.30 (Sekaran, 2006). Reliability indicates the extent to which it is without bias (error free) and hence ensures consistent measurement across time and across various items in the instrument (Sekaran and Bougie 2011:161). Reliability test is done by looking at the Cronbach Alpha value if reliability coefficient >0.6 the measurement being done is consistent or reliable.

Multiple Regression Analysis Model

The method of analysis used in this study is multiple regression models to approach the return. Malhotra & Peterson (2006:513) stated multiple regression involves a single dependent variable and two or more independent variables. To measure how far the influence of utilitarian and hedonic value for customer loyalty. The data then inserted into the statistical tools SPPS version 22. This method has been chosen to utilitarian value (X₁), hedonic value (X₂) on customer loyalty(Y) The formula for multiple regression analysis method is as follows:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e \]

Whereas:
- \( Y \) = Customer Loyalty
- \( \alpha \) = Intercept
- \( \beta \) = The regression coefficient of each variable
- \( X_1 \) = Utilitarian Value
- \( X_2 \) = Hedonic Value
- \( e \) = Error
RESULT AND DISCUSSION

Result

Validity and Reliability

The value of Measures of Sampling Adequacy (MSA) of the indicators are all above the acceptance limit 0.5, therefore the research instrument is valid. The Reliability test is done by looking at the Alfa Cronbach value, in this research the value of Alfa Cronbach is 0.812, which is above the acceptance limit of 0.6, therefore the research instrument is reliable.

Classical Assumption

Multicollinearity Test

Table 1. Multicollinearity

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.522</td>
</tr>
<tr>
<td>Utilitarian Value</td>
<td>.522</td>
</tr>
<tr>
<td>Hedonic Value</td>
<td>.522</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Loyalty

Source: Data Processed 2015

The tolerance value of utilitarian value is 0.522 and hedonic value is 0.522. Meaning, the tolerance value of each variable is more than 0.2. The VIF value of utilitarian value is 1.961 and hedonic value is 1.961. Meaning, the VIF value of those four variables is less than 10. Since all the tolerance value is more than 0.2 and the VIF value is less than 10, the model concluded to be free from multicollinearity.

Heteroscedasticity Test

Heteroscedasticity occurs of the dots form certain patterns. In this research, the dots are spreading above and below of zero point in coordinate. This proved that there is no heteroscedasticity in this regression.

Normality Test

Normality test can be identified by using graph of P-P Plot. The data will distribute normally if the value of P-P Plot is near diagonal line of the graph. In this research, the dots are spreading near the diagonal line and follow the direction of the diagonal line. Therefore, the normality test is completed. Testing the normality assumption is to test whether the regression model, the independent variable Utilitarian Value (X₁) and Hedonic Value (X₂) has a normal distribution or not on dependent variable Customer Loyalty (Y). Regression model is good if the data distribution is normal or near normal, if the data is spread around the diagonal line and follow the direction of the diagonal line, then the regression fulfil the normality assumption.

Multiple Regression Analysis

Table 2. Multiple Regression Result

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.041</td>
<td>.442</td>
</tr>
<tr>
<td>Utilitarian Value</td>
<td>.365</td>
<td>.086</td>
</tr>
<tr>
<td>Hedonic Value</td>
<td>.509</td>
<td>.091</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Loyalty

Source: Data Processed 2015
The result in the table 2 can be expressed in regression equation as

$$ Y = 1.041 + 0.365 X_1 + 0.509 X_2 $$

The interpretation of the multiple linear regression equation above is as follows:

1. Constant value of 1.041 means if independent variables in this research, utilitarian value and hedonic value are equal to zero, then the customer loyalty is predicted to be 1.041 point.
2. Coefficient value of $X_1$ (0.365) means that if the variable utilitarian ($X_1$) increases one scale or one unit, it will improve or increase customer loyalty by 0.365.
3. Coefficient value of $X_2$ (0.509) means that if the hedonic value ($X_2$) increases one scale or one unit, it will improve or increase customer loyalty by 0.509.

**Testing the Goodness of Fit: Coefficient of Correlation (R) and Coefficient of Determination (R2)**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.787</td>
<td>.619</td>
<td>.611</td>
<td>.694</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Utilitarian Value, Hedonic Value  
b. Dependent Variable: Customer Loyalty  
*Source: Data Processed 2015*

The value of R is 0.787. It means that Utilitarian Value and Hedonic Value have a strong relationship with the Customer Loyalty because the value of R is above 0.7. The $R^2$ of 0.619 shows that the linear relationship in this model is able to explain the Customer Loyalty for 61.9%, while the rest 38.1% is explained by other factors not discussed in this research.

**Hypothesis Testing**

<table>
<thead>
<tr>
<th>Table 4. F-Test Result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sum of Squares</strong></td>
</tr>
<tr>
<td>75.831</td>
</tr>
<tr>
<td>46.653</td>
</tr>
<tr>
<td>122.484</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Utilitarian Value, Hedonic Value  
b. Dependent Variable: Customer Loyalty  
*Source: Data Processed 2015*

At the level of significant of 0.05 ($\alpha=0.05$) the $F_{table}$ from F distribution table is = 3.090, while the value of $F_{count}$ from the table 5 is 78.834. Since $f_{count} = 78.834 > f_{table} = 3.090$ then $H_0$ is rejected and $H_a$ is accepted. It means all the independent variables simultaneously influence the dependent variable significantly. So, it obviously shows that there is linear relationship in this multiple regression model. Based on the F-test result, it is revealed that the independent variables simultaneously influence the dependent variable. Therefore, hypothesis 1 is accepted.

**Table 5. T-Test Result**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.041</td>
</tr>
<tr>
<td></td>
<td>Utilitarian Value</td>
<td>.365</td>
</tr>
<tr>
<td></td>
<td>Hedonic Value</td>
<td>.509</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Loyalty  
*Source: Data Processed 2015*
1. Table 5 shows that $t_{\text{count}}$ value for $X_1$ is 4.257 and the value of $t_{\text{table}}$ ($\alpha = 0.05$) is 1.660. Thus $t_{\text{count}} = 4.257 > t_{\text{table}} = 1.660$, then $H_0$ is rejected and $H_a$ is accepted. It means that the variable utilitarian value does partially influence customer loyalty significantly. At $\alpha = 0.01$, $t_{\text{table}} = 2.364$. Hence, at $\alpha = 0.01$, the $t_{\text{count}} > t_{\text{table}}$. So, the partial influence of $X_1$ on $Y$ is very significant.

2. Table 5 shows that $t_{\text{count}}$ value for $X_2$ is 5.591 and the value of $t_{\text{table}}$ ($\alpha = 0.05$) is 1.660. Thus $t_{\text{count}} = 5.591 > t_{\text{table}} = 1.660$, then $H_0$ is rejected and $H_a$ is accepted. It means that the variable hedonic value does partially influence customer loyalty significantly. At $\alpha = 0.01$, $t_{\text{table}} = 2.364$. Hence, at $\alpha = 0.01$, the $t_{\text{count}} > t_{\text{table}}$. So, the partial influence of $X_2$ on $Y$ is very significant.

Discussion

Utilitarian Value on Customer Loyalty

This result shows that teenager customer loyalty is affected by utilitarian value. They will visit and shop at Manado Town Square when they have task, responsibility or duty, planned, also one of their daily routine. It is explained by Babin et al. (1994) defined that utilitarian value is a value that customer receives based on task-related and rational consumption behaviour, functional, cognitive, and a means to an end. Based on this research, author also found that customer especially teenagers intend to focused on cheaper price when they purchased something. Shopping convenient and selection dimension are also the key that affect customer satisfaction and behavioural. Supported by the previous research conducted by Irani and Hanzaee (2011) which found shopping satisfaction that could lead to loyalty can be increased through manipulating consumers’ utilitarian and hedonic value. This result also supported by the findings of Nejati and Moghaddam (2012) which found that utilitarian value has a greater influence on customer satisfaction and behaviour than hedonic value.

Utilitarian Value on Customer Loyalty

This result shows that teenager customers often seek for pleasure/joy when doing something. At their age, teenagers seek for feeling enjoyment, happiness or satisfaction. Excitement also one of the stimulation for teenager customers to shops. Based on the result in this research, respondents feel excitement when hunting products or services, also as one indicator for impulsive buying. Teenager customer have more free time than another customer, by fulfilling their free time, their usually intend to spend their time in Manado Town Square better than another malls. And sometimes they purchase products or services while killing time that not including in their task or purchase it because they want it (not necessarily to purchase) as explained by Lehtonen (1994) that hedonic are an end itself, does not necessarily include purchases, impulsive, efficient not central, for pleasure, outside of daily routine. This result also supported by the previous research conducted by Nejati and Moghaddam (2012) which found that hedonic and utilitarian values both significantly influence customer satisfaction that could lead to customer loyalty. And also by the findings of Hanzaee and Razaeyeh (2012) which indicate that hedonic aspects of consumer value play a greater role in customer satisfaction and loyalty.

CONCLUSION AND RECOMMENDATION

Conclusion

The conclusions of this research are:

1. Utilitarian value and hedonic value simultaneously and significantly influence customer loyalty of Manado Town Square.

2. Utilitarian value can be proven has a positive significant partial influence on customer loyalty of Manado Town Square. It means the customer of Manado Town Square agree that their loyalty influence by utilitarian value such as task related, price savings, convenient, service excellence, and etc.

3. Hedonic value can be proven has a positive significant partial influence on customer loyalty of Manado Town Square. It means the customer of Manado Town Square agree that their loyalty influence by hedonic value such as emotion worth of shopping, pleasure or joy, excitement of the hunt, time pleasures, and etc.
Recommendation

There are two practical recommendations that can be concluded from the overall result in this research, which are listed below:

1. Because of the importance of those variables utilitarian value and hedonic value for customer loyalty in Manado Town Square, the management of Manado Town Square must give more concern about those variable utilitarian value and hedonic value because, based in the result of this study those two factors have significant influence on customer loyalty which is essential for the development and successfulness of Manado Town Square.

2. All findings in this research can be used for supporting or even completing other studies with similar concept, after necessary adjustment have been made. For the next researcher may need to add another variable or add intervening variables to make this study to be more accurate with the level of different approaches so that it can assist in the process of further research.

REFERENCES


