

An Analysis of the Relationships between Customer Participation, Psychological Ownership, and Loyalty in Starbucks as a Third Place

Jaehun Joo

Abstract—The third place plays an important role in complex society. It is necessary to identify the mediator between customer participation and loyalty. Thus, the purpose of the study is to analyze the relationship between customer participation and loyalty and a mediating role of psychological ownership. Psychological ownership plays a mediating role in the relationship between customer ownership and loyalty. Some implications were suggested.

Keywords— Customer participation, psychological ownership, customer loyalty, third place

I. INTRODUCTION

The third place is the great good place where is apt to make individuals feel more comfortable, pleasant, and cozy other than homes as the first place and workplaces as the second place. Many researchers have been studying its roles, usefulness, and values since Oldenburg (1989, 1991) had introduced the concept of the third place. Howard Schultz (Chairman and former CEO of Starbucks) argues that Starbucks is a cozy home-away-from-home as a third place (Rice, 2009).

How does the third place drive customer loyalty? Many studies give the evidence that customer loyalty has a positive influence on firm performance (Oliver, 1999; Watson IV et al., 2015). Commitment, trust, satisfaction, and incentives such as reward program and favorable treatment are antecedents of customer loyalty (Watson IV et al., 2015). Customer involvement also has positive effect on customer loyalty (Liu et al., 2016). Customers as partial employees (Hsieh et al., 2004; Mills and Morris, 1986) participate into business processes in the third place. Services cannot be complete without customers' participation because production or operations in service industry cannot be separated from its consumption. Customer participation has not only directly an effect of his (or her) loyalty (Holland et al., 2001), but also indirectly influences customer loyalty. It is necessary to identify the mediator between customer participation and loyalty. Thus, the purpose of the study is to analyze the relationship between customer

participation and loyalty and a mediating role of psychological ownership.

II. THEORETICAL BACKGROUND AND HYPOTHESIS

Mikunda (2004) extended a concept of the third place. According to Mikunda (2004), the third place can be a landmark, be designed for malling, feature a concept line, and draw people with a core attraction. The third place enables people to do social interactions and offer emotional supports (Rosenbaum, 2006). Rosenbaum (2006) classified the third place into a place-as-practical where individual's utility is satisfied, a place-as-gathering where individual's social needs is satisfied, and place-as-home where individual's emotional needs is satisfied. The third place builds communities, facilitates social communication, and enhances quality of life in the communities (Jeffres et al., 2009). According to Jeffres et al. (2009), 71 percent of respondents in U.S. households answered to the question asking whether having the third place as yes.

Activity involvement in the third place positively influences place attachment, then place attachment has a positive effect on visitor's loyalty toward the third place. Place attachment refers to the bonding of people to places (Altman and Low, 1992). Many studies regarding place attachment have been conducting in a variety of areas. Place attachment results from repeated visits and experiences from the place (Gustafson, 2001). Place attachment is associated with psychological ownership which includes psychological attachment to a place.

Many researchers have been doing the studies regrading antecedents and outcomes of psychological ownership within organizations since Pierce et al. (2001) had proposed the theory of psychological ownership. According to Pierce et al. (2001), psychological ownership is the state of mind in which an individual feels as if the target of ownership or a piece of it is mine. In other words, psychological ownership is defined as a cognitive and emotive attachment between the customer the third place (Pierce et al., 2001). Asatryan and Oh (2008)'s study regarding restaurant customers shows that customer participation positively affects psychological ownership. According to Joo and Marakhimov (2017), customers perceive belongingness to the firms because they are a core member of

Professor, Department of Information Management, Dongguk University-Gyeongju, 707 Sukjang-dong, Gyeongju, South Korea (givej@dongguk.ac.kr)

the business ecosystem. Thus, the more actively customers participate into business processes, the more likely they are to perceive psychological ownership toward the firm or the third place. Joo and Marakhimov (2017)'s empirical study regarding psychological ownership toward Facebook shows that customer participation positively influences psychological ownership. Customers who proactively communicate and cooperate with the third place by providing feedback and suggestions feel a stronger psychological ownership resulting from place attachment and compassion toward the third place. Thus, the following hypothesis is proposed:

<Hypothesis 1>: Customer participation has a positive influence on psychological ownership toward the third place.

Loyal customers tend to have low sensitivity to price and spread positive word-of-mouth about a firm to others (Yang et al., 2004). According to Liu et al. (2016), customer involvement in smartphone market has a positive relationship with customer loyalty. Proactive customer participation in virtual communities affects positively brand loyalty (Chan and Li, 2010). Customer participation in service industry has a significant and positive impact on customer loyalty (Eisingerich et al., 2006). For instance, as customers participate and become involved in the service, they share credits with each other (Shin and Joo, 2016). According to Shin and Joo (2016)' empirical study using data collected from users of Facebook and Kakao, customer participation plays a mediating role in the relationship between customer socialization and loyalty. The more actively customers participate in the business process of the third place, the higher loyalty is likely to be provided. Therefore, the following hypothesis is postulated:

<Hypothesis 2>: Customer participation has a positive influence on customer loyalty.

Lee and Suh (2015) suggested satisfaction, self-esteem, and quality/quantity of contributions as consequences of psychological ownership in virtual community. The quality and quantity of contributions are measured those of the knowledge or information shared by members in this community. The quality and quantity of contributions in virtual communities are associated with users' loyalty. The stronger psychological ownership toward Facebook users feel, the more positively they spread word-of-mouth to others (Joo and Marakhimov, 2017). Sinclair and Tinson (2017) identified the motivations and the outcomes of psychological ownership resulting from consumers' experiences of music streaming by investigating qualitative data based on interviews. Users' psychological ownership toward streaming music stores has a positive effect on their loyalty (Sinclair and Tinson, 2017). Customers who feel a stronger sense of psychological ownership toward the third place are likely to have a higher loyalty. Thus, the following hypothesis is proposed:

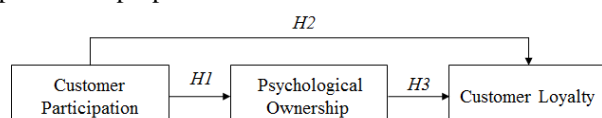


Fig. 1. Research model.

TABLE I.
OPERATIONAL DEFINITION

Construct	Definition	Source
Customer participation (CP)	The degree to which a customer attentively communicates and cooperate with Starbucks by providing feedback and suggestions	Joo and Marakhimov (2017); Wu (2011)
Psychological ownership (PO)	The degree to which a customer represents concern or pleasure as if the failure and success of Starbucks are mine, and feels a sense of ownership toward Starbucks as if it is my home or my company.	Kroth and Keeler (2009), Joo and Marakhimov (2017);
Customer loyalty (CL)	The degree to which a customer revisits the store, disseminates positive word of mouth and recommends the store to friends and family	Eisingerich et al. (2014), Shin and Joo (2016)

Finally, the following hypothesis regarding meditation of psychological ownership is proposed:

<Hypothesis 4>: Psychological ownership plays a role of the mediator between customer participation and customer loyalty.

III. METHODOLOGY AND ANALYSIS

Table 2 shows measurement items for each construct. Each questionnaire item used to measure three constructs in Table 2 is assessed by employing a five-point Likert scale.

TABLE II.
MEASUREMENT ITEMS

Construct	Code	Questionnaire items	Reference
Customer Participation (CP)	CP1	I intend to let Starbucks know the ways that can better serve my needs.	Chan et al. (2010); Wu (2011); Groth (2005)
	CP2	When Starbucks introduces a new service, I intend to comments about it.	
	CP3	When I experience a problem with services, I intend to let Starbucks know about it.	
	CP4	I intend to give Starbucks my full cooperation.	
	CP5	I intend to make suggestions to Starbucks if I have a useful idea on how to improve the service.	
Psychological Ownership (PO)	PO1	I feel bad if stories in the media criticize Starbucks.	Pierce et al. (2001), Joo and Marakhimov (2017);
	PO2	I feel pleased when someone praises Starbucks.	
	PO3	I feel that success of Starbucks is my success.	
	PO4	I feel a sense of ownership toward Starbucks as if it is my home or my company.	
Customer Loyalty (CL)	CL1	I speak positively about Starbucks to others.	Eisingerich et al. (2014), Hong et al. (2011), Shin and Joo (2016)
	CL2	I positively evaluate Starbucks.	
	CL3	I recommend Facebook to others.	

261 valid samples were collected from customers of Starbucks coffee shops located in Gyeongju and Pohang cities. SPSS and AMOS were used to analyze data and test hypotheses.

Table 3 shows demographics including respondents' gender, age, and years of using Starbucks. The ratio of male respondents is similar to that of female. An age range of 20 to 30 years is 60.5 percent. The ratio of respondents who become a year since first visit at Starbucks coffee shop is 41.8 percent and average visit duration is 2.56 years

TABLE III.
DEMOGRAPHICS OF RESPONDENTS.

Category		Frequency	Percentage
Gender	Male	125	47.9
	Female	136	52.1
Age	< 20 years	6	2.3
	20 – 29	158	60.5
	30 – 39	37	14.2
	40 - 49	33	12.6
	≥ 50 years	27	10.4
Experience	1 year	109	41.8
	2 years	35	13.4
	3 years	37	14.2
	4 years	23	8.8
	Over 5 years	57	21.8

Exploratory factor analysis (EFA) was conducted using principal component analysis with Varimax rotation as shown in Table 4. The EFA identified three factors with eigenvalues over 1.0. All items had high loadings to their corresponding factors. Cronbach's alpha for each variable is over 0.7 which indicates satisfactory internal consistency (Hair et al., 2006).

TABLE IV.
EXPLORATORY FACTOR ANALYSIS.

Rotated Component Matrix							
	Code	Factor			Eigen-value	Varian- ce (%)	Cronba ch's alpha
		1	2	3			
CP	CP1	.141	.805	.220	2.121	17.676	0.877
	CP2	.116	.829	.117			
	CP3	-.044	.843	.075			
	CP4	.244	.753	.204			
	CP5	.333	.678	.310			
PO	PO1	.806	.166	.290	5.623	46.862	0.917
	PO2	.833	.139	.250			
	PO3	.912	.116	.090			
	PO4	.885	.143	.162			
CL	CL1	.175	.233	.810	1.182	9.850	0.816
	CL2	.152	.219	.866			
	CL3	.380	.162	.701			

CP: Customer Participation, PO: Psychological Ownership, CL: Customer Loyalty

Confirmatory factor analysis (CFA) was conducted using AMOS (version 20.0) statistical package to confirm validity as shown in Table 4. As indicated in Table 4, CR (composite

reliability) values for all variables ranged from 0.840 to 0.923, exceeding 0.7 thresholds recommended by Fornell and Larcker (1981). AVE values ranged from 0.589 to 0.737, also exceeding the recommended 0.5 thresholds (Fornell and Larcker, 1981). Thus, convergent validity is satisfactory. Discriminant validity was examined by comparing the square root of AVE (average variance explained) for each variable with inter-variable correlation coefficients. The square root of the AVE on diagonal in Table 5 exceeded the inter-variable correlation coefficients, which presents sufficient discriminant validity (Hair et al., 2006).

TABLE V.
CONVERGENT AND DISCRIMINANT VALIDITY.

	CR	AVE	CP	PO	CL
CP	0.887	0.589	0.949		
PO	0.923	0.737	0.422	0.950	
CL	0.840	0.610	0.574	0.523	0.952

Table 6 shows the results of all hypotheses test. Three hypotheses (H1, H2, and H3) regarding relationships between customer participation, psychological ownership, and customer loyalty were supported at the significance level of 0.001. R2 values of psychological ownership and customer loyalty are 0.207 and 0.408 respectively which indicate higher explanatory power. Customer participation and psychological ownership significantly predict customer loyalty (R2=0.408) in terms of variance.

TABLE VI.
HYPOTHESIS TEST RESULTS.

Hypothesis	Path	Standardized coefficient	CR	p-value	Result
H1	CP→PO	0.455	6.321	***	Supported
H2	CP→CL	0.443	5.896	***	Supported
H3	PO→CL	0.300	4.291	***	Supported

IV. CONCLUSIONS

How customers feel a sense of psychological ownership toward the third place like Starbucks coffee shop? What are the antecedent and consequence of psychological ownership toward Starbucks as a third place? Four hypotheses were tested to get answer to two research questions. In summary, customer participation positively affects psychological ownership and customer loyalty. Psychological ownership positively affects customer loyalty.

REFERENCES

- [1] Altman, I., Low, S., 1992. Place Attachment. Plenum Press, NY.
- [2] Asatryan V.S. and Oh, H. (2008), "Psychological ownership theory: An exploratory application in the restaurant industry," J Hos Tour Res 32(3): 363-386
- [3] Avey JB, Avolio BJ, Crossley CD, Luthans F (2009) Psychological ownership: Theoretical extensions, measurement and relation to work outcomes. J Org Behav 30(2): 173-191.
- [4] Chan KW, Yim CK, Lam SS (2010) Is customer participation in value creation a double-edged sword? Evidence from professional financial services across cultures. J Mark 74(3): 48-64.

- [5] Chan, K.W. and Li, S.Y. (2010), "Understanding consumer-to-consumer interactions in virtual communities: The salience of reciprocity," *Journal of Business Research*, 63(9), 1033-1040.
- [6] Chesbrough, H.W. (2003), "The era of open innovation," *MIT Sloan Management Review*, 44, 35-41.
- [7] Dirks KT, Cummings LL, Pierce JL (1996) Psychological ownership in organizations: Conditions under which individuals promote and resist change. In: Woodman RW, Pasmore WA (Eds.). *Research in organizational change and development* 9: 1-23. JAI Press, Greenwich.
- [8] Eisingerich AB, Auh S, Merlo O (2014) Acta non verba? The role of customer participation and word of mouth in the relationship between service firms' customer satisfaction and sales performance. *J Ser Res* 17(1): 40-53.
- [9] Fornell C, Larcker DF (1981) Evaluating structural equation models with unobservable variables and measurement error. *J Mar Res* 1: 39-50.
- [10] Groth, Markus. (2005). Customers as good soldiers: examining citizenship behaviors in internet service deliveries. *Journal of Marketing*, 31(1), 7-27.
- [11] Gustafson, P., 2001. Meanings of place: everyday experience and theoretical conceptualizations. *Journal of Environmental Psychology* 21 (1), 5-6.
- [12] Hair JF, Black WC, Babin BJ, Anderson RE, Tatham RL (2006) *Multivariate data analysis*. Upper Saddle River, Pearson Prentice Hall, NJ.
- [13] Holland, Jonna., & Baker, Stacey Menzel. (2001). Customer participation in creating site brand loyalty. *Journal of Interactive Marketing*, 15(4), 34-45.
- [14] Jeffres, L.W., Bracken, C.C., Jian, G., and Casey, M.F., (2009), "The impact of third places on community quality of life," *Applied Research Quality Life*, 4, 333-345.
- [15] Joo and Marakhimov, A. (2017), "Antecedents of customer participation in business ecosystems: evidence of customers' psychological ownership in Facebook," *Service Business*, doi:10.1007/s11628-017-0335-8, Available at <https://link.springer.com/article/10.1007/s11628-017-0335-8/fulltext.html>
- [16] Joo, J., Eom, T., and Shin, M. (2016). Executive practices for corporate sustainability: A business ecosystems perspective. *International Journal of Business Research*, 16(1), 133-146.
- [17] Kroth M, Keeler C (2009) Caring as a managerial strategy. *Hum Res Dev Rev* 8(4): 506-531.
- [18] Lee, J and Suh, A (2015), "How do virtual community members develop psychological ownership and what are the effects of psychological ownership in virtual communities?", *Computers in Human Behavior*, 45, 382-391.
- [19] Liu, F., Hu, Y., Kao, J., and Ching, S. (2016), "Examining the indirect effect of customer involvement for the relationship between brand equity and customer loyalty," *The International Journal of Organizational Innovation*, 9(2), 76-84.
- [20] Lovelock, C.H., & Young, R.F. (1979). Look to Consumers to Increase Productivity. *Harvard Business Review*, 57, 168-178.
- [21] Mikunda, C., and A. Blomen. 2006. *Brand lands, hot spots, and cool spaces: Welcome to the third place and the total marketing experience*. London: Kogan Page Publishing.
- [22] Mills, P.K. and Morris, J.H. (1986), "Clients as 'partial' employees of service organizations: role development in client participation", *Academy of Management Review*, Vol. 11 No. 4, pp. 726-35.
- [23] Oldenburg, Ray (1989). *The Great Good Place: Cafes, Coffee Shops, Community Centers, Beauty Parlors, General Stores, Bars, Hangouts, and How They Get You Through the Day*. New York: Paragon House. ISBN 978-1-55778-110-9.
- [24] Oldenburg, Ray (1991). *The Great Good Place*. New York: Marlowe & Company. ISBN 978-1-56924-681-8.
- [25] Oliver, Richard L. (1999), Whence Consumer Loyalty?, *Journal of Marketing*. 63(4), 33-44.
- [26] Pierce JL, Kostova T, Dirks KT (2001) Toward a theory of psychological ownership in organizations. *Acad Man Rev* 26(2): 298-310.
- [27] Pierce JL, O'driscoll MP, Coghlan AM (2004) Work environment structure and psychological ownership: The mediating effects of control. *J Soc Psychol* 144(5): 507-534.
- [28] Prahalad, C.K., & Ramaswamy, V. (2000). Co-opting Customer Competence. *Harvard Business Review*, 78, 79-87.
- [29] Preacher, K. J. and Leonardelli, G. J. (2010), "Calculation for the Sobel test: An interactive calculation tool for mediation tests [Online software]," <http://www.people.ku.edu/~preacher/sobel/sobel.htm>
- [30] Rosenbaum, M. S. (2006). Exploring the social supportive role of third places in consumers' lives. *Journal of Service Research*, 9(1), 59-72.
- [31] Shin, M.M and Joo, J. (2016), "Relationships between Customer Socialization, Customer Participation, and Loyalty of On-line Service Providers," *Journal of Distribution Science*, 13(11), 15-22.
- [32] Sinclair, G. and Tinson, J. (2017), "Psychological ownership and music streaming consumption," *Journal of Business Research*, 71, 1-9.
- [33] Van Dyne L, Pierce JL (2004). Psychological ownership and feelings of possession: Three field studies predicting employee attitudes and organizational citizenship behavior. *J Org Beh* 25(4): 439-459.
- [34] Watson, G., Beck, J., Henderson, C., and Palmatier, R. (2015), "Building, measuring, and profiting from customer loyalty," *Journal of the Academy of Marketing Science*, 43(6), 790-825.
- [35] Wu, C. (2011). A re-examination of the antecedents and impact of customer participation in service. *The Service Industries Journal*, 31(6), 863-876.
- [36] Zhao, Q., Chen, C., and Wang, J. (2016), "The effects of psychological ownership and TAM on social media loyalty: An integrated model," *Telematics and Informatics*, 33(4), 959-972.

ACKNOWLEDGMENT

This work was supported by the Ministry of Education of the Republic of Korea and the National Research Foundation of Korea (NRF-2017S1A5A2A01023642) and Dongguk University