

# Chapter 1

## Ambient Encounters in Retail “Discounters”: How Store Environment Drives Customer Satisfaction

**Cristina Calvo-Porrá**

 <https://orcid.org/0000-0002-5470-0729>  
University of La Coruña, Spain

### **ABSTRACT**

*Cheap prices are the central positioning criterion of discount stores and the key variable explaining the intention to shop in discounters. Accordingly, discounters design their stores to maximize their efficiency. However, price may explain only a part of customer satisfaction. The purpose of this study is to delve into the environmental factors affecting discount retail store satisfaction. A conceptual model is empirically tested on the influence of discount store environmental attributes of customer satisfaction. Data are analyzed through partial least squares-structural equation modeling (PLS-SEM) on a sample of 381 customers. Findings show that factors, different from low prices, influence satisfaction with discount stores. Despite customers seek for low prices, the store personnel positively influences customer satisfaction, followed by a convenient product assortment and an attractive product layout and a convenient store location. Discount store managers may use the store personnel as a way to differentiate from other retail competitors in a cost-service tradeoff.*

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## **INTRODUCTION**

In a context of overabundance of retail choices, discount stores have emerged as an important type of retailer and nowadays could be considered the prevailing retail format. For this reason, the understanding of the discounter phenomenon is quite important and marketing researchers have mostly examined the success of retail discounters from a strategic and positioning perspective (Morschett et al., 2006), but only few of them focus on the motivations for shopping at discounters (Schmitz, 2009). Further, academics and practitioners have traditionally characterized discount store customers as individuals who seek low-cost products, since the core of the discount retail format selling proposition are cheap prices. In fact, price image of discounters is the key variable explaining the intention to shop in discounters, and an increased number of consumers have come to patronized discounters to save on their grocery budget. However, one question that remains unanswered is whether low prices explain only a part of customer satisfaction with these retailers.

Retailers acknowledge the importance of store environment as a tool for consumer satisfaction and for market differentiation; and for this reason, retailers design store environment in a manner that will enhance customers’ pleasant feelings, assuming that it will lead to a higher willingness to purchase and to longer stays inside the store (Mano, 1999). More precisely, customers may experience store shopping as favorable or unfavorable -or even delightful or terrible-, depending on both the enduring aspects of the store environment such as store ambience or design, and more transient aspects like merchandise layout and interactions with the store personnel (Esbjerg et al., 2012). However little is known about the environmental cues that influence customers’ satisfaction with discount stores.

In this context, the present research examines the influence of the environmental attributes of discount stores on customer satisfaction. More precisely, the objective of this study is to analyze the influence of the external and internal store environment, merchandise layout and assortment and store personnel on customers’ satisfaction, in order to answer the following question: *“Does price explain only a part of customer satisfaction with discounters?”*. Further, in the present study it is hypothesized that customers expect benefits from the discount shopping experience beyond the strictly utilitarian benefit of low prices. Therefore, the major contribution of the present research is the empirical research on the influence of the discount store environmental attributes on customer satisfaction.

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