Indonesian Store Loyalty Factors for Modern Retailing Market

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Abstract—Modern retailers such as hypermarket/supermarket need to be more customer-oriented in order to survive in today’s competitive business world. As a result, the investigation of determinant factors of store loyalty becomes important issue for modern retailing players. This study suggests that consumers’ store loyalty in the modern retailing market (hypermarkets and supermarkets) is influenced by environmental factors (such as store image, store personnel). Using a model of stimulus-organism-response (S-O-R), this research examines S-R relationship of store loyalty. S-O-R framework is derived from the existence literature and tested empirically based on Indonesian consumers’ experience. The stimuli for this study are store image, store personnel, satisfaction and culture factors. Affect, or the consumers’ liking to modern stimuli for this study are store image, store personnel, satisfaction and culture factors. Affect, or the consumers’ liking to modern stimuli for this study are store image, store personnel, satisfaction and culture factors. Affect, or the consumers’ liking to modern stores, mediates the chosen environmental factors on consumer’s store loyalty. The findings showed that store image, store satisfaction and culture have significant positive relationship to store loyalty via affect.

Keywords—Affect, Culture, Store Image, Store Loyalty, Store Personnel, Store Satisfaction

I. INTRODUCTION

LOYALTY becomes a hot topic for retailers. In addition, maintaining loyal customers becomes top priority for any companies because of high switching cost and high attracting cost of new consumers. Recently, business articles and academic literatures have been focusing on the relationship commitment, customer satisfaction, customer loyalty and loyalty-based management [1]-[4]. It gives an idea that customer loyalty is very important in today’s global increasingly competitive environment [5]-[8].

Several authors and researchers in marketing and consumer behaviour have reported studies on consumers’ emotional responses to retail environments by incorporating the Mehrabian and Russel’s approach (S-O-R model) to environmental psychology [9]. They examined store loyalty determinant as one of the behavioural responses [10]-[18]. However, various research has focused mostly on the environmental stimulus related to the store itself such as store image elements, especially store atmosphere [10], [14], [16], [19], and have not yet taken into account about customers themselves (such as culture) as stimulus.

The term of store loyalty becomes very important as a key driver of repeat traffic and volume growth, in modern retailers in Indonesia [20]. Retail-focused loyalty issues include: what categories attract consumers to a store; how pricing and promotion affect store loyalty; what is the impact of frequent shopper programs; how a consumer can be the store promoter. So this study looks at which factors (store image, store personnel, store satisfaction and culture as environmental stimulus) play an important role in store loyalty in the Indonesian modern retailing markets. It is also aimed to investigate to which extent affect mediate the effect of environmental stimulus on store loyalty. The objective of this study is to determine the underlying factors that influence customers’ loyalty toward the modern retailing market (hypermarkets/supermarkets) in Indonesia. The Stimulus-Organism-Response (S-O-R) model is applied in finding determinant factors of store loyalty in Indonesia with mediating effect of “affect” on store loyalty.

II. CONCEPTUAL MODEL AND RESEARCH HYPOTHESES

The S-O-R is a term for Stimulus-Organism-Response [21]. Three useful theories that extents the S-O-R model in the retail context are the Mehrabian-Russel model [9], revised S-O-R model from Belk [22] and the Elaboration Likelihood Model or ELM [23]. Marketing literature has increasingly considered physical and social environment and its effects on human behavior, feelings and interactions. Mehrabian and Russell [9] employed the S-O-R paradigm and offered a parsimonious description of affective variables as mediator of environmental stimuli behaviors. The model conceptualizes attributes of the environment as antecedents that affect the intervening variable of the consumers, and this eventually leads to taxonomy of outcomes depicted by the approach and avoidance.

The model in figure 1 been adjusted to be accurately utilized in the retail context and useful for observing any environmental factors for shopping situations, shopper types, purchase behaviors, store preferences, or store loyalty [24]. Donovan and Rossiter [10], for instance, used an approach to environmental psychology devised by Mehrabian and Russell [9] to measure the affective impact of environments, and drew conclusions about the power of consumer environments to influence in-store behaviors through design. The S-O-R framework has been extensively revealed and tested in the past research with promising results [11]-[13], [15]-[17]. The present study attempts to transcend the ad hoc approach to the selection of consumer environments which has characterized some previous researches in this area by employing a
systematic, theoretically grounded classification of consumer situations derived from the behavioral perspective model [25]. The application of the MR’s methodology to consumer situations exemplifying this classification produces more coherent and practical results.

Research have shown some responses as the results from environmental factors in the retail setting as a desire to affiliate with others in the setting, desire to stay in or escape from the setting, and willingness to spend money and consume [10], [16], [26], [27]. Russell and Mehrabian [28] speculated that such aspects of consumer behaviors as desire to purchase, increase with the pleasantness of the setting and, since arousal has a curvilinear relationship with the approach behavior, that desire is maximized in settings which evoke an intermediate level of arousal. So far as the optimal arousal rate increases with the pleasantness of the setting, consumer environments are likely to promote maximal levels of consumer approach when both variables are simultaneously increased [10]. The outcome is that an unpleasant consumer environment would achieve its maximal potential effect in evoking positive consumer response through a reduction in its capacity to arouse [28]. The required manipulation of the arousing quality of a consumer environment depends upon the responsiveness of each of the elements of arousing settings to control. Drawing upon the information theory, Mehrabian and Russell [9] demonstrated that the arousing quality of an environment correlates highly with its information rate, which increases with the novelty, complexity, intensity, unfamiliarity, improbability, change, mobility or uncertainty of the setting.

The long term effect after satisfaction is loyalty or store loyalty in store-retailing context. Some authors (e.g. [29]-[31]) have identified the existence of a clear relationship between ‘brand loyalty’ and ‘store loyalty’. There is, nevertheless, no consensus in the literatures on the causal relationships. Store loyalty has been extended from brand loyalty by using the same measures [32]. Store loyalty means that consumers like and habitually visit the same store to purchase a type of merchandise[33]. It also shows the degree to which a consumer consistently patronizes the same store/outlet when shopping for their needs and wants [34]. Store loyalty has become the battlefield for retailers, as they try to attract shoppers to their outlets. The creation of store loyalty has been seen as important and crucial to the development of a successful long-term customer relationship and the stores’ survival [35].

Store Loyalty: To understand loyalty, Jacoby and Chestnut [36] examined the belief, affect and conative structure of the consumers’ orientation to something. This approach was derived from several social scientists who studied the internal state of attitude which is known as ABC Model (affective, behavioral/conative and cognitive) of attitude [25], [37]. Attitude is a multi-attribute model [38] because of attitude consists of satisfaction, mood, and confidence as the relative attitude antecedents. Cognitive, as the first dimension of ABC model, refers to the knowing and believing to an object which the responses includes cognitions, knowledge, opinions, information and inferences. The second dimension is affective which concerns about feeling (like or dislike), moods, emotions, affect, trust, commitment, and sympathetic nervous system activities that people experience and evaluate the objects. Lastly, behavioral/conative relates to clear actions that people do in relation to the object. It also covers the “intentions” act that is not necessarily expressed in obvious behaviors.

Affect: Affect or store-induced pleasure is a powerful determinant of approach-avoidance behavior in a retail store context including spending behavior [16], [19]. The impact of emotional affect is often ignored in retail store selection studies where cognitive influences (such as price, location, variety, and quality of merchandise) are emphasized. While the cognitive factors may largely account for store selection (responses) and for most of the planned purchases within the store, but the emotional responses induced by the environment within the store are primary determinants of the extent to which the individual spend beyond his or her personal expectations [19] [39].

Store Image and Store Loyalty: Most previous studies presented that there is a direct relationship between store image and store loyalty. Various attributes of store image have a direct manner on store preferences and patronage [7], [40]-[42]. Recently, store image (attribute) research has given some empirical justification for store image characteristics as predictors of store loyalty (e.g. [6], [8], [43], [44]. Nguyen & Leblanc [45] demonstrated that corporate image relates positively with customer loyalty in three sectors (telecommunication, retailing and education). Some studies, however, proposed that store image has an indirect, but positive effect on store loyalty or repeat visiting behaviour mediated by emotional states (affect) in retail stores [16]. Based on these reviews, a hypothesis is formulated as such:

Hypothesis 1: Store image has positive relationship with store loyalty through affect

Store personnel and store loyalty: Store personnel, as one of the situational variables, have significant influence on consumers’ behavior in the future [22]. Macintosh & Lockshin [5] found that salespeople played an important role in retailing.
Particularly, the fact that commitment to the salesperson was directly associated with store attitude and repurchase intention [16], [46]. Positive customer affect towards the store personnel are likely to retain customers’ store loyalty. A second hypothesis for this study is as follows:

**Hypothesis 2:** Store personnel has positive relationship with store loyalty through affect

**Store satisfaction and store loyalty**

A high level of satisfaction will lead to the great increase of the customer loyalty and also the increase in financial performance. Some researchers [47], [48] made hypotheses about series of cognitive processes that preceded affective decisions. This is a stronger form of loyalty in that, in addition to cognition, loyalty at this stage is driven by the prior stage of attitude towards the store and, at a later stage, by satisfaction. The positive affect role is mostly influenced by attribute customer satisfaction model in general [48], [49]. Hence, the positive consumers’ perception from satisfied consumer of one store will result in store loyalty, such as positive word-of-mouth; recommendation of the store to other person; increased spending; and increased time in the store. It can be said that satisfaction and affect are revealed to contribute to attitudinal loyalty [50]. Based on some findings, this study would investigate with the hypothesis below:

**Hypothesis 3:** Store satisfaction has positive relationship with store loyalty through affect

**Culture and store loyalty**

It is argued that customers’ loyalty is greatly influenced by cultural values [51]. People in collectivistic culture of high uncertainty avoidance are more loyal than people of individualistic cultures. Several recent studies have emphasized on the relationship between Hofstede’s cultural dimensions and the service providers [52], [53]. Collectivism/individualism, femininity/masculinity, power distance, uncertainty avoidance, and long-term orientation are Hofstede’s cultural dimensions [54]. Researches about the effect of culture dimensions as a uni-dimensional dimension to store loyalty are not much, if there is; it only touches about the one or two cultural dimension to the store preferences or choices and store loyalty. Stores that stress more on convenience, big lay out, and friendly store personnel might attract and work better in the Asian culture since shopping decision is a family time [51], [55]. A fourth hypothesis is thus developed as follows:

**Hypothesis 4:** Culture has positive relationship with store loyalty through affect

Figure 2 shows the store loyalty model for this research based on the above review.

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**Fig. 2 Proposed Model of Store Loyalty**

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**III. METHODS AND MATERIALS**

**Sampling and Instrument**

This study used a cross-sectional study, which is widely used in a descriptive research. For collecting data, it employed survey research method, the most ubiquitous methodology in marketing research that observes behaviors and explores service loyalty [56]. This research utilized a purposive (judgment) sampling, simple random sampling (using table random numbers), multistage area sampling and systematic sampling method and proportionate stratified random sampling (for determining sample sizes) [56]. The sampling frame for this study consisted of “the households who live in JADETABEK” (Jakarta, Depok, Tangerang, Bekasi) and those in the cluster areas that had already been determined and chosen for this research. The underlying reason for clustering the JADETABEK area is to get homogenous criteria for each cluster but has heterogeneous population in every cluster.

The research was conducted for about eight weeks and taken place at JADETABEK (Jakarta, Depok, Tangerang, Bekasi) since those areas are in conjunction with one another as urban/suburb neighborhood. Moreover, the utmost modern retailer growth occurs in big and developed cities like JADETABEK, since there is more movement of people to the big and metropolitan cities. At the end, the number of samples was 1,033 returned and usable questionnaires from the targeted sample of 1,200 respondents (86.08 percent of the response rate).

Before distributed the questionnaire, thirty staffs (particularly academics staff teach marketing and business courses) that lived in the JADETABEK area were asked to fill the structured questionnaires as the pilot test. After the pilot test, some questions were eliminated. The questionnaire was divided in three sections which are (1) respondent’s first/alternative choice of hypermarket/supermarket (1 questions), (2) demographic and socio-economic questions related to the respondents (8 questions) and (3) store image (45 questions), store personnel (19 questions), store satisfaction (9 questions), culture (29 questions), affect (6 questions) and store loyalty (9 questions). All variables (store image, personnel, satisfaction, culture, affect and store loyalty)
were operationalized using the five-item scale and were composed in the positive statements [7], [39], [57], [58]. Respondents were asked to respond all the statements using the Likert scale ranging from strongly disagree (1) to strongly agree (5). The reliability of the questions from literatures ranged from 0.79 to 0.94.

Analysis Method

Each construct was checked for its internal consistency by performing the reliability analysis to obtain Cronbach-alpha readings [59], [60]. Correlation analysis was conducted to assess multi-collinearity or high associations among the independent or exogenous variables. Confirmatory factor analysis of measurement and structural models was conducted through Structural Equation modeling (SEM) and was processed using LISREL 8.54 to verify the structural relationship among the exogenous and latent concepts (shown by loadings). SEM technique was used to identify key determinants of store loyalty in the Indonesian modern retailing. When performing SEM, some assumptions has to be considered so the result will be accurate and the misspecification obstacles will be avoided.

IV. RESULTS

The findings start with the description of the respondents' profile and the description of the data obtained for the study followed by presentation of structural equation modeling (SEM) results.

Profile of Respondents

Mostly respondents chose Carrefour (50.82%) as their first choice hypermarket/supermarket, and Giant in the second place (21.30%). The rest of respondents’ choice spreads between Alfa, Hero, Hypermart and SuperIndo. Table 2 highlights that 71.35 percent of hypermarket/supermarket respondents are female, whilst 28.65 percent are male. This suggests that female still dominant shoppers for daily necessities at modern retail. We found that high proportion of respondents are married (64.76%) with the range age between 25-44 years old (62%) with no or two children. This could imply that young married families prefer to shop at hypermarket/supermarket and work as private employees (48.50%). Surprisingly, mostly respondents spent maximum Rp. 300,000.- per-visit (63.60%) from 4-6 times visit per-month. Table 1 also showed that 66.4% of them used their own car and motorcycle when traveling to hypermarket/supermarket. This could be due to the family concept for spending time with children and the shopping system of weekly buying.
Descriptive statistic of the data
Table II indicates 117 indicators utilized in the study. All constructs demonstrate high value of Cronbach-alpha suggesting high internal consistency in every construct.

### Table II
**Descriptive Statistics and Reliability of Variables**

<table>
<thead>
<tr>
<th>Variable</th>
<th>No. of Items</th>
<th>Mean/Standard Deviation</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>STORE IMAGE</td>
<td>45</td>
<td>3.868 (.362)</td>
<td>.924</td>
</tr>
<tr>
<td>STORE PERSONNEL</td>
<td>19</td>
<td>3.836 (.465)</td>
<td>.935</td>
</tr>
<tr>
<td>STORE SATISFACTION</td>
<td>9</td>
<td>3.787 (.486)</td>
<td>.919</td>
</tr>
<tr>
<td>CULTURE</td>
<td>29</td>
<td>3.499 (.391)</td>
<td>.865</td>
</tr>
<tr>
<td>AFFECT</td>
<td>6</td>
<td>3.616 (.393)</td>
<td>.867</td>
</tr>
<tr>
<td>STORE LOYALTY</td>
<td>9</td>
<td>3.649 (.648)</td>
<td>.935</td>
</tr>
</tbody>
</table>

### Hypothesized Model and Testing Results
All data had been analyzed with LISREL 8.54. CFA (confirmatory factor analysis) has done before preceded to the model result. Store image, store personnel and culture resulted from second-order CFA. Store satisfaction, affect and store loyalty were the first-order outcome. The final items or indicators that remain in the structural model after rigorous modification indices (MI) deletion were conducted through CFA of measurement model. At the end, indicators of store image had depleted from 45 to just 29 items; the 19 indicators of store personnel had reduced to 18 items; store satisfaction from nine to eight; culture items dropped from 29 to 23 items and affect items reduced from six to four.

All exogenous and endogenous latent constructs subjected to CFA of measurement model demonstrate a reasonable good fit as shown in Table 3. Root mean square error of approximation (RMSEA) indicates values of less than .08 indicating all measurement models have a good fit. Goodness of Fit Index (GFI) also shows value more than .90, well above the standard of GFI needed for good fit. CMIN/df shows the range between 1.0 - 2.0 and 3.00 till 5.00 [59], [61]. It means that the proposed research model is supported in terms of fit and parsimony in this study.

### Table III
**Goodness Of Fit Analysis - CFA Of Measurement And Structural Model (N=1,033)**.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Items remainder</th>
<th>GFI</th>
<th>RMSEA</th>
<th>TLI</th>
<th>CFI</th>
<th>PNF1</th>
<th>CMI N/df</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store Image</td>
<td>29</td>
<td>0.93</td>
<td>0.056</td>
<td>0.97</td>
<td>0.97</td>
<td>0.94</td>
<td>3.20</td>
</tr>
<tr>
<td>Store Personnel</td>
<td>18</td>
<td>0.94</td>
<td>0.059</td>
<td>0.98</td>
<td>0.98</td>
<td>0.92</td>
<td>4.57</td>
</tr>
</tbody>
</table>

Table IV shows the final hypotheses of research model. It can be concluded that the empirical data supported the conceptual model. There was a significant positive correlation between store image, store satisfaction, and culture to store loyalty mediated by affect. Store satisfaction and store image have equal influence to store loyalty through affect. Store personnel, however, demonstrated a negative significant relationship to store loyalty with affect as the mediator. Empirical data did not support the store personnel hypothesis.

### Table IV
**Final Hypotheses of Research Model**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Standardized estimate (S.E.)</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Store image → Affect → Store loyalty</td>
<td>0.20</td>
</tr>
<tr>
<td>H2</td>
<td>Store personnel → Affect → Store loyalty</td>
<td>-0.03</td>
</tr>
<tr>
<td>H3</td>
<td>Store Satisfaction → Affect → Store loyalty</td>
<td>0.20</td>
</tr>
<tr>
<td>H4</td>
<td>Culture → Affect → Store loyalty</td>
<td>0.17</td>
</tr>
</tbody>
</table>

Squared Multiple Correlations (SMC) for affect is .81 and for Store loyalty through affect is .25.

In conclusion, based on the empirical data in this study, the S-O-R model with affect as mediator gave significance influence to the store loyalty in the Indonesian hypermarket/supermarket. The proposed model is proven fit with the empirical data.

### V. DISCUSSION

Carrefour was still the first choice of modern market for this study due to the research has been conducted in the JADETABEK. The respondent profile indicated that male (28.65%) has influence for shopping at the modern retailers although female has been still the main decider. Mostly, they are working people, married, with and without children. They used their own transportation vehicles for going to hypermarket/supermarket. It demonstrated that respondents are busy people so hypermarket/supermarket is the best choice for shopping daily necessities due to the operation time compare to traditional market. Besides that, the people’s mind has been shaped that modern market offers convenience and comfortable place, thus they come for shopping with their
family. As family place, some hypermarket/supermarket provides playground for children and café [62]. Therefore, when the parents do the shopping, children can wait and play around the store.

The replications investigation of the S-O-R model in finding store loyalty determinants factors was fitted in the Indonesian context. This research found that affect as the good mediator contributed influence to store loyalty. Thus, it provides a framework for learning (store) loyalty that allows consideration of consumers’ emotional responses to environmental stimuli in forming approach behaviours [22]. The adaptation of the Mehrabian and Russel [9] and Belk [22] model of environmental psychology gives a strong theoretical base to this study which has demonstrated a link between physical atmosphere (store image), social surroundings (culture) and psychological condition (satisfaction) on emotional responses of shoppers (affect), and their patronage approach behaviour (loyalty).

Store image have indirect influences on store loyalty mediated by affect which congruent with some researches [7], [39], [44], [63], [64]. It explained that if consumers have a good feeling to the store image, it will lead to strong loyalty. Consumer satisfaction to store (store satisfaction) is one of the strong key determinant factors to store loyalty, nevertheless. It did not play a role as a mediating variable [7], [50]. This study confirmed that satisfaction has strong contribution to store loyalty determinants via consumers’ affective state.

It has been proved that culture, ethnic and other socio-economic and demographic factors are still the best indicators for examining the customer loyalty after what the retailers offer to the customers with qualified store attributes (store image, i.e. product, prices, places/locations, promotion, physical facilities; after-sales service), as well as nice and friendly store personnel. The data from this study showed that the culture has positive significant influence to store loyalty through affect. It is consistent with the characteristics of the urban people since the research was conducted at JADETABEK, one of the largest urban areas in Indonesia. The respondents seem to count on their family opinion as the smallest group in the community which is one of the “urban characteristics” [65]. In the urban area, the social system is more on the family (husband and wife), not as the family group. There have been changes in the family roles, ages, total income. In other words, while the penetration of women into the labour market has been increasing, their time for their own family is limited. As the result, their behaviours toward places of shopping depend more on their own family [66], [67]. On the other hand, empirical data did not support the relationship between store personnel and store loyalty via affect. Yet the data has been supported from some research carried out which found that in highly paced stores (where sales were high), store personnel were less likely to display positive emotions because of time pressures [68]. The reason may be because consumers use stores for convenience only and for the self-service type. Consumers only make a repeat behaviour; they do not have any commitment feeling to a store [43]. At this point, the performance of store personnel does not influence too much, even if hypermarkets/supermarkets can still prepare and think about how to reinforce their store personnel as its competitive advantage in the future.

VI. CONCLUSION

This study achieves the objective of identifying three important determinant factors of store loyalty to the modern retailing market in Indonesia context. Store image, store satisfaction and culture dimensions are factors that needed to be always paid attention for maintaining and getting consumer store loyalty. Store personnel has not been yet regarded as very significant to store loyalty because at this time consumer’s perception still consider modern retailing market as self-service. In the future when competition becomes stiff, store personnel (as front-line) has important role in dealing with customers. Modern retailers might train their store personnel to be more competence than their competitors.

Although the findings of the research confirm the fitness of the (revised) S-O-R model of store loyalty, but it only applies to one specific store loyalty, namely, the choice of the hypermarket/supermarket. It opens the opportunity for future research to differentiate between hypermarket loyalty and supermarket loyalty. Furthermore, the research may continue to find out whether both types of modern retailing stores have strong real demand from the Indonesian consumers.

Further research should focus on relating store loyalty to other stimuli constructs such as task definition (i.e. high/low consumer’s involvement, utilitarian/hedonic); other psychological states excluding satisfaction (i.e. personality trait, motivation); or temporal perspective (trip duration, shopping time), as well as with other variations of the emotional responses, such as negative affect, anger, or mood.

REFERENCES


