SALON HAIR COLORING IN THE UNITED STATES: A CONSUMER PERCEIVED VALUE ANALYSIS OF GEN Y CONSUMERS

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Abstract
How do Generation Y (Gen Y) consumers in the United States perceive the value of salon hair coloring? A literature review on consumer perceived value (CPV) reveals that little attention has been given to this topic. Based on the findings from a qualitative study and previous findings in the literature, a survey was developed to measure Gen Y consumers’ perceptions of quality value, emotional value, epistemic value, social value, monetary cost, time/effort cost, and health risk cost of salon hair coloring in the United States. We find that emotional value and monetary cost are the most important dimensions for US Gen Y consumers. Although this research was designed to be product specific, it has important implications for general consumer perceived value research. Its results suggest that the proposed model for CPV in this study may be usefully applied to investigate other product categories, other age demographics, and other cultural settings.

Keywords: Consumer Perceived Value, Generation Y, Salon Hair Coloring

1 INTRODUCTION
As markets have become more and more competitive, managing customer relationships has become increasingly important. This is specifically true during the phase when consumers make purchasing decisions. Consumer perceived value (CPV) is able to predict buyers’ intentions during transactions. Due to this ability, CPV has attained a more prominent role in business research. There is a growing literature on CPV across different products and industries. Yet, a review of this literature reveals that there are only few CPV studies on appearance-related products, such as beauty and personal care products. In addition, Generation Y (Gen Y) is the upcoming cohort in terms of size and spending power; which deserves more attention in consumer research. It is also essential for business to gauge their preferences and consumption behavior in order to better serve this market. With our research, we contribute to the discovery of the main components of US Gen Y consumers’ perceived value in the context of an appearance-related service category, namely salon hair coloring.
2 LITERATURE REVIEW

2.1 Consumer Perceived Value (CPV)

Consumer perceived value (CPV) assesses the subjective net value a consumer acquires when evaluating what is obtained against what has to be sacrificed in an exchange in the market. In order to do so, we need to identify the components of a consumer’s experience during a transaction and then estimate how these components weigh positively or negatively into the consumption experience. Due to rapid changes in the environment, technology and consumption possibilities, consumption situations are harder and harder to assess, which may help CVP to become a key tool for firms to compete (Woodruff, 1997). Yet, as discussed below, methodological hurdles remain substantial. Contributions to the literature on customer value have grown more rapidly particularly since the 1990s, but its theoretical base remains blurred, sparse, and disconnected. Value lives on as a vague, multi-dimensional term and can be easily confused with quality, benefits, and price. Not surprisingly, there are therefore no generally accepted measurement scales for consumer value (Zeithaml, 1988).

CPV as a research area continues to develop, however, at present empirical studies employing CPV are still quite limited. Most CPV studies have been executed in the United States and other developed nations, with only few applications existing in developing nations. These studies generally indicate that CPV could be more important than consumer satisfaction in determining behavioral intentions and consequences (Tam 2004, Lai et. al. 2009). They also stress that consumers’ perceptions of value varies across types of products, types of services provided, as well as across cultures. Thus, CPV deserves expanded application across a wider range of products and service as well as differing contexts (Swait & Sweeney, 2000).

2.2 Generation Y

Generation Y (Gen Y) refers to “members of the generation of people born since the early 1980s who are seen as being discerning consumers with a high disposable income” (Collins English Dictionary, 2009). Since many in Generation Y are the children of Baby Boomers, this generation is also called the “Echo Boomers,” but additionally carries other names, such as the Millennial Generation. Nonetheless, the age cut-off to define Gen Y is not generally agreed upon. Amongst the criteria that can be found are being born between 1977 and 1997 (Alch, 2001; Mininni, 2005), born after 1977 (Bainbridge, 1999; Bakewell & Mitchell, 2003), born between 1980 and 1994 (Weiler, 2004), born between 1982 and 1994 (Kavounis, 2008), born between1982 and 2005 (Howe & Strauss, 2007), and born between 1977 and 1994 (Morton, 2002). In this study we use the largest overlap of age cut-off values that are covered in the literature on the Gen Y cohort, i.e., consumers born between 1977 and 1994.

Gen Y is by definition one of the largest demographic groups of consumers. Because it possesses significant purchasing power, it is discussed frequently in the business literature (Maciejewski, 2004). Surprisingly, only limited effort in the academic literature has been spent on the Gen Y market segment in order to explain its characteristics (Martin & Turley, 2004). It is generally believed that members of Gen Y exhibit characteristics that distinguish them from other demographic groups. Of those characteristics, frequently cited are the following: (1) they have grown up with the new digital economy and are comfortable with the changes associated with new technology and e-commerce on the Internet (Alch, 2001); (2) these individuals show greater liking of advertisements than older adults and are less often offended, insulted, or misled by advertising (Shavitt, Lowrey & Haefner 1998); and (3) they tend to prefer practical, lifestyle-driven ads rather than straightforward, factual advertising (Morton, 2002).

A significant body of literature on consumer behavior has evolved using college students, a subgroup of Gen Y, as subjects in the research. Two major approaches have been used in these studies. In the first, college students have been drawn on as convenience samples to represent “people in general,” or
“adults.”, as in Peterson (2001). The second approach has utilized college student samples as representatives for studies dealing with topics, such as Gen Y’s values, lifestyle, and media habit (Valentine & Powers, 2013), college students’ drinking behavior (Shim & Maggs, 2005), and college students’ perception of the consumer role (Lachance & Choquette-Bernier, 2004). Given the objective of this study, the second approach was pursued and college students were utilized to represent Gen Y consumers.

2.3 Appearance-Related Consumer Research

A common way of changing physical appearance has been the application of beauty and personal care products. The use of cosmetics by women in Western culture has been examined for a long time (Tseelon, 1995). Cosmetics can be used not only to help attain physical attractiveness, but also to make people feel good about themselves, which is especially true for women (Graham & Jouhar 1982). However, little attention has been directed at this product group by consumer researchers despite its extensive usage in people’s daily lives—especially in the case of hair care products. Furthermore, given their sheer size as a consumer group, a surprisingly small amount of attention has been paid to male consumers in this consumption area although it has become obvious that male consumers comprise an important potential market for cosmetic products (Souiden & Diagne, 2009).

US consumers are more appearance-conscious than ever before (Moore, 2005). For instance, when facing graying hair, baby boomers – both male and female – are trying a range of hair care products to help them look and feel younger. Gen Y consumers are even more adventurous than their parents, as they vary hairstyles and hair colors at will. Hair is as a vehicle of enhancing appearance and can contribute to building social advantage; therefore it is important to understand how consumers perceive the value of hair coloring. The younger consumer market for hair coloring is particularly interesting for two reasons: (1) hair coloring provides a simple way for younger consumers to experiment and express their individuality; (2) Gen Y is a remarkably dynamic demographic for hair coloring, with considerable income at its disposal (Maciejewski, 2004). However, to the best or our knowledge, there has been no study specifically addressing Gen Y consumers’ perceived value for appearance-related product categories. This study therefore tries to address the following question: What are the crucial components of perceived value that influence Gen Y consumers’ overall perceptions of value for salon hair coloring? How important is what they give versus what they receive? In particular, we investigate what Gen Y consumers perceive as value in salon hair coloring and its consumption by using in-depth interviews as a primary data collection tool. We then adopt the Sheth, Newman, and Gross (1991) framework to develop a conceptual model of consumer perceived value for salon hair coloring.

3 METHODOLOGY

Our research design consists of two steps. In the first step we undertake qualitative analysis using in-depth interviews. In the second step, we draw on survey techniques to obtain quantitative results. The qualitative study was necessary because we only found little research on CPV of salon hair coloring, thus we needed to conduct exploratory work first in order to achieve proper survey design. In-depth interviews are well-suited for exploratory research, in particular for examining consumer experiences (Denzin & Lincoln, 1994). We compared the preliminary results of the qualitative study to previous findings in the literature. The two combined guided the construction of a set of hypotheses suitable for quantitative testing.

We developed a conceptual model following Zeithaml’s (1988) classification to sort components of consumer perceived value for salon hair coloring into benefits and sacrifices (see Figure 1). While the components in the “benefits” category should have a positive effect on CPV, the components in the “sacrifices” category should have a negative effect on CPV. Six value components from our literature
review were also closely associated with repeatedly mentioned topics in the interviews: quality value, emotional value, epistemic value, social value, monetary cost, and time/effort cost. Health risk cost emerged as a component in the interviews, but has not yet found its way into the literature. We therefore also included it in our conceptual model.

![Conceptual Model of CPV for Salon Hair Coloring](image)

**Figure 1: Conceptual Model of CPV for Salon Hair Coloring**

### 3.1 Hypotheses

During the in-depth interviews in the qualitative research, our informants accentuate the positive emotional aspects of receiving hair coloring services in a salon. In particular, most participants expressed how good they felt during the entire coloring process, which includes interactions with the salon personnel, time to relax, being pampered by others, and feeling special about themselves. They also liked the results of salon hair coloring better than the results they felt they could achieve at home. Therefore, emotional value appeared as the dominant value dimension of CPV. We therefore hypothesize:

**H1:** Emotional value will be the most influential value for US Gen Y consumers in their perception of salon hair coloring.

The group also indicated that monetary cost was the most important factor for preventing their salon visits. In fact, all our informants stressed that the significant difference between receiving hair coloring service in a salon and attempting it at home in terms of price. Note that the participants were all still attending school and as such were likely not yet financially independent. Therefore it is plausible that they viewed monetary cost as the key problem with hair coloring service performed in a professional salon. We therefore postulate:

**H2:** Monetary cost will be the most influential cost for US Gen Y consumers in their perception of salon hair coloring.
3.2 Survey Constructs and Measurement Items

The constructs and item measurements in this study were developed based on the extant literature combined with the results from our qualitative study. Altogether, in this study we tested eight constructs, seven exogenous latent constructs (quality value, emotional value, epistemic value, social value, monetary cost, time/effort cost, health risk) and one endogenous latent construct, namely consumer perceived value (CPV).

Quality Value: Quality value is defined as a product or service’s overall excellence or superiority as assessed by the consumer (Zeithaml, 1988). We measure quality value with Petrick’s (2002) Quality Scale. Petrick developed this multi-dimensional rating scale in order to gauge consumer perceived value of a service. Our survey respondents were asked to rate statements such as “salon hair coloring is outstanding quality” on a four item scale. The composite reliability score of 0.79 for this quality scale indicates that the scale can reliably measure the construct of interest (Fornell & Larcker, 1981).

Emotional Value: Emotional value is defined as a product or service’s ability to generate utility through feelings or affective states (Sweeney & Soutar, 2001). We quantify the emotional value with Sweeney and Soutar’s (2001) scale called the Emotional Value Scale. Survey respondents were asked to rate statements such as “salon hair coloring is one that I would enjoy” on a five-item scale. Sweeney and Soutar originally developed this multiple item scale in order to measure consumer perceived value of a durable good at the brand level. Although it was originally designed for a product, not a service, the scale also performs well for capturing the essence of the emotional value of a service. At a value of 0.94 in the study on durable goods, the scale exhibited a high level of composite reliability.

Epistemic Value: Epistemic value is defined as a consumer’s experienced curiosity, novelty, or knowledge obtained from the consumption of a product or service (Sheth et al., 1991). We determine epistemic value with Pura’s (2005) Epistemic Value Scale. Pura originally designed this scale to study consumer perceived value of mobile phone services. Survey respondents were asked to rate statements such as “I use salon hair coloring to test the new looks” on a three-item scale. This phrase frequently appeared in the in-depth interviews of the qualitative study, as informants wanted to try “new looks” using hair coloring. Cronbach’s alpha for this three-item scale is 0.80, which indicates good reliability.

Social Value: Social value is defined as the utility a consumer experiences if the product or service enhances the consumer’s social self-concept (Sweeney & Soutar, 2001). We gauge social value by using Sweeney and Soutar’s (2001) Social Value Scale. Sweeney and Soutar also developed this scale for their previously mentioned study assessing consumer perceived value of a durable good at the brand level. Survey respondents were asked to rate statements such as “salon hair coloring would help me to feel acceptable” on a four item scale. In their original study on durable goods, this scale scored a value of 0.82 and thus exhibited an acceptable level of composite reliability.

Monetary Cost: Monetary cost is defined as the total financial price of a service a consumer pays (Petrick, 2002). We measure monetary cost with Sweeney and Soutar’s (2001) Price/Value Scale. Again, Sweeney and Soutar developed this scale for their previously mentioned study assessing CPV of a durable good at the brand level. Survey respondents were asked to rate statements such as “salon hair coloring is reasonably priced” on a four-item scale. In the original study on durable goods, this scale scored a value of 0.80, which indicates a satisfactory level of composite reliability.

Time/Effort Cost: Time/effort cost is defined as a consumer’s perceived cost of the time required to experience hair coloring (Rindfleisch & Crockett, 1999). For informants in the preliminary research, the time/effort cost of salon hair coloring included the trip to the salon, possible waiting time as well as the time spent on the actual hair-coloring process. We measure time/effort cost using Rindfleisch and Crockett’s (1999) Time Risk Scale, which they developed for their study of perceived risk of smoking. Survey
respondents were asked to rate statements such as “I would waste a lot of time by having salon hair coloring” on a five-item scale. Cronbach’s alpha for this scale is 0.81, indicating good reliability.

**Health Risk Cost:** Health risk cost is defined as a consumer’s perceived risk that hair coloring may negatively impact the consumer’s physiological health (Rindfleisch & Crockett, 1999). Consistent with previous research (Trueb, 2005) informants in the qualitative study point out that consumers perceive the health risk of hair coloring to include unhealthy hair, allergy, headache, and cancer. We measure health risk using Rindfleisch and Crockett’s (1999) Health Risk Scale developed for the previously mentioned study on the perceived risk of smoking. Survey respondents were asked to rate statements such as “salon hair coloring would get me cancer” on a five-item scale. Cronbach’s alpha value of 0.93 indicates high reliability of this scale.

**Consumer Perceived Value (CPV):** CPV reflects a consumer’s overall judgment of the net value of what is received against what is given up during the consumption of a product or a service (Zeithaml, 1988). We measure CPV using Lin, Sher, and Shih’s (2005) Sacrifice Scale. Lin, Sher, and Shih developed this scale to gauge the value of eTail services in Taiwan. Survey respondents were asked to rate statements such as “Compared with the price you paid, salon hair coloring provides good service value” on a three-item scale. In the original study, this scale had a composite reliability score greater than the acceptable level of 0.70. This indicates that the scale is reliable measuring CPV (Fornell & Larcker, 1981).

### 3.3 Data Collection and Analysis

For this study we selected college students as convenience sample. We distributed 700 surveys at a major university in the Southeast of the United States. In return, we received 200 completed surveys that were usable for the data analysis. We tested the two hypotheses by Confirmatory Factor Analysis (CFA) in Structural Equation Modeling (SEM). LISREL 8 was used as the software package for obtaining our results.

Many statistical procedures used in this study assume that data are normally distributed. We therefore reviewed all variables to detect possible departures from normality and to search for univariate outliers. We calculated descriptive statistics for all variables as well as correlations between variables with SPSS to describe the profile of our sample. An absolute value of the skewness coefficient or (excess) kurtosis that is larger than one may indicate that a variable may not be normally distributed and requires further analysis. For these variables, we calculated the Kolmogorov-Smirnov test statistic, which compares the observed cumulative distribution function for a variable with a specified distribution, i.e. a normal distribution. A significant Kolmogorov-Smirnov statistic implies that this variable is not approximately normally distributed and could therefore not be used in further statistical analyses. All statistical tests were considered significant at an alpha level $\leq 0.05$.

Since our hypotheses related to composite constructs rather than individual measurement items, we collapsed the original variables from the survey into composite variables for all eight constructs, seven exogenous latent constructs (quality value, emotional value, epistemic value, social value, monetary cost, time/effort cost, health risk); and one endogenous latent construct, consumer perceived value (CPV). We tested all eight constructs on validity and reliability. Those tests delivered satisfactory results; we therefore calculated a single composite score to represent each construct. Validity is the extent to which a scale measures the concept under discussion (Hair, Anderson, Tatham, & Black, 1998). There are various alternatives to assess the validity of each construct, such as face validity, convergent validity, and divergent validity. If a construct is not valid, it – at the least – implies that interpretation could be misdirected and conclusions could be incorrect. Therefore, construct validation has been at the core of this study. We established face validity of constructs with the results from the survey’s pre-test. Face validity is confirmed when the survey constructs appear to the researcher logically and measure what they are supposed to
Reliability is defined by how consistently different measurements of a variable reflect the construct of interest (Hair et al., 1998). We tested reliability by calculating Cronbach’s alpha in SPSS for each construct. Following Nunnally (1978), we required all constructs to pass a threshold value of Cronbach’s alpha criterion of 0.7, which they did. As they had met the required construct validity and reliability, following Hair et. al. (1998), we calculated the mean value of each construct as our composite measure. Finally, we calculated descriptive statistics including frequency distributions, means, standard deviation, skewness, and kurtosis for each construct.

We display the descriptive statistics for the study’s eight constructs in Table 1. The statistics refer to the constructs calculated from the averaged items as required by our research design. A construct value for an individual thus represents this individual’s score for that construct subject to the reliability measure for each construct exceeding the threshold point of a Cronbach’s alpha ≥ 0.7 as suggested by Nunnally (1978).

<table>
<thead>
<tr>
<th>Construct</th>
<th>Cronbach’s alpha</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Value</td>
<td>0.95</td>
<td>5.31</td>
<td>1.25</td>
<td>-0.72</td>
<td>0.40</td>
</tr>
<tr>
<td>Emotional Value</td>
<td>0.90</td>
<td>5.33</td>
<td>1.16</td>
<td>-0.85</td>
<td>0.95</td>
</tr>
<tr>
<td>Epistemic Value</td>
<td>0.85</td>
<td>5.31</td>
<td>1.21</td>
<td>-0.89</td>
<td>0.97</td>
</tr>
<tr>
<td>Social Value</td>
<td>0.90</td>
<td>4.85</td>
<td>1.27</td>
<td>-0.31</td>
<td>-0.21</td>
</tr>
<tr>
<td>Monetary Cost</td>
<td>0.86</td>
<td>4.48</td>
<td>1.22</td>
<td>-0.08</td>
<td>-0.04</td>
</tr>
<tr>
<td>Time Cost</td>
<td>0.86</td>
<td>4.21</td>
<td>1.35</td>
<td>-0.12</td>
<td>-0.30</td>
</tr>
<tr>
<td>Health Cost</td>
<td>0.81</td>
<td>3.17</td>
<td>1.24</td>
<td>0.25</td>
<td>-0.48</td>
</tr>
<tr>
<td>Consumer Perceived Value</td>
<td>0.84</td>
<td>4.68</td>
<td>1.21</td>
<td>-0.31</td>
<td>-0.22</td>
</tr>
</tbody>
</table>

Table 1: Descriptive Statistics for Eight Constructs

In addition to the skewness coefficient and kurtosis, we assessed the normality of the distributions of all constructs in the study using histograms. Our analysis of these histograms indicated that all eight of the study’s constructs were approximately normally distributed.

3.4 Confirmatory Factor Analysis (CFA)

We conducted a Confirmatory Factor Analysis in SEM to inspect the overall fit of the conceptual model for the sample. We display the model fit statistics for this study in Table 2. The model yielded a statistically significant chi-square statistic, which – for our sample – did not support the model to be a good fit for the data. The value of 0.81 for the Root Mean Square of Error Approximation (RMSEA) barely missed the acceptable Confidence Interval border of acceptable values, which required this value to be lower than 0.80. Nonetheless, this also indicated that the model might not be at least a very good fit for the data. The Goodness of Fit Index (GFI) being lower than the ideal criterion of 0.90 showed insufficient support.
The satisfactory value of the Non Normed Fit Index (NNFI) showed strong support for the model being a good fit. Given the mixed responses, according to the limits accepted for a good fit, the proposed model appeared to demonstrate not necessarily a good, but a fair fit for this sample.

<table>
<thead>
<tr>
<th>$\chi^2$</th>
<th>d.f.</th>
<th>p-value</th>
<th>RMSEA</th>
<th>90% C.I. for RMSEA</th>
<th>GFI</th>
<th>NNFI</th>
<th>Model Fit Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>992.24</td>
<td>467</td>
<td>0.00</td>
<td>0.081</td>
<td>(0.074, 0.087)</td>
<td>0.75</td>
<td>0.94</td>
<td>Partially Supported</td>
</tr>
</tbody>
</table>

Table 2: Model Fit Statistics

We report the fit of the proposed model for our sample in Figure 2. In the diagram, we link the effect of the seven exogenous latent variables to the endogenous latent variable. The numbers along the arrows denote the path coefficients. All exogenous latent variables exhibited the predicted influence on CPV except for health risk cost (HC). In line with our predictions, the effects of quality value (QV), emotional value (EV), epistemic value (EPV), and social value (SV) on CPV were all positive as they represent the “benefit” constructs related with CPV. In contrast, but also as predicted, the effects of monetary cost (MC), and time/effort cost (TC) were negative as they represent the “sacrifice” constructs attached to CPV. Contrary to our expectations, the health risk cost (HC) construct had a positive effect on CPV. While surprising at first, this result is still consistent with our results from the qualitative study: health risk cost did appear repeatedly in the interview answers, but overall American Gen Y consumers seemed not to care much about this risk.

Figure 2: Path Diagram of the Proposed Model
Completion of the analysis requires us to discuss whether our initial hypotheses were supported or rejected. We first restate each hypothesis to facilitate the discussion and then consider how they relate to the results of the qualitative and quantitative studies.

**H1:** Emotional value will be the most influential value for US Gen Y consumers in their perceptions of salon hair coloring.

Hypothesis 1 states that we would expect the emotional value (EV) to have the largest absolute path coefficient value among constructs in the “benefits” category. The diagram in figure 2 shows that the absolute value for the path coefficient of EV was 0.29. This was much larger than the absolute values for the path coefficient of QV, EPV, and SV in the “benefits” category. Thus, Hypothesis 1 was supported by the data analysis: emotional value appeared to be the most influential value for US Gen Y consumers.

**H2:** Monetary cost will be the most influential cost for US Gen Y consumers in their perceptions of salon hair coloring.

Hypothesis 2 can be restated as follows: monetary cost (MC) should exhibit the largest absolute path coefficient value in the “sacrifices” category. Again, the diagram figure 2 shows that the absolute value for the path coefficient of MC was 0.43, which was much larger than the absolute values for the path coefficient of TC and HC in the “sacrifices” category. These values imply that Hypothesis 2 was also supported by the data analysis: monetary cost (MC) appeared to be the most influential cost for US Gen Y consumers.

### 4 Conclusions and Implications

With this study we wanted to gauge Gen Y consumers’ perceived value of salon hair coloring in the United States. This research is important for the following reasons. First, the hair coloring category is a product category growing in importance both for older and younger consumers: More and more women and men today are turning to hair coloring to cover their gray and to remain youthful-looking. Consequently, this is an important and growing product/service area for researchers as well as businesses. Second, manufacturers provide fashionable, strong, and bright colors to tempt the nontraditional younger market into experimenting with hair color (Moore, 2005). However, little research has focused on hair coloring and how younger consumers value it. Third, this study is also important from an academic perspective. A review of the literature indicated that CPV shows great potential, but empirical studies employing CPV have been relatively limited. As discussed earlier, most of the research results on CPV advocated it to possibly be of even higher importance than consumer satisfaction. Given that consumers’ perceptions of value vary across types of products and services and across cultural settings, CPV should attain prominence in research. All this suggests applying CPV in a variety of contexts—including those explored in this study.

This study revealed that in our particular sample, four out of the seven dimensions of CPV had similarly low levels of influence on CPV as their path coefficients were between 0.04 and 0.08 in absolute value. In quite sharp contrast, emotional value, epistemic value, and monetary cost seemed to have a much greater influence on CPV with path coefficients of 0.29, 0.14, and 0.43, respectively. This finding from the SEM results is novel and thus important as no research comparing the relative impact between individual CPV dimensions has been available in the literature. The path coefficient for the health risk costs (HC) turned out to be positive, which contradicts the expected negative impact that a “sacrifice” construct should have on CPV. Interestingly, this finding is consistent with the qualitative results that Gen Y US consumers simply don’t care enough about their health. Nonetheless, this result appears to contradict logic and as such also deserves further investigation.
REFERENCES


