ANTECEDENTS OF STORE LOYALTY – EXPLORING THE ROLE OF STORE AFFECT

ABSTRACT

This paper investigated the role of store affect on store loyalty, a topic that has not been explored adequately. It examined the mediating role of store affect in relationships between store loyalty and its antecedents namely perceived value and store trust. The data were collected from 470 shoppers from a large shopping mall in Australia through a structured questionnaire. The paper revealed that perceived value, store trust and store affect have significant direct and/or indirect impact on store loyalty. The findings of the study also revealed that store affect partially mediates the relationship between perceived value and store loyalty; and fully mediates the relationship between store trust and store loyalty. Managerial implications of the findings are discussed.

INTRODUCTION

Store loyalty is one of the most important cornerstones of retail management success (Omar 1999). Customer loyalty generates different benefits for the retailer including favorable word-of-mouth (Bloemer & Odekerken-Schroder, 2002), customers’ willingness to pay higher prices (Chaudhuri & Ray, 2003) and greater customer share resulting from increased purchases (Zeithaml, Berry & Parasuraman, 1996). Consequently, previous research on store loyalty focused on different antecedents of store loyalty. For example, Sirohi et al. (1998) focused on customers’ perception about the store appearance, store operations and service of the store personnel. Macintosh and Lockshin (1997) examined the role of store satisfaction, salesperson trust and salesperson commitment on store loyalty. Ray and Chiagouris (2009) emphasized on store atmosphere, store uniqueness, merchandise value, and store familiarity to attain store loyalty. Store atmosphere and store uniqueness help generate positive affect towards the store and thus likely to drive store loyalty. Unfortunately, the impact of store affect on store loyalty has not been explored adequately (except, Ray & Chiagouris, 2009). Further, previous research focused on customer satisfaction as a major predictor of loyalty (Brown, 2004; Garbarino & Johnson, 1999; Sawmong & Omar, 2004; Taylor & Baker, 1994) even though there is evidence supporting high rates of defection among satisfied customers across many industries (Buttle, 1999; Jones & Sasser, 1995; Ray & Chiagouris, 2009). Many companies rated high on customer satisfaction indexes showed poor financial performance (Buttle,
1999; Passikoff, 1997). On the other hand, trust is one of the key components of a relationship (Morgan & Hunt, 1994) and store trust that has a direct impact on positive attitude towards the store (Macintosh & Lockshin, 1997). However, research focusing on store trust as an antecedent of store loyalty is inadequate. In addition, most of the previous research mainly focused on repeat purchase as the key indicator; but true loyalty is different from mere repeat purchase (Bloemer & Ruyter, 1998) as repeat purchases may arise due to extraneous factors such as inertia, switching costs or consumer indifference (McMullan, 2005). This research overcomes such limitation by focusing on specific behavioral measures of loyalty.

In this backdrop, this paper attempts to examine the impact of store affect on store loyalty and considers store trust and perceived value as the key the antecedents of store affect en-route to store loyalty. In the following sections, the paper discusses the theoretical underpinnings and hypotheses constituting the conceptual framework followed by detailed methodology, results of the analysis and their implications.

THEORETICAL BACKGROUND AND HYPOTHESES

Store affect has been conceptualized as a pleasure (Chebat & Michon, 2003) and/or affective experience evoked during a store visit which may facilitate attachment to the brand/firm (Orth, Limon & Rose, 2010). The role of store affect in predicting the store loyalty can be explained by the affect-as-information framework (Schwarz, 1990; Schwarz & Clore, 1996), which posits that people consider their feelings comprised of valuable information and rely on the affective information to make judgement and take decisions. Social psychologist traditionally assumed affective responses playing a key role is social judgement and considered it as the heart of most of the judgmental biases (Schwarz, 1990). Recently, affective responses as a predictor of re-patronage intentions have also received considerable academic attention (e.g. Donovan et al., 2002; Mattila & Wirtz, 2000; 2001). Thus literature provide evidence in support of the fact that people often infer their attitude, evaluate an object, and/or take decision from the direction of their feelings (Gorn, Goldberg & Basu, 1993; Pham, 1998).
Perceived value can be defined as the trade-off between what a consumer receives and what s/he gives in return (Zeithaml, 1988). Having its root in equity theory, perceived value holds that consumers are likely to be treated equitably in terms of the ratio of their outcome to inputs comparing to the ratio of outcome to inputs received by the company (Oliver & DeSarbo, 1988). Customer often consider competitors’ offering while calculating the perceived value received from a particular company (Yang & Peterson 2004). Thus perceived value is often relative to competition (Eggert & Ulaga, 2002) i.e. offering better value than competitors will help a company to create competitive advantage. In the similar vein, we consider perceived value as relative to the value offered by the competitors and posit it as one of key determinants of customer loyalty towards a store (Bolton & Drew, 1991; Salegna & Goodwin, 2005).

Following the concept of brand trust (Chaudhuri & Holbrook, 2001), we define store trust as the willingness of the consumers to rely on the ability of the store to perform its stated functions. Research found evidence that customer-perceived value has a positive effect on customer satisfaction with a firm (e.g. Anderson & Mittal, 2000; Yang & Peterson, 2004). The notion of trust is related to dependability and is relevant in case of uncertainty (Doney & Cannon, 1997; Moorman, Zaltman & Deshpande, 1992) such as when greater versus lesser differences among stores in terms of value. As we consider perceived value as one of the key constructs of this research and is conceptualized as relative to competitors’ offer, customers’ trust on a specific store is highly relevant in this context to receive consistent desired value from the store. Hence we hypothesize that

H1: Customer perceived value has positive impact on store trust

Store affect is conceptually similar to brand affect (Chaudhuri & Holbrook, 2001), which can be defined as a store’s potential to evoke favourable emotional responses from its customers as a result of its use (Ray & Chiagouris, 2009). Donovan and Rossiter (1982) argued that store environment has the ability to change consumer emotions and thereby affect behaviours that derive retail and service provider
performance. Affect generated by a store can be of a key determinant of consumers’ future buying behaviour (Babin & Attaway, 2000).

Bloch, Sherrell and Ridgway (1986) argued that shopping in store provide more than simply functional utility as consumers become delighted finding an intended item and/or receiving intended service, or provide value experientially in the form of immediate personal gratification (cf. Babin & Attaway, 2000). Such gratification can be of a source of feeling positive emotion for the consumers, which may also have impact on loyalty. Besides, previous studies have shown that customers’ perceived value has a positive effect on future purchase intention and behaviour (e.g. Baker et al., 2002; Dodds et al., 1991). Hence we hypothesize that

H2: Customers’ perceived value has positive impact on store affect.

Trust is a governance mechanism in exchange relationships that are characterized by uncertainty, vulnerability, and dependence. For trust to exist, consumers must believe that the seller has both the ability and the motivation to reliably deliver goods and services of the quality expected by the consumer (Jarvenpaa et al., 2000). Trust creates an exchange relationship perceived valued by the partners (Morgan & Hunt, 1994) and involves an inference regarding the benevolence of the firm to act in the best interest of the customers (Doney & Cannon, 1997). Moorman, Zaltman and Deshpande (1992) argued that trust leads to commitment of partners in an exchange relationship. Hence, we hypothesize –

H3: Store trust will have a positive impact on store affect

Store loyalty can defined as a deeply held commitment to re-patronize a preferred store. Bloemer and Ruyter (1998) defined store loyalty as a biased behavioural response (e.g. revisit) of the customers expressed over time with respect to a particular store out a set of stores, which is a psychological process of decision making resulting from commitment. Consumers receive value from merchandises bought from the stores and from different initiatives (e.g. loyalty programs) and become loyal to the store. Parasuraman
and Grewal (2000) argued that offering superior value is one of the effective means of generating customer loyalty. Rabbane et al. (2012) also found evidence that perceived value leads to store loyalty.

**H4:** Customer perceived value has positive impact on store loyalty

Bloemer and Odekerken-Schroder (2002) mentioned that store loyalty is influenced by satisfaction and trust towards the store. Consumers are more likely to become loyal to a store if they have relationship with employees (Macintosh & Lockshin, 1997), trust and/or depend on them out of many alternatives. Hence we hypothesize that

**H5:** Store trust has positive impact on store loyalty

Again affect generated by a store can be of a significant determinant of future buying behavior and favorable attitude towards a store (Babin & Attaway, 2000; Donovan & Rossiter, 1982). A positive affect during a store visit may facilitate attachment to that store (Orth, Limon & Rose, 2010). Positive affect with a store may also influence immediate response and bias subsequent retrieval processes (Zajonc & Markus, 1984) through referential meaning mechanism such as different cues of the store (Baldwin et al., 1996) and thus influence customers’ future purchase intention. Thus we hypothesize that

**H6:** Store affect has positive impact on store loyalty

The hypothesized relationships are shown in the following Figure 1.

**Figure 1:** Conceptual model of the hypothesized relationships
A survey using a pre-tested structured questionnaire was conducted among the shoppers of one of the eight anchor stores (selected at random) from a large shopping mall in Western Australia. The data were collected over a period of four weeks. Following the procedure of Sudman (1980), a total of 470 shoppers were approached with a structured questionnaire when s/he was about to enter in the store. Out of the 470 shoppers, 230 responses were received of which 16 responses were discarded due to incompleteness. The measures of the constructs used in the study were adopted from previous studies. Perceived value is measured by the scale items developed by Yang and Peterson (2004) with minor adaptations. Store trust is measured by Harris and Goodie (2001) with due contextual changes. The brand affect scale developed by Chaudhuri and Holbrook (2001) was adapted to measure store affect. Finally, Rosenbaum, Ostrom and Kuntzen’s (2005) loyalty measures were used to measure store loyalty for this study. The measures of the constructs were found to have adequate internal consistency as the minimum Cronbach alpha was found to be 0.70 for store loyalty. In addition, all the measures were assessed through confirmatory factor analysis. Following Anderson and Gerbing (1988), we adopted a two-step approach to structural equation modeling: running a measurement model to assess the convergent and discriminant validity prior to estimate the path relationship from a structural model using AMOS version 19.0. We tested for convergent validity by checking the substantial factor loading of all items (Hair et al., 1995; Raimondo et al., 2008) which significantly (at 0.01 level) loaded onto the expected latent construct (see Table 1 in Appendix). The measurement model shows excellent fit indices with $\chi^2 = 157.45; df = 111$, $\chi^2/df = 1.42$, RMSEA = 0.044, CFI = 0.98, NFI = 0.94; TLI = 0.97; and SRMR = 0.045. Correlation values between constructs were within the acceptable limit that supports discriminant validity of the constructs (Kline, 2005).

RESULTS AND DISCUSSIONS

The model illustrated in Figure 1 has been tested for structural relationship of the constructs. The fit indices of the structural model also show excellent model fit with $\chi^2 = 157.46; df = 111$, $\chi^2/df = 1.42$, RMSEA = 0.044, CFI = 0.98, NFI = 0.95; TLI = 0.98; and SRMR = 0.045. The results of the path coefficients and hypotheses testing are shown in Table 2. From Table 2, it is evident that, of the six
hypotheses, five are supported with beta coefficient ranging from 0.32 to 0.75, thus providing strong support for the postulated conceptual model. Perceived value has significant positive impact on store trust, store affect and store loyalty. Store trust has significant positive impact on store affect and store affect has significant positive impact on store loyalty. Only H5 i.e. the link between store trust and store loyalty is found to be insignificant.

We also examined whether store affect mediates the links between perceived value and store loyalty, and store trust and store loyalty. As evident from Table 2, the direct effect of perceived loyalty on store loyalty is significant whereas direct effect of store trust on store loyalty is insignificant. On the other hand, the indirect effect of perceived value on store loyalty via store affect is significant ($\beta_{\text{indirect}} = 0.42$; critical ratio $= 6.20$). Hence store affect partially mediates the relationship between perceived value and store loyalty. The indirect effect of store trust on store loyalty via store affect is also found to be significant ($\beta_{\text{indirect}} = 0.22$; critical ratio $= 2.88$). Hence store affect fully mediates the relationship between store trust and store loyalty.

**IMPLICATIONS**

Therefore, of the three antecedents that we examined - perceived value, store trust and store affect are found to have impact on store loyalty. Considering that the impact of store affect on store loyalty has not been explored adequately in the existing literature, this study emphasizes on the role of store affect on store loyalty as it mediates the relationships between the examined antecedents (perceived value and store trust) and store loyalty. The findings of the study have significant theoretical contribution and managerial implications. Customers with positive store affect tend to be more loyal to a specific store. Hence, the store managers should focus on different ways to create positive affect in customers mind. Attractive store atmosphere and/or environment with different cues such as spectacular décor, interactive displays, attractive music, fragrances, adequate lively salesperson, multimedia stimulation, and other customized details evoke positive affect in customers’ mind and thus provide an entertaining shopping experience to the customers (e.g. Baker, Grewal & Parasuraman, 1994; Kozinets et al., 2002; Ray & Chiagouris, 2009).
In addition, the findings of the study also offer a unique contribution by suggesting that providing value to customers and thus attain their trust are the key determinants to attain affective responses from the customers. Hence the store managers should ensure that the customers receive a better value compared to its competitors and thus can be able to trust the store for its ongoing purchase decisions.
REFERENCE


XXIX, 314–328.


Table 1: Descriptive statistics, factor loading and reliability of the scale items

<table>
<thead>
<tr>
<th>Items</th>
<th>Loading</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Perceived value: Reliably, $\alpha = 0.91$</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compared to alternative stores, Company X offers attractive prices for their products/services.</td>
<td>0.75</td>
<td>4.62</td>
<td>1.37</td>
</tr>
<tr>
<td>Compared to alternative stores, Company X charges me fairly for similar products/services.</td>
<td>0.78</td>
<td>4.77</td>
<td>1.30</td>
</tr>
<tr>
<td>Compared to alternative stores, Company X provides more free services.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comparing what I paid at Company X to what I might get from competitive stores, I believe that so far Company X has provided me with good value.</td>
<td>0.60</td>
<td>4.12</td>
<td>1.31</td>
</tr>
<tr>
<td>Comparing what I will pay at Company X to what I might get from competitive stores, I believe Company X will provide me with good value in the future.</td>
<td>0.95</td>
<td>4.87</td>
<td>1.32</td>
</tr>
<tr>
<td><strong>Store Trust: Reliably, $\alpha = 0.92$</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company X is interested in more than just selling me goods/services and making profit.</td>
<td>0.61</td>
<td>4.75</td>
<td>1.42</td>
</tr>
<tr>
<td>There are no limits to how far Company X will go to solve a service problem I may have.</td>
<td>0.79</td>
<td>4.71</td>
<td>1.29</td>
</tr>
<tr>
<td>Company X is genuinely committed to my satisfaction.</td>
<td>0.86</td>
<td>5.25</td>
<td>1.21</td>
</tr>
<tr>
<td>Most of what Company X says about its goods/services is true.</td>
<td>0.87</td>
<td>5.38</td>
<td>1.13</td>
</tr>
<tr>
<td>Most of what Company X claims about its goods/services are exaggerated.</td>
<td>0.68</td>
<td>2.72</td>
<td>1.43</td>
</tr>
<tr>
<td>If Company X makes a claim or promise about its goods/services, it is probably true.</td>
<td>0.80</td>
<td>5.16</td>
<td>1.20</td>
</tr>
<tr>
<td>In my experience, Company X is very reliable.</td>
<td>0.79</td>
<td>5.51</td>
<td>1.22</td>
</tr>
<tr>
<td>I feel I know what to expect from Company X.</td>
<td>0.72</td>
<td>5.68</td>
<td>1.29</td>
</tr>
<tr>
<td><strong>Store Affect: Reliably, $\alpha = 0.96$</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I feel good when I shop at Company X.</td>
<td>0.91</td>
<td>4.94</td>
<td>1.31</td>
</tr>
<tr>
<td>Shopping at Company X makes me happy.</td>
<td>0.96</td>
<td>4.88</td>
<td>1.36</td>
</tr>
<tr>
<td>Shopping at Company X gives me pleasure.</td>
<td>0.95</td>
<td>4.94</td>
<td>1.34</td>
</tr>
<tr>
<td><strong>Store loyalty: Reliably, $\alpha = 0.70$</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I speak unfavorably about Company X to others (Reverse Coded).</td>
<td>0.38</td>
<td>5.84</td>
<td>1.54</td>
</tr>
<tr>
<td>I can’t see me ending my relationship with Company X</td>
<td>0.67</td>
<td>5.11</td>
<td>1.73</td>
</tr>
<tr>
<td>I do not consider myself loyal to Company X.</td>
<td>0.65</td>
<td>4.53</td>
<td>1.88</td>
</tr>
<tr>
<td>I would pay more for products or services in order to buy them from Company X compared with prices at other stores.</td>
<td>0.75</td>
<td>3.56</td>
<td>1.78</td>
</tr>
<tr>
<td>I would be willing to try products or services from a competitor’s store.</td>
<td>0.51</td>
<td>2.80</td>
<td>1.45</td>
</tr>
</tbody>
</table>
Table 2: Standardized path coefficients, critical ratio (CR), standard error (S.E.), and p-value

<table>
<thead>
<tr>
<th>Hypotheses and Path</th>
<th>Estimate</th>
<th>C.R.</th>
<th>P - value</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Perceived value =&gt; Store trust</td>
<td>0.76</td>
<td>12.90</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>H2: Perceived value =&gt; Store affect</td>
<td>0.28</td>
<td>3.77</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>H3: Store trust =&gt; Store affect</td>
<td>0.56</td>
<td>6.91</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>H4: Perceived value =&gt; Store loyalty</td>
<td>0.29</td>
<td>2.84</td>
<td>0.004</td>
<td>Supported</td>
</tr>
<tr>
<td>H5: Store trust =&gt; Store loyalty</td>
<td>0.19</td>
<td>1.61</td>
<td>0.10</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H6: Store affect =&gt; Store loyalty</td>
<td>0.39</td>
<td>3.61</td>
<td>***</td>
<td>Supported</td>
</tr>
</tbody>
</table>

*** Significant at 0.001 level