The impact of retail store format on the satisfaction-loyalty link: An empirical investigation

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ABSTRACT

Maintaining and improving customer loyalty is an important strategic goal for businesses as competition has intensified in almost all sectors of the economy. Retailers, in particular, feel the need to invest in customer loyalty more than ever before as channels and store format alternatives available for consumers to shop at have proliferated. However, current research in marketing provides little guidance to retail managers about developing and sustaining shopper loyalty across different store formats. Toward filling this gap, the present research examines the shopper satisfaction-loyalty link in two different store formats (supermarkets and hypermarkets). Using data from surveys of 505 Spanish shoppers at both types of retail formats, we examined how shoppers' attitudinal and behavioral loyalty develop differently. Our results reveal important differences and offer directions for the pursuit of different strategies by supermarkets and hypermarkets. The specific strategies, and the implications of this research for theory and practice are discussed.

1. Introduction

The construct of customer loyalty has always attracted interest from both academics and practitioners. This is because customer loyalty is an important asset in today's intensely competitive environment (Srivastava, Shervani, & Fahey, 1998). As companies find themselves under more pressure in the marketplace, they seek to improve customer loyalty in the hope of securing future sales and revenue. This is especially true for retailers who are facing competition from multiple channels (online and offline) and multiple retail store formats (hypermarkets, supercenters, supermarkets, etc.). According to a recent (2013) survey by Retail Systems Research (www.rsrresearch.com), 61% of retailers believe that customer retention is the most important challenge they face in managing their businesses. At the same time, Northwestern University's Center for Retail Management reported that only 12 to 15% of retail customers are loyal to a single retailer! These figures underscore the unprecedented challenge faced by all retailers and the specific importance of planning and implementing successful loyalty building strategies to protect and increase their share of the market. However, in spite of numerous articles in marketing and retailing literatures that have examined the antecedents and processes leading to and/or enhancing customer loyalty, there is still uncertainty among retail managers on how to best allocate resources to various loyalty-building efforts. Moreover, it is not clear whether the mechanism for building loyalty varies by contingencies such as retail store format type considering that today there are multiple store formats selling the same product categories (e.g., hypermarkets, supercenters, and supermarkets).

Some of the uncertainty about how to build loyalty stems from continuing debate about the antecedents of loyalty less than 25%. For example, while many assume that customer satisfaction is a strong predictor of loyalty in the marketing literature, several studies have found evidence to the contrary (e.g. Homburg & Fürst, 2005; Verhoef, 2003). In this vein, a meta-analysis by Szymanski and Henard (2001) concluded that < 25% of repeat purchase behavior is attributable to customer satisfaction. Thus, the need for better understanding of the customer satisfaction–loyalty link persists.

In a recent comprehensive review in the *Journal of Retailing*, Kumar,

Pozza, and Ganesh (2013) stress that extant research on the link between satisfaction and loyalty does not yet offer clear guidance to marketers. They argue that part of this ambiguity is because this relationship is more complex than current theoretical models suggest. That is, the satisfaction-loyalty link could depend on various moderators and mediators that need more investigation. Therefore, they encouraged researchers to consider more holistic models that include relevant variables. Furthermore, they note the differences in how loyalty is defined and measured across different articles. Most empirical research studies have either not distinguished between two types of loyalty - attitudinal and behavioral - or focused only on one or the other of these loyalty types. Consequently, it is not still clear whether strategies suggested to build, say, behavioral loyalty, will also enhance attitudinal loyalty and under what conditions. Thus, there is a need for more studies that clearly distinguish between the two constructs of attitudinal and behavioral loyalty as well as conceptualize and empirically investigate how satisfaction affects them in different contexts and contingencies.

Against this backdrop, the goal of the present research is to contribute to loyalty research literature in marketing and store format strategy literature in retailing. We do so by proposing and empirically testing a conceptual model that distinguishes between attitudinal and behavioral loyalty and relates two important antecedents, satisfaction and trust, to each type of loyalty in two different store formats (supermarkets and hypermarkets). That is, we develop hypotheses of how customer satisfaction, trust, attitudinal loyalty, and behavioral loyalty are related, and how store format moderates these relationships. We test our conceptual model in the context of grocery retailing using data obtained from a survey of 505 grocery shoppers in Spain. Fig. 1 presents the conceptual model for our investigation. We present our related hypotheses and their rationales in the next section. We test this model on our Spanish survey data using structural equation modeling. To summarize, our study aims to answer the following research questions:

(1) How does the distinction between the two types of loyalty in our model alter extant theory and findings about the satisfaction-attitudinal loyalty and satisfaction-behavioral loyalty links?
(2) Does store format (supermarket vs. hypermarket) moderate the links between satisfaction and two types of loyalty? If so, what are the implications for retail managers and scholars interested in strategies for building store loyalties?

Showing a moderation effect of store format, as we propose in our conceptual model, would not only confirm Kumar et al. (2013)'s position on the need for testing context-specific contingencies in the

relationship between satisfaction and loyalty, it would also provide retail managers with much more clear and specific guidance in their loyalty building strategies. While our findings are based on data from grocery retailing, we discuss how our research can benefit all retail establishments (grocery and non-grocery) determining how to build shopper loyalty.

Our results suggest that satisfaction and trust positively influence behavioral loyalty but only through attitudinal loyalty, i.e., their direct influences on behavioral loyalty are not significant. This implies that attitudinal loyalty is a precursor of behavioral loyalty and focusing directly on the latter is unlikely to be a fruitful strategy. We also find that there are some important differences between supermarkets and hypermarkets, i.e., the satisfaction-loyalty link varies with the retail store format. In particular, trust mediates the satisfaction-loyalty link in the supermarket but not in the hypermarket context. This difference is due to the moderating effect of store format on two specific relationships: satisfaction to attitudinal loyalty and trust to attitudinal loyalty. This important finding indicates different strategies and resource allocations to build loyalty in these two major types of grocery retailing formats. By extension, it also suggests that the overall link between satisfaction and loyalty is in fact context-specific. Thus, claims of generalizability must be made with caution.

The remainder of this paper is organized as follows. First, we review the literature in order to provide the rationale for our overall conceptual model. We then define the concepts of satisfaction, trust, attitudinal and behavioral loyalty and hypothesize how they are linked, and how store format would moderate these relationships. Then, we test our model using structural equation modeling on data obtained from consumer surveys conducted at the end of customers' shopping trips to supermarket and hypermarkets in Spain. We conclude with a discussion of the importance of our findings to both marketing and retailing research and their implications for managers of supermarkets and hypermarkets.

2. Background and model development

Oliver (1999, p. 34) defined consumer loyalty as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future." As such, building and improving customer loyalty can secure long-term profitability for firms. Loyalty's importance grows in the face of competition. Retailers in general and grocery retailers in particular, are among the firms that face intense competition. Proliferation of channels and store formats and the expansion of consumers' choice as it relates to which retailer to shop from have made retaining current customers more important than ever. Not only grocery customers now have the option to purchase groceries online from their
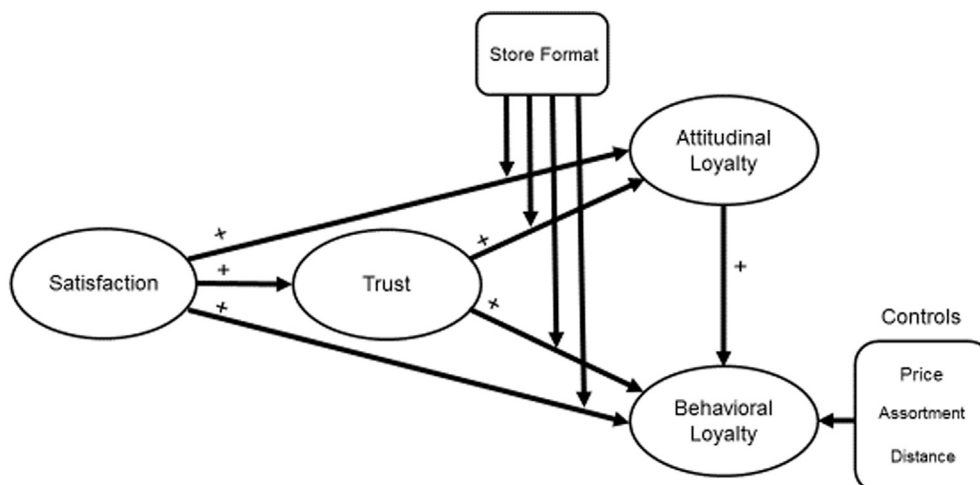

Fig. 1. Hypothesized model.