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## Explaining Customer Loyalty to Retail Stores: A Moderated Explanation Chain of the Process

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## Chapter 2

# Explaining Customer Loyalty to Retail Stores: A Moderated Explanation Chain of the Process

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### **ABSTRACT**

*This chapter reassesses the process of how store customers become loyal to their stores; what are the core subprocesses generating customer store loyalty, and what contributing moderators enrich the final outcome. A new empirical research is designed to identify and test a parsimonious model of core relationships and moderators. The result is an explanation chain that incorporates relational variables, trust, and commitment to the traditional transactional one, customer satisfaction, and the moderating factors of the relational variables. The findings reveal that 1) customer commitment is the major contributor of explanation to true customer loyalty, significantly more than the contributed explanation of customer satisfaction, and 2) four cognitive attitudes and four affective attitudes significantly moderate the relational effects of trust and commitment on customer store loyalty and, thus, contribute, though in small amounts, to a stronger explanation.*

## **INTRODUCTION**

In today's overcrowded consumer markets, customers can more easily identify themselves with brands based on successful positioning and effective fitting of product values to consumer needs. Notwithstanding, customers may not follow the same process when becoming loyal to stores where many brands, some of them competing, may complicate the B to C relationships and, thus, the way store customers become loyal.

The study aims at investigating anew the entire process of how store customers become loyal to their stores by not only describing the process but also attempting to explain it based on empirical research. Thus, this study of customer store loyalty focuses on 1) the explanation of true loyalty, 2) the understanding of a core process generating customer loyalty that is based on relational components in addition to transactional ones, and 3) the moderating effects produced by cognitive and affective attitudes shaping or modifying the core process. Thus, the following research questions are proposed: 1) what are the relational variables that necessarily mediate the relationship between customer store satisfaction and customer store loyalty? 2) What are the factors that moderate the effect of the mediating relational variables of the store satisfaction-loyalty relationship?

The conceptual framework that provides the basis to propose a conceptual model is first introduced and discussed. The research method and the results obtained are then presented, followed by a discussion of the findings and derivation of some research and managerial implications. Suggestions for future research, some managerial implications and the study conclusions are finally offered.

## **CONCEPTUAL FRAMEWORK**

The conceptual framework of this study focuses on true loyalty, the core process store customers use to achieve it, and the moderating forces and attitudes intervening in the process either as shapers of a common path in customer loyalty formation or modifiers of specific paths in customer loyalty implementation.

### **Customer Store Loyalty**

Store customers develop loyalty in various representations. Some of these refer to behavior, like going to the same store every week because the store is close to consumers' home, and others reflect attitudes like cognitive and affective. Past studies have focused on behavioral loyalty and helped build customer loyalty programs that encourage customers to repeat purchase in the same stores. Loyalty programs do not attempt to proactively influence customer attitudes. Customer loyalty involves both human behavior and attitudes; "a favorable correspondence between relative attitude and repeat patronage" (Dick & Basu, 1994, p. 102).

Thus, following Dick and Basu (1994) and Oliver (2010), this study examines customer loyalty in its three dimensions, cognitive, affective and behavioral. Both behavior and attitudes act in unison to generate customer store loyalty, true loyalty. True loyalty requires a meaningful presence of both positive attitudes and behavioral experience in consumers. The absence of attitudes limits the human experience to "spurious" loyalty and the absence of behavioral experience limits the attitudes to "latent" loyalty (Dick & Basu, 1994). "Spurious" loyalty is often represented or exemplified by repeat purchase and customer retention - themes that have been the focal point of abundant research.

## **Customer Satisfaction**

Satisfaction is an evaluative, affective, or emotional response that evolves with the experience a consumer has with a good or service over a period (Oliver & Swan, 1989). Store customers experience satisfaction in more than one way (Oliver, 2010). They can be satisfied with the products they buy but fundamentally they may be satisfied with the transaction they get involved in when acquiring the product. Satisfaction is a cumulative construct that includes not only satisfaction with specific products and services but also with the various aspects of the transaction and the organization such as the interaction with employees and the physical facilities. Yet, transaction satisfaction is different from consumption satisfaction (Oliver, 2010) and both are different from competing satisfaction, particularly in stores (Chu, Vasquez-Parraga, & Ma, 2018; Vasquez-Parraga & Sahagun, 2014). Transaction satisfaction occurs during the interaction between the customer and the store personnel. Consumption satisfaction relates to satisfaction with the product and may occur after the purchase is completed. Finally, competing satisfaction is generated by other stores to which customers can switch. To comprehensively study customer satisfaction with stores it must include transaction and competing customer satisfactions.

In addition, the literature mentions brand satisfaction or satisfaction with the brand (Oliver, 2010). Granted, brand satisfaction may also deal with all three types of satisfaction but depend a lot more on consumption satisfaction than on transaction and competing satisfaction. Besides, stores can carry private brands which can be compared to national brands used at the store. Yet, this comparison alone is another subject.

## **Customer Satisfaction – Loyalty Relationship**

According to Oliver (1993, p. 418), “a satisfactory purchase experience would appear to be one requirement for the type of continued interest in a product that may lead to repeat purchasing.” Moreover, “customer loyalty is a deeply held commitment to rebuy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts that have the potential to cause switching behavior” (Oliver, 2010, p. 432). Accordingly, previous research has emphasized the role of customer satisfaction in the formation and evolution of customer loyalty and considered the satisfaction-loyalty linkage a solid explanation (Hallowell, 1996; Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994; Liu, Huang, & Chen, 2014; Reichheld, 1996; Wang, Zha, Bi, & Chen, 2018).

Customer store satisfaction alone can be the result of a good transaction. Repeated purchases increase the number of transactions and therefore generate loyalty (Bolton, Lemon, & Verhoef, 2004; Chiou & Droge, 2006). Well, the customer loyalty those authors are talking about is so called spurious loyalty a related concept to repeated purchase (Orel & Kara, 2014; Terblande, 2018; Thomas, 2013). Spurious loyalty is fundamentally behavioral and relies on transactions, like the ones promoted by existing loyalty programs (Irshad, Amjad, & Janjua, 2015; Stathopoulou & Balabanis, 2016).

## **From Transactional to Relational Exchanges**

Actual experiences of store customers, however, do not validate the customer satisfaction-loyalty simple path in the formation of their loyalty. Instead, store customers seem to follow a more complex path, one in which relational components are present and often dominate the transactional ones in the experienced core

process. Satisfaction with the transaction requires relational interactions; true loyalty is both behavioral and attitudinal; more importantly, attitudinal loyalty requires relational approaches to be generated. All these requirements force the researcher to look elsewhere for a meaningful explanation of how customer loyalty is generated and sustained.

Moreover, recent research has found that customer satisfaction and loyalty are only indirectly related (Miranda, Konya, & Havrila, 2005; Sivadas & Baker-Prewitt, 2000), that store loyalty cannot be generated by satisfaction alone as other predictors are better and stronger than satisfaction (Kumar, Pozza, & Ganesh, 2013), and that, therefore, there is a more complex process involved in the generation of customer loyalty (Schirmer, Ringle, Gudergan, & Feistel, 2018; Vasquez-Parraga, Sahagun, & Escobedo, 2014; Vasquez-Parraga & Sahagun, 2014).

## **Role of Trust and Commitment**

The explanation of customer store loyalty requires an integrated explanation of the core process and the identification of moderating factors intervening in either the formation of the process or the sustenance of the process, or both. Empirical research shows that customers rely on both relations and transactions in their way to become loyal (Oliver, 2010). Key transactions include the purchase process, store characteristics, store brand, brand equity, private label share or usage, and the resulting customer satisfaction (Bilgihan, 2016; Coelho, Matos, & Caiado, 2016; Ipek, Askin, & Ilter, 2016; Koschate-Fisher, Cramer, & Hoyer, 2014; Murray, Elms, & Teller, 2017; Rubio, Villasenor, & Yague, 2016). Key relational processes include trust and commitment exchanges (Morgan & Hunt, 1994). Both transactions and relational processes are revealed in the loyalty path used by store customers (Carpenter, 2008; Chu, Vasquez-Parraga, & Ma, 2018; De Wulf, Odekerken-Schroder, & Iacobucci, 2001; Rafiq, Fulford, & Lu, 2013; Shpetim, 2012; Vasquez-Parraga, Sahagun, & Escobedo, 2014; Vasquez-Parraga & Sahagun, 2014), hotel guests (Zamora, Vasquez-Parraga, Morales, & Cisternas, 2004), airline travelers (Bravo, Vasquez-Parraga, & Zamora, 2005), land-transportation travelers (Zamora, Vasquez-Parraga, Rodriguez, & Gonzalez, 2011), non-profit services (Barra, Pressgrove, & Torres, 2018), and fast-food consumers (Sahagun & Vasquez-Parraga, 2014). Additional relational variables are examined in other studies such as word-of-mouth communication (Sivadas & Baker-Prewitt, 2000), and service experience (Kocak, Kabadayi, & Yilmaz, 2016).

## **CONCEPTUAL MODEL**

Four cornerstone concepts are adopted in the conceptual model representing the core process of customer store formation, that is, how store customers become loyal to their stores. These concepts are customer satisfaction, trust, commitment and loyalty, all four sequentially linked to constitute an explanation chain (Vasquez-Parraga & Alonso, 2000). An explanation chain includes key variables used to offer a parsimonious explanation of a sought outcome or phenomenon (Hunt, 2010). The proposed explanation for customer store loyalty starts with customer satisfaction, which in turn generates customer trust that is followed by customer commitment to a relationship, which in turn results in customer loyalty. Thus, customer store loyalty can be defined as the result of customers and providers achieving successful relationships of trust and commitment after an initial satisfactory encounter (Chu, Vasquez-Parraga, & Ma, 2018; Vasquez-Parraga & Sahagun, 2014; Vasquez-Parraga, Sahagun, & Escobedo, 2014).

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In addition, this conceptual model examines the moderating effects of relevant cognitive and affective attitudes impacting on the relational variables, trust and commitment (Vasquez-Parraga, Sahagun, & Escobedo, 2014). The cognitive factors include store familiarity, store choice, customer perceived risk, and communication between the company and the customer. The affective factors include customer opportunistic tendencies, consumer involvement, shared personal values, and shared management values.

## **METHODOLOGY**

### **Research Design**

The research method is designed to test a core process and its moderating factors in the formation of customer store loyalty, following the Vasquez-Alonso (V-A) approach (Vasquez-Parraga, Sahagun, & Escobedo, 2014). The core process is relational and highlights two relational variables, trust and commitments, as mediators in the relationship between customer store satisfaction and customer store loyalty. Thus, the core process consists of an explanation chain that starts with customer satisfaction, which influences trust. Trust is essentially linked to commitment as per previous literature, and commitment is the immediate antecedent of customer loyalty: Satisfaction → trust → commitment → customer loyalty. The explanation chain is supplemented by the moderating effects of cognitive and affective consumer traits on trust, when it relates to commitment, and commitment, when it relates to customer loyalty. The examined cognitive attributes include store familiarity, store choice, customer perceived risk, and communication between the company and the customer. The evaluated affective characteristics include customer opportunistic tendencies, consumer involvement, shared personal values, and shared management values.

### **Measurement**

Customer store loyalty was examined in its three dimensions, cognitive, affective, and behavioral, as in Vasquez-Parraga, Sahagun, and Escobedo (2014). Cognitive loyalty and affective loyalty were measured using five items per construct, and behavioral loyalty was measured employing six items and a 7-point Likert Scale (1 = Strongly Disagree, 7 = Strongly Agree). Customer store satisfaction was assessed regarding consumption (4 items), transaction (4 items), and competition (4 items), as in Vasquez-Parraga, Sahagun, and Escobedo (2014). Trust was measured using six items and commitment was measured using 5 items. Table 2 shows the retained items under each construct.

The five cognitive moderators of trust and commitment include customer perceived risk, store familiarity, store choice, and communication between the company and the customer, and all are measured using five items per construct and a 7-point Likert Scale (1 = Strongly Disagree, 7 = Strongly Agree). The four affective moderators of trust and commitment include customer opportunistic propensity, consumer involvement, shared personal values, and shared management values with the retailer, and all are measured using five items per construct and a 7-point Likert Scale (1 = Strongly Disagree, 7 = Strongly Agree). Table 3 includes the retained items under each construct.

## Sample

To implement the survey, adult consumers were approached in a geographical area where 1) consumers experience grocery stores carrying either national or local or both types of brands and 2) different requirements to get customer satisfaction in the short-term and gain customer loyalty, trust and commitment in the long-term can be scrutinized. Only adults who reported having shopping experience were interviewed. The approached overall sample included 488 store customers: about 61% are women, 45% are married, and 32% are older than 30 years, as shown in Table 1.

## RESULTS AND DISCUSSION

### Reliability and Validity Assessment

Using maximum likelihood factor analysis, it was found that all items loaded in the targeted constructs. Table 2 shows the core constructs including the items measured, their factor loadings, their reliability coefficients ( $\alpha$ ), and the average variance explained (AVE). The items representing cognitive, affective and behavioral loyalty loaded as expected in corresponding constructs and with standardized loading estimates above the minimum threshold (.50). The three constructs reflecting customer loyalty (cognitive, affective, and behavioral) show high reliability coefficients (above .70) and average variances explained

*Table 1. Store Customers: Sample Profile (In %)*

Sample Characteristics	Store Customers (n = 488)
Gender	
Males	
Females	
Marital Status	
Married	38.9
Single	61.1
Divorced and Separated	44.5
Age	
20 years or less	9.6
Between 21-30 years	4.5
Between 31-40 years	50.1
Between 41-50 years	16.5
Household Size	
Small (3 members or less)	15.9
Medium (4 -5 members)	51.4
Large (6 members or more)	42.0
Family Members Using the Same Store	
3 members or less	6.6
4 to 6 members	38.5
More than 6 members	39.9
Employment Status	
Employed (with formal or informal job)	21.6
Not employed (retired, student, housewife)	71.1
TOTAL in each category	28.9
	100.0

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Table 2. Core constructs: confirmatory factor analysis

Constructs and Items	Factor Loading
<b>Cognitive Loyalty (<math>\alpha = .819</math>, AVE = 58.4%)</b>	
Once I get to know a grocery store, I tend to use that store more often	.734
For the time being, I am not looking for an alternative store	.721
When I decide to stay with a store, I make sure that the store is adequate to my needs	.814
I am loyal to my grocery store because personnel at this store is very knowledgeable	.772
Client loyalty in grocery stores is based on good personal reasons and experiences	.775
<b>Affective Loyalty (<math>\alpha = .885</math>, AVE = 68.7%)</b>	
Once I get used to a store, I hate to switch	.782
I feel a strong loyalty to my favorite store	.865
I have developed some sort of emotional connection with my favorite store	.826
Continues service from my favorite store gives me peace of mind	.844
I'd like to have my current favorite store as my permanent store	.826
<b>Inner Behavioral Loyalty (<math>\alpha = .860</math>, AVE = 70.8%)</b>	
Even though grocery stores are available in many brands, I always use the same one	.819
If I like a grocery store, I rarely switch from it just to try something different	.767
I have been with my favorite store for a long time	.893
I plan to continues relying on my favorite store for a long time	.881
<b>Outer Behavioral Loyalty (<math>\alpha = .854</math>, AVE = 87.3%)</b>	
I say positive things about my favorite store to others	.934
I encourage friends and relatives to use my favorite store	.934
<b>Commitment (<math>\alpha = .913</math>, AVE = 74.5%)</b>	
I am proud to be a client of my favorite grocery store	.885
I feel a sense of belonging to my store	.905
As far I am concerned no one could choose a better grocery store	.865
I am very confident about the success of my store	.833
I feel that I have a personal relationship with my grocery store	.825
<b>Trust (<math>\alpha = .909</math>, AVE = 68.8%)</b>	
I have complete faith in the integrity of the personnel at my store	.821
I feel quite confident that my store will always try to treat me fairly	.877
My grocery store has been truthful in dealing with me	.841
My store would never try to gain an advantage by deceiving its clients	.813
My grocery store is trustworthy	.867
I am sure that the offerings at my favorite grocery store are valuable ones	.754
<b>Satisfaction with Service (<math>\alpha = .919</math>, AVE = 80.8%)</b>	
This is one of the best experiences with a grocery store I have ever had	.840
This grocery store is exactly what I need	.919
This grocery store has worked out as well as I thought it would	.926
This grocery store has adequately fulfilled my expectations	.908
<b>Satisfaction with Employees (<math>\alpha = .881</math>, AVE = 74.0%)</b>	
Employees at my current grocery store give me personal attention	.865
Employees at my current grocery store know what they are doing	.873
Employees at my grocery store are never too busy to respond to client requests promptly	.859
Employees from my favorite grocery store are polity	.842
<b>Satisfaction Despite Competition (<math>\alpha = .912</math>, AVE = 79.1%)</b>	
Compared to the other stores my grocery store offers the best products	.884
Compared to the other stores, my grocery store has the best reputation	.898
Compared to the other stores, my stores give customers the best satisfaction overall	.911
I am satisfied with my decision to choose this store over all the other stores	.864

$\alpha$  = Cronbach coefficient alpha.

AVE = average variance extracted



above .50, as required in reliability and convergent validity assessments (Hair, Babin, Anderson, & Black, 2018).

The relational core constructs, trust and commitment, showed to be unidimensional and have all measured items loaded into the corresponding constructs with standardized loading estimates higher than .75, reliability coefficients above .90, and average variance explained above 68 percent. The items reflecting satisfaction with consumption, satisfaction with transaction, and satisfaction in competition loaded as expected in corresponding constructs with standardized loading estimates higher than .86, reliability coefficients above .88, and average variance explained above 74 percent. Confirmatory factor analysis performed for the moderating factors showed that all items loaded into the expected construct with standardized loading estimates higher than .60, reliability coefficients above .70 and average variances explained above 50 percent, as shown in Table 3. Thus, all constructs in this study passed the test of reliability and convergent validity (Hair et al., 2018).

All correlations are positive and significant among the core constructs (coefficients vary from .63 to .78). All cognitive moderating factors are positively and significantly related to each other and to the other variables with very few exceptions. Store choice is positively and significantly related to all variables. Store familiarity, perceived risk, and communication are also positively and significantly related to all variables except opportunism (with store familiarity) and shared personal values (with perceived risk and communication). Similarly, all affective factors are significantly related to all variables, although three variables positively and one variable (opportunism) negatively. Correlations are negative between opportunism and the core variables, as expected, and negative with the moderating variables except store choice and perceived risk. Consumer involvement, shared personal values and shared management values are positively and significantly related to all variables except shared personal values (involvement), commitment (shared personal values), and opportunism (shared management values), as shown in Table 4.

For discriminant validity assessment, Table 3 shows that all square roots of average variance explained estimates are larger than the corresponding inter-construct correlation estimates (Hair et al., 2018).

## **Explanation Chain**

### **SEM Results**

A structural equation model is presented to estimate the simultaneous relationships and the measurement errors occurring in the explanation chain. Figure 1 shows the well-fitted second-order constructs of loyalty and satisfaction, and the resulting overall fit of the model representing the explanation chain. Customer loyalty is a second-order factor derived from four dimensions: cognitive loyalty, affective loyalty, inner behavioral loyalty, and outer behavioral loyalty. Customer satisfaction is also a second-order factor derived from three types of satisfaction: service satisfaction, transaction satisfaction, and competing satisfaction. The  $R^2$  obtained for customer loyalty using SEM is higher ( $R^2 = .671$ ) than the coefficient estimated using SPSS ( $R^2 = .556$ ) mainly because of the simultaneous effects.

Table 5 summarizes the results obtained using SEM. All factor loadings are above .40 as required for item retention and all structural parameter estimates are higher than .70 (Hair et al., 2018). The model fit measures are within the thresholds required (Hair et al., 2018): CFI = .918, NNFI= .912, Chi Squared (692) = 1,788.581 at  $p = .000$ , RMSEA= .057, and SRMR= .0615. Both, Figure 1 and Table 5 also show the explained variances of trust ( $R^2 = .588$ ), commitment ( $R^2 = .698$ ) and customer loyalty ( $R^2 = .671$ ), denoting elevated levels of explanation that derive from these variables alone.

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Table 3. Moderating factors: confirmatory factor analysis

Constructs and Items	Factor Loading
<b>Store Choice (<math>\alpha = .705</math>, AVE = 50.5%)</b>	
I know that there are several possible alternatives to my favorite grocery store	.743
Before I selected my grocery store, I knew about several alternatives	.806
I often check about new possible alternatives to my current grocery store	.645
The prices at my favorite store are competitive	.603
<b>Store Familiarity (<math>\alpha = .879</math>, AVE = 67.7%)</b>	
Compared to other people, I know a lot about grocery stores	.842
Compares to most of my friends, I know a lot about grocery stores	.849
I am familiar with many products offered by my favorite store	.834
I know a lot about selecting products and services made available by grocery stores	.850
I have a clear idea about what grocery stores should offer for me to get maximum satisfaction	.732
<b>Opportunism (<math>\alpha = .852</math>, AVE = 63.0%)</b>	
To accomplish its own objectives, my store might not provide me with the best benefits available	.719
To accomplish its own objectives, my store sometimes promises to do things without actually delivering them	.805
My grocery store sometimes pretends that a service is of values to me, when in fact the store is looking out for itself	.858
I think that my store does not care about me	.814
My grocery store only cares about the money I pay	.766
<b>Perceived Risk (<math>\alpha = .848</math>, AVE = 62.5%)</b>	
I am concerned about making a mistake in choosing a grocery store	.758
The decision to choose a grocery store involves high risk	.842
If I have to switch my current store, I might lose some benefits I have already earned	.832
I think that there is a hidden cost if I switch my current store	.828
Switching among stores involves a cost in terms of time and effort	.681
<b>Communication (<math>\alpha = .872</math>, AVE = 66.5%)</b>	
My store keeps me informed of new products	.736
My store clearly explains the product features when I ask	.846
When I make suggestions, the personnel working at my store always listens to my suggestions	.845
If I want to, I can have detailed conversations regarding products and prices with personnel from my store	.858
As far as I know, my store cares about receiving feedback from its customers	.786
<b>Consumer Involvement (<math>\alpha = .897</math>, AVE = 71.0%)</b>	
I have great interest in grocery stores	.858
Grocery stores are fascinating	.889
I have a compulsive need to know more about grocery stores	.857
I like to make comparisons between grocery stores	.747
I like to talk to my friends about grocery stores	.856
<b>Shared Personal Values (<math>\alpha = .708</math>, AVE = 51.7%)</b>	
In this business, unethical behaviors shouldn't be tolerated	.784
In this business, using unethical advertising cannot be justified	.792
The way opportunistic stores try to get new customers is unethical	.679
It is unethical to call a competitor's customers and try to convince them to switch stores	.605
<b>Shared Management Values (<math>\alpha = .714</math>, AVE = 54.3%)</b>	
In this business, unethical behaviors shouldn't be tolerated	.807
In this business, using unethical advertising cannot be justified	.746
The way opportunistic stores try to get new customers is unethical	.725
It is unethical to call a competitor's customers and try to convince them to switch stores	.662

$\alpha$  = Cronbach coefficient alpha.

AVE = average variance extracted

## Regression

Table 6 summarizes the results of a multi-regression analysis showing the effects of the core variables on customer loyalty and the effects of the moderating variables interacting with the relational variables,

Table 4. Correlations matrix

Variable	1	2	3	4	5	6	7	8	9	10	11	12
1. Loyalty	<b>.812<sup>a</sup></b>											
2. Commitment	.720**	<b>.864<sup>a</sup></b>										
3. Trust	.659**	.779**	<b>.835<sup>a</sup></b>									
4. Satisfaction	.629**	.678**	.723**	<b>.879<sup>a</sup></b>								
5. Opportunism	-.133**	-.110**	-.222**	-.254**	<b>.797<sup>a</sup></b>							
6. Shared Personal Values	.171**	.134**	.166**	.195**	.006	<b>.719<sup>a</sup></b>						
7. Shared Management Values	.145**	.186**	.189**	.258**	.007	.495**	<b>.738<sup>a</sup></b>					
8. Communication	.503**	.577**	.619**	.697**	-.215**	.157**	.253**	<b>.815<sup>a</sup></b>				
9. Store Familiarity	.418**	.482**	.452**	.510**	-.053	.223**	.162**	.477**	<b>.824<sup>a</sup></b>			
10. Store Choice	.186**	.285**	.296**	.204**	.269**	.214**	.163**	.221**	.335**	<b>.711<sup>a</sup></b>		
11. Perceived Risk	.258**	.383**	.242**	.305**	.226**	.046	.199**	.385**	.335**	.219**	<b>.789<sup>a</sup></b>	
12. Consumer Involvement	.266**	.434**	.308**	.362**	.049	.127**	.227**	.528**	.491**	.234**	.565**	<b>.846<sup>a</sup></b>

<sup>a</sup>Square root of average variance explained estimates.  
 \*\*Correlation is significant at the 0.01 level (2-tailed).  
 \* Correlation is significant at the 0.05 level (2-tailed).

trust and commitment.

Model 1 accounts for the basic explanation chain (presented in research design) in which only core variables participate. The resulting R<sup>2</sup> is .556 to which commitment is the major contributor, followed by satisfaction and trust. Model 2 incorporates the moderating factors in the regression with a .027 increase in the overall explanation and four variables contributing significantly, store familiarity and, to a lesser extent, consumer involvement, shared personal values, and shared management values. Finally, Model 3 adds two-way interaction terms between core variables and moderating variables. The result is a net increase of .015 in the R<sup>2</sup> with only one significant though negative interaction between shared personal values and trust. Models 2 and 3 contribute a total  $\Delta R^2 = .042$ .

The overall regression results (R<sup>2</sup> = .596) reveal that the large effects of satisfaction, trust and commitment, formed in an explanation chain, on customer loyalty, the dependent variable, clearly overwhelm the small effects of the moderating variables ( $\Delta R^2 = .042$ ). These results do not deny the importance of other variables in the process of generating customer store loyalty; they highlight the importance of the core variables of the explanation chain as the central forces shaping the formation and sustenance process of customer store loyalty.

## FUTURE RESEARCH DIRECTIONS

Despite the well-supported findings in this research, additional research is needed on customer store loyalty in different contexts and other characteristics. New research may also explore other moderating

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Table 5. SEM results

Measurement Parameters Standardized Estimates							
Factor Loadings				Error Variances			
λSat_E1	.811***	λLo_B1	.692***	eSat_E1	.061***	eLo_B1	.090***
λSat_E2	.811***	λLo_B2	.611***	eSat_E2	.046***	eLo_B2	.113***
λSat_E3	.797***	λLo_B3	.863***	eSat_E3	.063***	eLo_B3	.060***
λSat_E4	.755***	λLo_B4	.886***	eSat_E4	.054***	eLo_B4	.048***
λSat_S1	.745***	λLo_B5	.876***	eSat_S1	.058***	eLo_B5	.078***
λSat_S2	.860***	λLo_B6	.822***	eSat_S2	.037***	eLo_B6	.088***
λSat_S3	.885***	λLo_A1	.713***	eSat_S3	.031***	eLo_A1	.105***
λSat_S4	.885***	λLo_A2	.835***	eSat_S4	.028***	eLo_A2	.063***
λSat_C1	.813***	λLo_A3	.717***	eSat_C1	.042***	eLo_A3	.110***
λSat_C2	.821***	λLo_A4	.752***	eSat_C2	.043***	eLo_A4	.078***
λSat_C3	.875***	λLo_A5	.776***	eSat_C3	.033***	eLo_A5	.071***
λSat_C4	.803***	λLo_C1	.612***	eSat_C4	.044***	eLo_C1	.077***
λTrust1	.812***	λLo_C2	.623***	eTrust1	.053***	eLo_C2	.104***
λTrust2	.837***	λLo_C3	.694***	eTrust2	.043***	eLo_C3	.074***
λTrust3	.774***	λLo_C4	.750***	eTrust3	.049***	eLo_C4	.086***
λTrust4	.771***	λLo_C5	.626***	eTrust4	.062***	eLo_C5	.082***
λTrust5	.800***			eTrust5	.041***		
λTrust6	.621***			eTrust6	.070***		
λComt1	.858***			eComt1	.042***		
λComt2	.870***			eComt2	.043***		
λComt3	.804***			eComt3	.059***		
λComt4	.771***			eComt4	.052***		
λComt5	.757***			eComt5	.075***		
<b>Structural parameter estimates</b>		<b>Gamma (γ 's)</b>					
γSatisfaction-Trust		.766					
γTrust-Commitment		.835					
γCommitment-Loyalty		.819					
<b>Second order factors</b>		<b>Gamma (γ 's)</b>		<b>Second order factors</b>		<b>Gamma (γ 's)</b>	
γLoyalty-Loy_B		.746		γSatisfaction-Sat_E		.869	
γLoyalty-Loyal_A		.949		γSatisfaction-Sat_S		.873	
γLoyalty-Loyal_C		.929		γSatisfaction-Sat_C		.918	
<b>Explained variances:</b>		<b>R<sup>2</sup>Trust = .588</b>		<b>R<sup>2</sup>Commitment = .698</b>		<b>R<sup>2</sup>Loyalty = .671</b>	
<b>Goodness of fit:</b>							
X <sup>2</sup> (692) = 1788.581, p = .000 CMIN/DF = 2.585							
RMSEA = .057 SRMR = .0615							
TLI/NNFI = .912							
CFI = .918							

\*\*\*p<.001 (two-tailed)

Figure 1. Customer Store Loyalty: Explanation Chain

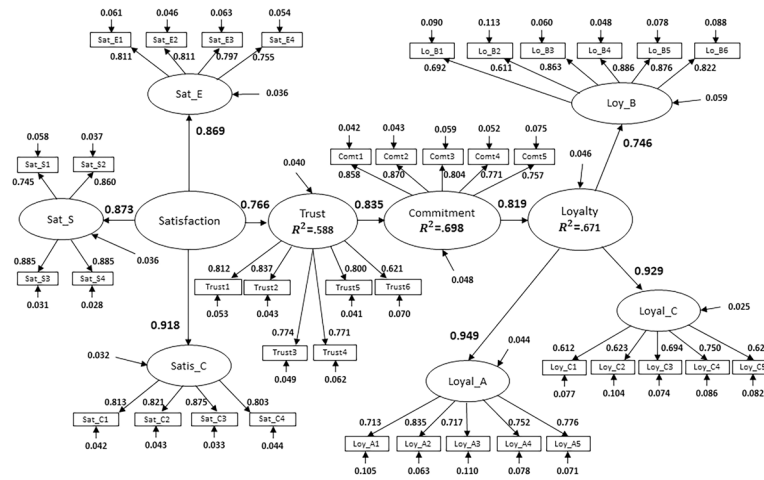


Table 6. Explanation of store loyalty: regression results

Dependent Variable: Customer Loyalty	MODEL 1 <sup>a</sup>		MODEL 2 <sup>b</sup>		MODEL 3 <sup>c</sup>	
	beta	t-value	beta	t-value	beta	t-value
Constant	21.169***	7.595	21.452***	5.386	2.360	.181
Commitment	.483***	10.353	.495***	10.145	.360	1.398
Trust	.143***	2.878	.127***	2.495	.468***	1.754
Satisfaction	.201***	4.738	.146***	3.104	.151***	3.196
Opportunism			-.007	-.192	-.008	-.210
Shared Personal Values			.079**	2.197	.310**	2.219
Shared Management Values			-.080**	-2.192	-.068*	-1.796
Communication			.040	.909	.046	1.028
Store Familiarity			.163***	4.173	-.037	-.223
Store Choice			-.055	-1.569	-.057	-.403
Perceived Risk			-.024	-.606	-.020	-.506
Consumer Involvement			-.088**	-2.084	.320**	1.981
Trust x Shared Personal Values					-.761**	-2.215
<b>R<sup>2</sup></b>	<b>.556</b>		<b>.584</b>		<b>.596</b>	
<b>F</b>	<b>201.568</b>		<b>60.738</b>		<b>36.326</b>	
<b>R<sup>2</sup></b>			<b>.027</b>		<b>.015</b>	

<sup>a</sup>Core variable effects

<sup>b</sup>Moderating variable effects

<sup>c</sup>Two-way interaction effects

\*p<.10, \*\*p<.05, \*\*\*p<.01 (one-tailed test for hypothesized relationships).

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factors or the same factors under different conditions. Because the offered explanation chain can be rivaled by other explanations, other frameworks and other explanation proposals can be generated and tested for validity, reliability, and parsimony.

## **MANAGERIAL IMPLICATIONS**

Important managerial implications of this research relate to the understanding and practice of loyalty development among store customers. Store managers will benefit from knowing that customer satisfaction alone will not generate customer loyalty in the long-term mainly because transactions alone (repeated purchase, spurious loyalty) do not guarantee stable consumer attitudes in the presence of competition. In today's complex environment of increasing competition and innovation among stores, managers will learn to achieve "true" customer loyalty by pursuing the relational path of trust and commitment immediately after attaining customer store satisfaction. Managers will also learn to use knowledge about the role of some moderating factors, such as store familiarity, consumer involvement, or shared personal values, in the formation of customer store loyalty.

## **CONCLUSION**

This study aimed at examining anew the entire process of how store customers become loyal to their stores. To accomplish this objective, a theoretical and empirical research was aimed at identifying and testing a parsimonious model. A core process of customer loyalty formation was defined and modeled as an explanation chain that incorporates key variables used to offer a parsimonious explanation of customer true loyalty as follows: store loyalty starts with customer satisfaction, which in turn generates customer trust that is followed by customer commitment to a relationship, which in turn results in customer loyalty. Said differently, customer store loyalty is the result of customers and providers achieving successful relationships of trust and commitment after an initial satisfactory encounter.

The key contribution of this research lies on the use of relational components (trust and commitment) in addition to transactional ones (satisfaction), and the moderating effects produced by cognitive and affective attitudes shaping or modifying the core process. The findings demonstrate that customer commitment is the major contributor of explanation to customer loyalty, significantly more than the contributed explanation of customer satisfaction.

Some cognitive moderating factors (store familiarity) and some affective moderating factors (consumer involvement, shared personal values, and shared management values) are significantly related to the core variables and thus contribute an explanation; yet their contribution is very small in comparison to the contribution of the core variables.

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## **KEY TERMS AND DEFINITIONS**

**Customer Commitment:** Customer's engagement or continuous obligation to buy the same product or use the same company.

**Customer Satisfaction:** Customer's fulfillment or gratification for buying a product or using a company.

**Customer Store Loyalty:** Long-term relationship of customers to their stores.

**Customer Trust:** Customer's confidence in a product or person or company.

**Explanation Chain of Customer Store Loyalty:** The process of customer store loyalty is explained using three antecedents in a sequential order as follows: it starts with customer satisfaction, which influences trust. Trust is essentially linked to commitment as per previous literature, and commitment is the immediate antecedent of customer loyalty: Satisfaction → trust → commitment → customer store loyalty.

**Store Customer:** Buyers and users of store products.

**Vasquez-Alonso (V-A) Approach:** Refers to the conceptual model designed to explain customer store loyalty using four core variables (customer satisfaction, trust, commitment, and loyalty) to account for the main effects, and eight secondary variables to account for the moderating effects. The last group includes four cognitive variables (store familiarity, store choice, customer perceived risk, and communication) moderating the effects of trust and commitment on customer loyalty, and four affective variables (customer opportunism, consumer involvement, customer shared personal values, and customer shared management values) likewise moderating the effects of trust and commitment on customer loyalty.