

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.

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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.

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