

**CONSTRUAL LEVEL THEORY AND PERCEIVED PROXIMITY: NEW STUDY
OPPORTUNITIES FOR RETAILERS IN AN EMERGING MARKET**

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CONSTRUAL LEVEL THEORY AND PERCEIVED PROXIMITY: NEW STUDY OPPORTUNITIES FOR RETAILERS IN AN EMERGING MARKET

Abstract: Emerging markets have received a great attention from international retailers. However, the competition in these markets is intensive. In order to survive, companies have to find new way to process closer their consumer in order to understand more in-depth their perceptions and behaviors. This paper therefore investigates to explore how **construal level theory (CLT)** can highlight consumer perceived proximity in an emerging market. A literature review is presented to provide an understanding about CLT and perceived proximity. The link between level of construal, psychological distance, and perceived proximity will also be discussed.

Keywords: Construal level theory (CLT), psychological distance, perceived proximity, retailers.

1. INTRODUCTION

Emerging markets have received a great attention from international retailers, especially from European retailers (Child et al., 2015). In recent years, Vietnam have seen as being one of the most dynamic emerging markets in Asia region, ranking 28th in the 2014 Global Retail Development Index of A.T Kearney 's report (ATKearney, 2014). This also leads to the intense competition in this market by the large number retailers, include domestic and foreign ones (Deloitte, 2014). As a result, the power of consumer has been increasing due to they have a variety of choices. Besides the consumer perception of cost, quality product/service and value, retailers therefore now seem have to find other opportunities to understand more in-depth their consumer' s perceptions and behaviors in order to satisfy them better.

In social psychology area, a new theory was introduced by Trope and Liberman in the 90' s, namely construal level theory (CLT). It was identified as a new approach in consumer behavior by underline the association between construal level and psychological distance. Using CLT to explore psychological distance of the consumer can help marketers and managers understanding more deeply about consumer perception (Trope & Liberman, 2010).

Besides that, exploring on the concepts of proximity, researchers in France found theoretical dimensions for perception of consumers with the location of food shopping (Bergadaà & Del Bucchia, 2009), namely perceived proximity. This proximity has seen as the factor reinforce the consumer-company relation (Bergadaa, 2006; Dampérat, 2006). Moreover, along with distal aspect, perceived proximity (or proximal aspect) is also concerned as one attribute of psychological distance (Chae, Li, & Zhu, 2013).

Although there has been a little coverage on perceived proximity, these are not sufficient to study about perceived proximity of consumers in an emerging market till now. There is also lack of recommendation for using CLT to survey the relation between levels of construal and perceived proximity of consumers. In wake of that, we would like to make a foundation to encourage researches in the construal levels and proximity perception of consumers in an emerging market.

The research objectives are mentioned as we effort to provide a deeper understanding about perceived proximity, construal level, and psychological distance and the association between these notions. The scene of our case study is implemented for the emerging market. The research question here we want to explore is: "How does CLT highlight perceived proximity of consumer in an emerging market?". Due to clarify this issue, we firstly present the literature review about construal level and psychological

distance in CLT, and perceived proximity. Then, the link between level of construal and perceived proximity will be discussed.

2. THE RETAIL INDUSTRY SCENE OF VIETNAM EMERGING MARKET

According to a report of The Economist in 1981, the concept of emerging markets was first coined by deputy director of the capital markets department of the World Bank's International Finance Corp (IFC) Van Agtmael (Schumpeter, 2010). Using this term instead of the phrase "Third World" to refer countries which have low and middle per capita, the corporation expected fund investments to these developing ones. Another research also defined emerging market as developing economies or emerging economies, with features such as rapid growth and industrialization (Rowe Price, 2016).

According to recent reports, Vietnam was ranked as one of the top 30 emerging markets for retailers in 2014 (ATKearney, 2014). With the expansion continuously of existing retailers and participation of new retailers in the market, Vietnam has demonstrated that it is one of the retail market deserving of global retail attention. The reason is that Vietnam has seen as the attractive destination with a range of potential advantages, such as: (1) The income of consumers are higher (The Economist Intelligence Unit, 2014), (2) Rapid urbanization (Deloitte, 2014), (3) Variations in legal policies of the government (Maruyama & Trung, 2012), (4) Large and Young population (Seiko et al., 2015).

Going upward, these highlighted the appealing picture about retail markets' Vietnam for investigators. Contrary, the pressure competition of the market is increasing. Retailers therefore now seem have to find the ways to understand more in-depth their customer's perceptions.

3. LITERATURE REVIEW

In order to provide an understanding of construal level theory and perceived proximity, a variety of theoretical perspective have been advanced following.

3.1. CONSTRUAL LEVEL THEORY (CLT)

The past two decades have seen a remarkable growth of CLT. From the latter half of the 1990s, the trend of using CLT for consumer behavioral research have been released. Its appearance in social psychology has proposed a new approach in consumer behavior research and revealed as an integrative framework for behavioral decision-making research and consumer psychology (Fiedler, 2007).

Trope and Liberman (2010) posed that people often use two types of their mind when they construe about an event or object. *If they construe these objects at high level, they will be seen as abstract. In contrast, if they construe them at low level, they will be seen as concrete.* In another way, the knowledge about an event or object is contrast or concrete, depending on the level of construal of a human. Besides that, *CLT also states the relation between Psychological Distance and the way people construe about objects or events which are abstract or concrete.*

Tracking on the development of CLT, it is important to noticed that there are two phases. The first phase is temporal construal theory (TCT) and the second one is construal level theory

(CLT). The first version of CLT was initially introduced by Liberman and Trope in 1998, namely temporal construal theory (TCT), which was extended from previous researches about overconfidence (Dunning et al., 1990) and the planning fallacy (Buehler et al., 1994). *TCT researches the relation between Time-dependent effects (or temporal distance effects) of an event and people's decision concerning this event.* Liberman & Trope (1998) suggested that the results of these authors (Buehler et al., 1994; Dunning et al., 1990) stated that overconfidence and the planning fallacy are consequence of individuals failing to “*incorporate into their construal of future events non schematic aspects of reality into their construal of future situations*”. It generally means that the origination reasons of overconfidence and the planning fallacy cause people make mistakes in efforts to construe events in the distant future. Hence, these studies create underlie foundation to propose the effects of time-dependent (Temporal distance) on preferences (Liberman & Trope, 1998). Furthermore, before Liberman and Trope, this issue has been studied through variety areas, such as behavioral decision making (Sherman, 1980), delay of gratification (Mischel, 1974), and self-control (Rachlin, 1995). These past studies concluded that time-dependent or temporal distance changes in value of outcome and expectancies. This basically means that people believed negative or small outcome value is decreased overtime than positive ‘s one and they also expected achieving the higher results in the distant than near future (Nisan, 1972). However, *this is insufficient to adjudicate whether outcome value and temporal distance influence each other and estimate how many percentages outcome value decreased over time.* Liberman and Trope hope they can find the ways solve these remain problems with TCT.

From these ideas mentioned above, Liberman & Trope (1998) broaden and developed TCT by distinguishing between degrees of schematicity or between high-level and low-level construals. *TCT suggest that people construing events in terms of high level construals and low level construals.*

The results in TCT (Liberman & Trope, 1998; Trope & Liberman, 2000) noticed the implication to explain the consumer choices. In the distant future people tend to (1) choose options that have positive high-level construal but negative low-level construal and (2) reject options that have negative high-level construal but positive low-level construal.

They also suggest that people may regret both types of choices as they get closer to actually experiencing the chosen options. For example, people may regret and even try to reverse their decision to take an interesting job with boring training and their decision to reject a boring job with interesting training. Later, amount of studies confirmed again the role of time dependent on mind's people (Liberman et al., 2002), exposed their influence in gambling (Sagrignano et al., 2002), predicting and explaining future behavior (Nussbaum et al., 2003), evaluation and choice (Trope & Liberman, 2003).

However, in their later studies, these authors believed that apart from *temporal distance*, there are other dimensions of psychology distance such as *spatial distance*, *social distance*, *hypothesis distance*. These dimensions will also effect on response of people with the same general principles (Trope et Liberman, 2010)

CLT describes the different levels of people's mental in the associations that a consumer has when he evaluate an event or an object (people, product, brand and activities) and how the consumer's psychological distance from these concept influences on his or her behavior (Trope & Liberman, 2003; Trope et al., 2007). According to CLT, *individual's mental presents at psychologically near (proximal) are high level and abstract while at psychologically distant (distal) are low level and concrete, respectively with features in the Table 1.*

Table 1: The features present for High level construal and Low level construal

High Level Construals		Low Level Construals	
Abstract	Decontextualized	Concrete	Contextualized
General	Consist	Specific	Peripheral
Superordinate	Central	Subordinate	Incidental

Source: (Liberman & Trope, 1998)

3.2. PSYCHOLOGY DISTANCE IN CLT

Psychological distance has attractive a great attraction from researchers in the 1950s. However, the initial forms of psychological distance at that time are not diversity like now and just round up the distance of international trade term (Beckerman, 1956) in 20 years. Then, psychological distance became more widely popular with the contribution's Johanson & Vahlne (1977) in the study about internationalization process of firms. There are many difference components used for psychological distance in export market selection throughout 1970 and early 1990 but they are not clearly and make a huge of argumentation (Davidson, 1983; Sethi, 1971). Besides that, in the line with these studies, Dow (2000) proposed geographic distance is seen as the only one factor represent for psychological distance in export market selection.

About 45 years later, authors discuss psychological distance more detail, CLT (Liberman & Trope, 1998; Trope & Liberman, 2010) stated that there is always a distance between people and events or objects, namely *psychological distance*. It was described likely a self-experience that people think an object or event is near or far away from the self, here, and now. It can be mentioned as the space between "you and me, here and there, now and future".

CLT stated that everyone has different level of psychological distance with the same object or event cause by their different cognitive (Trope & Liberman, 2010). Psychological distance and level of construal, they influence each other and they have a relation closely. When psychological distance is distant, the construal level is often high and oppositely, when psychological distance is proximal, the construal level is normal to low. Researchers found that there are difference types of psychological distance effect on mental s' human or in other ways, dimensions of psychological distance in CLT included: temporal distance (time); spatial distances (physical space); social distances (interpersonal distances, such as distance between two different groups or two dissimilar people); hypothetical distances (imagining that an event is likely or unlikely) (Trope & Liberman, 2010).

Temporal distance refers to the distance in time when people think about an event or object now or in the future. Something that is temporally near means that being near in time, whereas something that is temporally distant means that being far in time. These researches have already demonstrated that distant future actions or events are construed abstractly while near future those are construed concrete. Temporal distance is one of the factors that determine the level of abstraction or concrete (Liberman, Sagristano, & Trope, 2002; Trope & Liberman, 2003). Thus, temporal distance changes people's responses to future events by changing the way they construe these events or objects.

Spatial distance is the physical or geography distance where the social events or objects are taking place from each other. CLT given that individuals frequently think and make decisions

about social events or objects that are located at near spatiality or distant locations. It is important to address influences which this information has on mental representations and decisions' human. CLT suggested that the more spatial distant of an event social, the more abstractly and globally people represent themselves and the contrary (Fujita, Henderson, Eng, Trope, & Liberman, 2006). We can see just a tree in proximal distance while a forest in the distant distance.

Social distance proposed the gap between individuals or groups in society and the ways they interacted each other (Matthews & Matlock, 2011). In the link with this term, other studies in the past have the same definition (Hall, 1966). How close human feel about other people is an important factor to lead how our action will be in life (Stephan, Liberman, & Trope, 2011). For instance, if a social group finds something similar in another group, they may be present at closer distance in this relationship. Far distances occurring, in contrast, when people in a social group can't have the common point or can't connect to the other group. Therefore, social distance is impression on the people 's feeling within the group and how they interact with other group members (Matthews & Matlock, 2011).

Hypothetical distance (or Probability distance) concerned to the likelihood of an event occurring (Todorov et al., 2007). In the studies of Todorov et al. (2007), the results indicated that the probability of an outcome is low or high will effects on end-related (i.e. desirability) features and means-related (i.e. feasibility) features of an outcome people think about. In other ways, an outcome with the low probability, like time and space, seems that be in distant psychology and therefore be at high level construe while that one with the high probability be in proximal psychology and therefore be at low level construe. Like as Todorov et al. (2006) mentioned, low probability outcomes are viewed from a mentally distant perspective to discriminate between what is important and what is less important to individuals.

3.3. PERCEIVED PROXIMITY

As mentioned early, consumer play an important role as the center in the relation companies-consumer (Dampérat, 2006). Investigating on exploring consumer perception have seen as the way to know how consumer think about products or service company. As a result, the company know how to improve their products or services in order to satisfy their consumers and then, to strengthen the relation with their customers. In recently, researchers in France found theoretical dimensions for perception of consumers with the location of food shopping (Bergadaà & Del Bucchia, 2009), namely retail perceived proximity.

According to Oxford Dictionary in 2016, proximity has the root from Latin on 14th century with word "proximitas" or "proximus" and from the Middle French on the late 15th century with "proximité". It means the nearness in space, time or relationship. In sociology and psychology science, proximity concept dedicates to the term "Proxemics". This term is discussed widely in proxemic theory introduced by anthropologist Hall (1966). He defines proxemics as "*the interrelated observations and theories of man's use of space as a specialized elaboration of culture*". This theory explains peoples' use of interpersonal distances to mediate their social interactions with others. Proxemics is as the factor effect on the relationship and behavior between subjects in communication. Moreover, proxemics can be used to interpret for the difference cultural and anthropological phenomenon. Interpersonal distances have seen as the factor effect on success interaction between two individuals. When the feeling of one people indicated that they are similar with other people, it will encourage to

in forming the positive relationship and on the contrary when they are dissimilar with other people (Humphreys, 2002).

From the beginning of the 2000s, beyond the previous science areas, proximity concept has become a well-known concept in mass various of fields, especially in Innovation (Boschma, 2005), Economic Geography (Torre & Gilly, 2000) and Marketing (Bergadaà & Del Bucchia, 2009; Dampérat, 2006; Dufeu & Ferrandi, 2012; Herault-Fournier et al., 2012). In every fields, the researchers proposed various types of proximity.

Researchers in Marketing, especially in France, have started putting great attention on proximity to explain the consumers behavior (Bergadaà & Del Bucchia, 2009; Dampérat, 2006; Dufeu & Ferrandi, 2012; Herault-Fournier, Merle, & Prigent-Simonin, 2012). The perceived proximity dimensions represented for perception of consumers with location of food shopping. This proximity also have seen as the factor reinforce the consumer-company relation (Bergadaa, 2006; Dampérat, 2006).

Besides that, cause of the development of proximity in commerce (Dampérat, 2006), studies more deeply in proximity has been expanded. It leads to a new trend research focus on proximity in marketing today (Petro, 2014). Together with four P's of Marketing Mix (McCarthy, 1960) the proximity is now guessed as the new P (Petro, 2014). It contributes to narrow the gap between consumer and company.

To build proximity, it need to share moments between consumers and company together (Dampérat, 2006). For instance, successful experiences from leading retail companies in proximity marketing in 2015, include Sephora, Coca-Cola, Procter & Gamble and Elle, implementing proximity marketing technologies. These tools allow them come nearer to their consumers (Devika, 2015). The level of proximity among factors depends on the relation between structure and social (Möller & Wilson, 1995). Basing on the trust and friendship proximity is established and gained throughout the interaction among partners. It is also seen as the key factor to lifelong the consumer retention (Taylor, 2015). Another benefit of proximity is that it helps company create more return on investment. Managers and marketers realized that proximity marketing is more effectively than coupon and vouchers in long term. With proximity, company can know better about their consumer, more understand their needs and expectations. Therefore, it is an important tool to strengthen the connection consumer-company and encourage the loyalty consumer. In different way, proximity improve consumer retention as mentioned above.

The current theoretical dimensions of perceived proximity was founded by Bergadaà et al. in early 2000s (Bergadaà & Del Bucchia, 2009). The researchers identified five dimensions of perceived proximity in the context of a relationship between a client and a food distributor brand. Two exploratory qualitative research with ethnological and textual analysis methods was implemented to find out these dimensions.

Viewing from the point of consumer,

- *Access Proximity* states the ability of store to be present on the living spaces of clients. It means that the way they can access store includes time, distance and the convenience of place which store located.

- *Identity Proximity* concerned about habit, race, ritual, image and social policy of store. This close to the values represented for store in mind of publics.

- *Relational Proximity* was created and played through marketing relationship activities. This is the direct and repeated relations between consumers and employees at store. It contributed

make difference advantages among competitors. Much has been rise building close relationship to consumer in recent.

- *Process Proximity* expresses the idea that consumers can be sensitive in the processes implemented by store or the way products come from producer to final client. In other words, how can a product were produced, distributed and bought.

- *Functional Proximity* means the adjusting s' capacity meet the needs of clients, in quantity, quality, time for waiting, and diversity. With Functional Proximity, consumer can save their money by reducing shopping cost. For example: they have more products for their choice when they go to a hypermarket in the center instead of a supermarket in suburban.

Then, however, Herault-Fournier et al. (2012) reduced functional proximity term in their study, in case short supply chain for food. They stated that functional proximity in the study of Bergadaà and Bucchia (2009) is not different with utilitarian value concept (Babin et al., 1984).

4. THE RELATION BETWEEN CONSTRUAL LEVELS, PSYCHOLOGICAL DISTANCE, AND PERCEIVED PROXIMITY

Consequences, according to CLT, people always use two types of mind (i.e. construal levels) like abstract and concrete when they construe about an event/object. They also stated that between people and event/object represent a psychological distance (Trope & Liberman, 2010). The characteristics of psychological distance may be distal or proximal while construal level is at high/abstract or low/concrete.

The relation between construal level and psychological distance is a bidirectional association, include the direction from psychological distance to construal level and from construal level to psychological distance (Trope & Liberman, 2010). In other words, psychological distance influence and be influenced by construal level. There is a large amount of research demonstrated the significant impact of psychological distance on construal level; however, on the contrary direction, the impact of construal level on psychological distance just have received little attention from researchers (Bar-Anan et al., 2006). It is worth emphasizing that although psychological distance and construal level are related, they should not be confused. Psychological distance refers to the perception of when an even to occurs, where it occurs, to whom it occurs, and whether it occurs. While that, construal level refer to the perception of what will occur: the processes that give rise to the representation of the event itself (Trope & Liberman, 2010).

Besides that, Bergadaà & Del Bucchia (2009) designed five dimensions such as access, process, relation, identity and functional proximity to measure how perceived proximity of consumer with distributor brand in food. Moreover, perceived proximity has also concerned as an attribute of psychological distance and relate to the construal's consumer in following studies.

The authors presented how the perceptual cue such as spatial proximity between two images in an advertisement can influence consumers' judgments of the product effectiveness or their construal about the products (Chae, Li, & Zhu, 2013). The dependence on spatial proximity to infer the strength of influence can affect the judgment of more abstract processes (Morales & Fitzsimons, 2007). In prior works, Lakoff and Johnson connected the relation among concrete visual experience, spatial proximity with the abstract judgment of causal influence in 1980.

Another researches also supported the link between perceived proximity and construal. According to processing fluency research, it suggested that people evaluate objects with feelings of ease or difficulty that depending on their experience (construal) at the time they

process information about the objects (Schwarz, 2004). Their experience construal contributed by process proximity factor such as ease of reading visual information (perceived proximity with spatial distance) (Novemsky et al., 2007), distinguishing foreground from background (Reber & Schwarz, 1999) (perceived proximity with temporal distance).

The past literature showed consisting with the cognizance that people are more favorable to a target object when information about the target is conveyed in a manner that is proximity with their construal regarding the object (Lee & Aaker, 2004). Chae and Hoegg (2013) concluded that when consumers' mental representation of a target matches the way the target is presented, this fit increases processing fluency, yielding more favorable target evaluations.

So, we predict that the role of level of construal may effect directly on customers' psychological consequences, mainly perceived proximity. This perception also has viewed as an attribute of psychological distance. This leads to underline an important role of research studying about the association between three variables as the effect of lower construal level (concrete) and high construal level (abstract) on less distance (i.e. perceived proximity of consumer or proximal of psychological distance of consumer). The quality and quantitative researches are necessary to be implemented in the next steps to verify our predictions.

5. DISCUSSION

In this paper, we provided an overview of CLT and perceived proximity in marketing. According to CLT, *individual's mental presents at psychologically near (proximal) are high level and abstract while at psychologically distant (distal) are low level and concrete*. Besides that, perceived proximity has concerned as an attribute of psychological distance.

The foundation for investigating study on perceived proximity and CLT is remarked. We also predict that level of construal may be impale the perceived proximity of consumers and from that will effect on their behaviors. It is clear that exploring consumer perception in new aspects like construal level and perceived proximity may be seen as the new effective solution for firms in competitive emerging market today, evidence from Vietnam.

The limitation of this paper is the lack of empirically validate the underlying mechanism by testing our hypothesis. In the scope of our future research, "Is there any association between perceived proximity (less distance) and lower level of construal?" is as the question we want to continue explore by qualitative and quantitative research in the next steps. We will investigate on exploring set of items perceived proximity, abstract, and concrete dimensions in the domains as grocery retail sector in the emerging market Vietnam.

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