The Antecedents of Customer Loyalty in Malaysian Retailing: Capitalizing the Strategic Tool

Lim Chow Yeng* and Nik Kamariah Nik Mat**

Customer loyalty is one of the important strategies for retailers to develop competitive edge. Despite the importance of customer loyalty, there is still a lack of comprehensive work to explain how customers develop loyalty to a particular store and how that loyalty can be maintained. The purpose of this study is to determine the antecedents of customer loyalty from both attitudinal perspective (cognitive loyalty, affective loyalty, & conative loyalty) and behavioral perspective (action loyalty). The findings disclose that the antecedents of cognitive loyalty are the components of store image, namely, service quality, product quality, store atmosphere, and promotion activity. The antecedents for affective loyalty are customer satisfaction, loyalty program, and retailer brand equity, while the antecedent for conative loyalty is customer commitment. Likewise, the antecedents for action loyalty are conative loyalty, customer commitment, and customer satisfaction. The study identifies three strategic tools that dominate attitudinal aspects, namely, store image, loyalty program, and retailer brand equity. Thus, these strategic tools provide retailers with a direction in strategy formulation, which allows them to capitalize customer loyalty as a means of gaining competitive advantage.

Field of Research: Consumer behavior, relationship marketing, retailing.

1. Introduction

One simple yet difficult question to answer in retailing business is “how customer loyalty can help the retailers to improve their long-term profitability in a highly competitive retailing environment”. Customer loyalty in the retailing context is a complex issue (Binninger 2008, Evanschitzky & Wunderlich 2006). Even though there are many studies on customer loyalty but the antecedents of customer loyalty are diverse. There are many antecedents that possibly contribute to customer loyalty. A number of studies include satisfaction as an antecedent (e.g., Binninger 2008, Solvang 2007) or moderator (e.g., Bloemer & Odekerken-Schröder 2002, Brown 2004, Chang & Tu 2005); store image as antecedent (e.g., Bloemer & Odekerken-Schröder 2002, Brown 2004, Chang & Tu 2005, Jinfeng & Zhilong 2009, Koo 2003) but not all the essential components are included in a single study; loyalty program as antecedent (e.g., Omar, Musa, & Nazri 2007); and retail brand as antecedent (e.g., Binninger 2008, East, Hammond, Harris, & Lomax 2000).

*Lim Chow Yeng, Universiti Utara Malaysia, Malaysia.
Email: limchowyeng@gmail.com
**Dr. Nik Kamariah Nik Mat, Universiti Utara Malaysia, Malaysia.
Email: drnik@uum.edu.my
In view of the intense competition among Malaysian retail-shopping formats coupled with the increasing demand from customers, retailers need to understand the antecedents that are influencing the store patronage in order to maintain their competitiveness. The objective of the study is to determine the antecedents of customer loyalty from both attitudinal and behavioral perspectives.

2. Literature Review

The study adapts Oliver’s Four-Stage Loyalty Model (Oliver 1997) as a backbone. The main concept of the Oliver model is that loyalty has four levels and it evolves in stages. The components of Oliver’s model are cognitive loyalty, affective loyalty, conative loyalty, and action loyalty. The first three components are classified as attitudinal loyalty, while the last component is classified as behavioral loyalty.

In the first stage, cognitive loyalty is the information base where consumers look for costs, benefits, and quality during their purchasing decision process. Consumers may switch from one retailer to another for better prices and benefits. In other words, loyalty is based on value proposition from the components of store image. The second stage is affective loyalty. It includes both liking and experiencing satisfaction. The result of satisfaction and dissatisfaction has a direct influence on attitude change. The third stage is conative loyalty. Once the consumer perceives the value in cognitive stage, and obtains satisfaction in affective stage, then it emerges into commitment to repurchase. At this stage, the consumer not only has an intention to patronize, but would also encourage relatives, friends and colleagues to shop at certain favorable stores. Eventually, this repurchase intention is highly probable in converting into action. The last stage is action loyalty. It is the habit and routinized response behavior. The consumer in this category usually ignores the competitors’ offerings.

2.1 Antecedents to Cognitive Loyalty

The components in store image as the antecedent to customer and store loyalty from the previous studies are diverse. The components that are frequently deployed in the previous store image studies and have positive relationships are perceived value, service quality, convenience, product quality, product selection, store atmosphere, and promotion activity.

Perceived Value and Cognitive Loyalty

Zeithaml (1988) defines perceived value as the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given. Previous empirical studies (e.g., Brown 2004, Jinfeng & Zhilong 2009, Koo 2003) in relation to store image reveal that perceived value has a positive effect on cognitive loyalty. While other researchers (e.g., Baker, Parasuraman, Grewal, & Voss 2002, Sweeney & Soutar 2001) acknowledge that the perceived value has a strong influence on customer loyalty. Thus, the hypothesis 1 is: Perceived value is positively related to cognitive loyalty.
Service Quality and Cognitive Loyalty
Parasuraman, Zeithaml, and Berry (1985) argue that the consumers' perceptions of service quality are along a continuum ranging from ideal quality to totally unacceptable quality. The empirical findings from the previous studies (e.g., Brown 2004, Chang & Tu 2005, Jinfeng & Zhilong 2009, Koo 2003, Solvang 2007) in relation to store image reveal that service quality has a positive effect on cognitive loyalty. While other researchers (e.g., Cronin & Taylor 1992, Osman & Ismail 1989) acknowledge service quality is the contributing factor to customer loyalty. Thus, the hypothesis 2 is: Service quality is positively related to cognitive loyalty.

Convenience and Cognitive Loyalty
The issue of non-monetary cost is central to the convenience concept. It is related to time and energy expenditure or effort (Berry, Seiders, & Grewal 2002). The previous empirical studies (e.g., Bloemer & Odekerken-Schroder 2002, Brown 2004; Chang & Tu 2005, Jinfeng & Zhilong 2009, Koo 2003) in relation to store image reveal that convenience has a positive effect on cognitive loyalty. While other researchers (e.g., Seiders, Berry, & Gresham 2000, Seiders, Voss, Grewel, & Godfrey 2005) disclose that shopping convenience provided by retailers is important to store patronage. Thus, the hypothesis 3 is: Convenience is positively related to cognitive loyalty.

Product Quality and Cognitive Loyalty
Olson (1973) argues that consumers use a variety of cues to infer product quality. The cues used by consumers to judge quality can be either intrinsic or extrinsic. The previous empirical study (e.g., Koo 2003) in relation to store image reveals that product quality has a positive effect on cognitive loyalty. While other researchers (e.g., Grewal 1995, Sweeney, Soutar, & Johnson 1996) acknowledge the consumer's perception of the product quality and quality of store relates to the customer loyalty. Thus, the hypothesis 4 is: Product quality is positively related to cognitive loyalty.

Product Selection and Cognitive Loyalty
Retailers hope to satisfy customers' needs by providing the right merchandise in the store at the right time by making an appropriate trade off with respect to variety, depth, and service levels (Mantrala et al. 2009). The previous empirical studies (e.g., Bloemer & Odekerken-Schroder 2002, Koo 2003) in relation to store image reveal that product selection has a positive effect on cognitive loyalty. While other researchers (e.g., Hart & Rafiq 2006, Oppewal & Koelemeijer 2005) argue that product selection or assortment contributes significantly to the customer loyalty. Thus, the hypothesis 5 is: Product selection is positively related to cognitive loyalty.

Store Atmosphere and Cognitive Loyalty
The use of atmospherics or store environment is necessary to influence consumer behavior in creating both pleasure and displeasure (Donovan & Rossiter 1982). The previous empirical studies (e.g., Bloemer & Odekerken-Schroder 2002, Chang & Tu 2005, Jinfeng & Zhilong 2009) in relation to store image reveal that store atmosphere has a positive effect on cognitive loyalty. While other researchers (e.g., Kotler 1973, Sherman, Mathur, & Smith 1997) acknowledge that a conducive store atmosphere has an impact on the consumer’s perceptions of value and their store patronage
intentions. Thus, the hypothesis 6 is: Store atmosphere is positively related to cognitive loyalty.

Promotion Activity and Cognitive Loyalty
Promotion has become more important in today’s highly competitive retail environment due to multiple-store patronage. Previous empirical studies (e.g., Chang & Tu 2005) in relation to store image reveal that the promotion activity has a positive effect on cognitive loyalty. While other researchers (e.g., Gijsbrechts, Campo, & Nisol 2008, Wakefield & Baker 1998) highlight that promotion allows retailers to gain more customers as compared to retailers that do not participate in promotional activity. Thus, the hypothesis 7 is: Promotion activity is positively related to cognitive loyalty.

2.2 Antecedents to Affective Loyalty

There are three antecedents that are related to affective loyalty based on satisfaction aspect and have positive relationships are customer satisfaction, loyalty program, and retailer brand equity.

Customer Satisfaction and Affective Loyalty
Oliver (1997) defines satisfaction as consumers’ fulfillment response. It is a judgment that a product or service provides a pleasurable level of consumption related fulfillment. The levels of fulfillment can be under- or over-fulfillment. Many researchers acknowledge that customer satisfaction has a positive impact on customer loyalty (e.g., Dick & Basu 1994, Oliver 1997). In addition, many empirical studies have consistently identified that there is a positive relationship between satisfaction and loyalty. The link between satisfaction and loyalty can be either direct effect or known as antecedent (e.g., Binninger 2008, Hennig-Thurau, Gwinner, & Gremler 2002, Solvang 2007), or indirect effect or known as the mediator/moderator (e.g., Bloemer & Odekerken-Schroder 2002, Brown 2004, Chang & Tu 2005). Likewise, the previous studies (Sawmong & Omar 2004, Sivadas & Baker-Prewitt 2000) on Oliver’s model disclose that customer satisfaction has a positive relationship with affective loyalty. Thus, the hypothesis 8 is: Customer satisfaction is positively related to affective loyalty.

Loyalty Program and Affective Loyalty
Loyalty program is intended to increase customer satisfaction in order to engage in further loyal customer behavior (Sharp & Sharp 1997). There are a number of authors (e.g., Gomez, Arraz, & Gillian 2006, Sharp & Sharp 1997) who argue that the loyalty card does have a positive impact on increasing customer loyalty. This is emphasized by Gilbert (1999) who argues that loyalty cards not only build greater customer loyalty, but also create longer-term relationships that lead to increase in sales and profit. Thus, hypothesis 9: Loyalty program is positively related to affective loyalty.

Retailer Brand Equity and Affective Loyalty
The role of a retailer as a brand and how it can effectively enhance customer loyalty is one of the most important trends in retailing (Grewal, Levy, & Lehmann 2004). According to Aaker (1991), brand equity allows the firm to achieve differentiation,
which leads to competitive advantage based on non-price competition. There are a number of authors (e.g., Aaker 1996, Lassar, Mittal, & Sharma 1995) who argue that retailer brand equity is an important driver for a firm to gain competitive advantage. Binninger (2008) highlights that retailer brand satisfaction and loyalty are positively related to store loyalty. On the other hand, Taylor, Celuch, and Goodwin’s (2004) empirical study discloses that there is a positive relationship between brand equity and conative loyalty. Thus, hypothesis 10: Retailer brand equity is positively related to affective loyalty.

2.3 Antecedent to Conative Loyalty

There are two types of customer commitment conceptualizations, namely, affective and calculative/continuance commitment. Affective commitment reflects a customer’s sense of belonging and involvement with a service provider based on emotional bonding feeling or ending the relationship involves an economic or social sacrifice (Fullerton 2005). While calculative commitment is the way that the customer is forced to remain loyal against his/her desire (Ruyter, Wetzels, & Bloemer 1998). According to Hesket (2002), a committed customer is not only loyal but demonstrates the loyalty by telling others about his/her satisfaction. According to Day (1969) and Oliver (1999), commitment is a required condition to true/action loyalty. Many researchers (Fullerton 2003, Pritchard, Havitz, & Howard 1999) acknowledge that customer commitment is one of the key antecedents of customer loyalty. Thus, the hypothesis 11: Customer commitment is positively related to conative loyalty.

2.4 Antecedent to Action Loyalty

As postulated in Oliver’s Four-Stage Loyalty Model, the last stage is action loyalty. It is the result of the transition from attitudinal level of conative loyalty to behavioral level of action loyalty. Researchers (Baldinger & Rubinson 1996, Brown 2004, Cunningham 1961) define action/behavioral loyalty as sunk cost, which is reflected in the actual purchase made by the consumers. They classify the action/behavioral loyalty as the highest percentage of household expenditure; at least 50 percent of the total monthly or yearly expenditure; or share of expenditure on a particular brand, service, and/or store. Nevertheless, a few researchers (e.g., Lam 2005, Reichheld 2003a, Zeithaml, Berry, & Parasuraman 1996) emphasize that loyalty behavior should include not only repeated purchase but also non-purchase, such as recommending behavior.

Oliver’s Four-Stage Loyalty Model has been empirically tested in few studies (Back & Parks 2003, Blut, Evanschitzky, Vogel, & Ahlert 2007, Evanschitzky & Wunderlich 2006, Harris & Goode 2004, Sivadas & Baker-Prewitt 2000), whereby the links between the four stages for all the studies are positive and significant. Therefore, the hypotheses to determine the relationships among the Oliver’s Four-Stage Loyalty Model are (Hypothesis 12) cognitive loyalty has a positive effect on affective loyalty; (Hypothesis 13) affective loyalty has a positive effect on conative loyalty; and (Hypothesis 14) conative loyalty has a positive effect on action loyalty.
3. Methodology

The data was collected from a few hypermarkets within Klang Valley, and the instrument used in the study is a self-administered questionnaire. The sample size is 465.

The measurement scales of respective constructs in this study are adapted from previous studies with modifications in the wording in order to meet the consistency and reflect the local retail-shopping context. Additional questions were added to the constructs by the researcher in order to enhance the scale. The instrument consists of 15 measurement scales with eleven in exogenous variables (perceived value, service quality, convenience, product quality, product selection, store atmosphere, promotion activity, customer satisfaction, loyalty program, retail brand equity, & customer commitment,), and four in endogenous variables (cognitive loyalty, affective loyalty, conative loyalty, & action loyalty). All the items are measured using a seven-point Likert Scale anchored by 1 (strongly disagree) and 7 (strongly agree). Likewise, the last section of the questionnaire is to request participants to fill in their profiles.

Data was processed in the statistical software (SPSS & AMOS). The raw data was screen for missing data, outliers, normality, and linearity in order to achieve maximum accuracy. Data transformation was performed in order to correct non-normality data. Structural Equation Modeling was used to test the hypotheses. The assessment of fit for the proposed model is based on the suggestions of Byrne (2001) and Hair, Black, Babin, Anderson, and Tatham (2006). The threshold of the fit indices are Chi-square should be as low as possible with a higher degree of freedom; normed chi-square should be between 1 to 2, but the range of 2 to 5 is still considered acceptable, a trade-off between chi-square and the degree of freedom; p value for ratio should be above 0.05; GFI and AGFI should be above 0.90; TLI should be above 0.90; CFI should be above 0.90; and RMSEA should be below 0.08.

4. Findings

4.1 Sample Characteristics

From a total of 465 respondents, 46.7 percent were male and 53.3 percent were female. There were 21.5 percentage single respondents and 76.8 percent married respondents, while others were 1.7 percent. In terms of ethnic composition, there were 51.4 percent percentage Malays, 37.8 percent Chinese, 9.2 percent Indians, and others were 1.5 percent. The mean respondent age was 36.3 years. The majority or 49.9 percent of the respondents were between 31 and 40 years old, followed by 25.8 percent, which were between 21 and 30 years old. About respondents’ educational profile, the majority or 40.2 percent of the respondents were university graduates, followed by 36.1 percent college graduates. On the other hand, the mean respondent income was RM3465. The majority or 34.4 percent of the respondents earned between RM2001 and RM3000, followed by 25.2 percent earning less than RM2001. While the mean household income was RM6258. The
majority or 31.4 percent of the respondents were between RM4001 and RM6000, followed by 24.7 percent between RM2001 and RM4000.

4.2 Reliability Analysis

The reliability of the data is evaluated through coefficient alpha. The Cronbach’s alpha for all 15 constructs of the study range from 0.97 to 0.98. A Cronbach’s alpha value of 0.70 and above is generally accepted to demonstrate a high level of homogeneity with the scale (Nunnally 1978). Hence, the measures of this study are considered reliable and consistent. Likewise, the factor loading indicates that all the items in the respective constructs fall above the recommended value, whereby it is the correlation of each variable on each factor. It ranges from 0.851 to 0.961. As Hair et al. (2006) highlight, the factor loading above 0.50 can be considered as a good factor loading.

4.3 Test of Hypotheses

The results of the initial estimation of the structural model indicate that RMSEA (0.069) meets the threshold, while GFI (0.652) and AGFI (0.629) do not meet the recommended value. Likewise, TLI (0.857) and CFI (0.862) are close to the recommended values. In the analysis process, the structural model suggests few new linkages. Therefore, some respecifications were conducted as an exploratory assessment of the data. As Hair et al. (2006) highlight that the model respecification can improve model fit. However, the changes were made to the model that is supported by the literature. There are four new linkages that are proposed by the structural model, namely, the loyalty program to conative loyalty, retailer brand equity to conative loyalty, customer satisfaction to action loyalty, and customer commitment to action loyalty. The revised conceptual model is presented in Figure 1.

Based on the modification indices of covariances and regression weights that are indicated in AMOS, after deleting some items; the model produces a good level of fit indices, as shown in Table 1. The revised structure model indicates that the results fall within the recommended tolerance levels. The absolute fit indices of GFI (0.948) and the RMSEA (0.016) indicate a good fit, while the incremental fit indices of AGFI (0.929), TLI (0.996), and CFI (0.997) also indicate a good fit. Hence, it can be concluded that the conceptual model fits the data.

The standardized regression weights from the respective pathways, derived from the results of the revised model, are shown in Table 2. The antecedents of cognitive loyalty for service quality to cognitive loyalty (H2), product quality to cognitive loyalty (H4), store atmosphere to cognitive loyalty (H6), and promotion activity to cognitive loyalty (H7) are significant. On the other hand, perceived value to cognitive loyalty (H1), and convenience to cognitive loyalty (H3), and product selection to cognitive loyalty (H5) are not significant. Therefore, the hypotheses 2, 4, 6, and 7 are supported, while hypotheses 1, 3, and 5 are not supported.

The antecedents of affective loyalty for customer satisfaction to affective loyalty (H8), loyalty program to affective loyalty (H9), and retailer brand equity to affective loyalty (H10) are significant. Therefore, hypotheses 8, 9, and 10 are supported. Likewise,
the antecedent of conative loyalty for customer commitment to conative loyalty is also significant. Therefore, hypothesis 11 is supported. Similarly, the results indicate that the pathways from cognitive loyalty to affective loyalty (H12), affective loyalty to conative loyalty (H13), and conative loyalty to action loyalty (H14) are significant. Therefore, these three hypotheses to test the Oliver’s Four Stage Loyalty Model are fully supported. On the other hand, the squared multiple correlations \( R^2 \) for cognitive loyalty, affective loyalty, conative loyalty, and action loyalty are 0.582, 0.710, 0.608, and 0.592 respectively.

### Table 1: Goodness-of-Fit for the Customer Loyalty Conceptual Model

<table>
<thead>
<tr>
<th></th>
<th>( X^2 )</th>
<th>( \chi^2/df )</th>
<th>( P )</th>
<th>GFI</th>
<th>AGFI</th>
<th>TLI</th>
<th>CFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial</td>
<td>10107.944</td>
<td>3.239</td>
<td>0.000</td>
<td>0.652</td>
<td>0.629</td>
<td>0.857</td>
<td>0.862</td>
<td>0.069</td>
</tr>
<tr>
<td>Revised</td>
<td>404.680</td>
<td>1.121</td>
<td>0.056</td>
<td>0.948</td>
<td>0.929</td>
<td>0.996</td>
<td>0.997</td>
<td>0.016</td>
</tr>
</tbody>
</table>

### Table 2: Structural Parameter Estimates

<table>
<thead>
<tr>
<th>H</th>
<th>Construct relationship</th>
<th>Standardized Reg. Weight</th>
<th>Critical Ratio</th>
<th>Significance</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Cognitive loyalty ( \leftarrow ) Perceived value</td>
<td>0.018</td>
<td>0.322</td>
<td>0.747</td>
<td>Not significant</td>
</tr>
<tr>
<td>H2</td>
<td>Cognitive loyalty ( \leftarrow ) Service quality</td>
<td>0.191</td>
<td>4.261</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H3</td>
<td>Cognitive loyalty ( \leftarrow ) Convenience</td>
<td>0.100</td>
<td>1.874</td>
<td>0.061</td>
<td>Not significant</td>
</tr>
<tr>
<td>H4</td>
<td>Cognitive loyalty ( \leftarrow ) Product quality</td>
<td>0.225</td>
<td>4.124</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H5</td>
<td>Cognitive loyalty ( \leftarrow ) Product selection</td>
<td>0.112</td>
<td>1.951</td>
<td>0.051</td>
<td>Not significant</td>
</tr>
<tr>
<td>H6</td>
<td>Cognitive loyalty ( \leftarrow ) Store atmosphere</td>
<td>0.139</td>
<td>1.993</td>
<td>0.046</td>
<td>Significant</td>
</tr>
<tr>
<td>H7</td>
<td>Cognitive loyalty ( \leftarrow ) Promotion activity</td>
<td>0.217</td>
<td>4.095</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H8</td>
<td>Affective loyalty ( \leftarrow ) Customer satisfaction</td>
<td>0.184</td>
<td>3.524</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H9</td>
<td>Affective loyalty ( \leftarrow ) Loyalty program</td>
<td>0.136</td>
<td>3.560</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H10</td>
<td>Affective loyalty ( \leftarrow ) Retailer brand equity</td>
<td>0.194</td>
<td>4.095</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H11</td>
<td>Conative loyalty ( \leftarrow ) Customer commitment</td>
<td>0.134</td>
<td>2.703</td>
<td>0.030</td>
<td>Significant</td>
</tr>
<tr>
<td>H12</td>
<td>Affective loyalty ( \leftarrow ) Cognitive loyalty</td>
<td>0.512</td>
<td>10.726</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H13</td>
<td>Conative loyalty ( \leftarrow ) Affective loyalty</td>
<td>0.655</td>
<td>12.221</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H14</td>
<td>Action loyalty ( \leftarrow ) Conative loyalty</td>
<td>0.602</td>
<td>13.419</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H15 (new)</td>
<td>Conative loyalty ( \leftarrow ) Loyalty program</td>
<td>0.012</td>
<td>0.269</td>
<td>0.788</td>
<td>Not significant</td>
</tr>
<tr>
<td>H16 (new)</td>
<td>Conative loyalty ( \leftarrow ) Retailer brand equity</td>
<td>0.052</td>
<td>1.064</td>
<td>0.287</td>
<td>Not significant</td>
</tr>
<tr>
<td>H17 (new)</td>
<td>Action loyalty ( \leftarrow ) Customer satisfaction</td>
<td>0.163</td>
<td>3.576</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H18 (new)</td>
<td>Action loyalty ( \leftarrow ) Customer commitment</td>
<td>0.102</td>
<td>2.357</td>
<td>0.018</td>
<td>Significant</td>
</tr>
</tbody>
</table>
At the same time, the new pathways proposed by the structural model for loyalty program to conative loyalty (H15), and retailer brand equity to conative loyalty (H16) are not significant. On the other hand, customer satisfaction to action loyalty (H17), and customer commitment to action loyalty (H18) are significant. Therefore, hypotheses 15 and 16 are not supported, while hypotheses 17 and 18 are supported.

5. Discussion

The findings show that the antecedents of cognitive loyalty are service quality, product quality, store atmosphere, and promotion activity; the antecedents for affective loyalty are customer satisfaction, loyalty program, and retailer brand equity; and the antecedent of conative loyalty is customer commitment. While the antecedents of action loyalty are conative loyalty, customer satisfaction, and customer commitment.

5.1 Cognitive loyalty and Its Antecedents

This study hypothesizes (H1 to H7) that all the seven components in store image have positive relationships with cognitive loyalty. The results indicate that there are four significant drivers of cognitive loyalty, while the other three drivers are insignificant. The significant drivers are service quality, product quality, store
atmosphere, and promotion activity. The insignificant drivers are perceived value, convenience, and product selection, which are commonly perceived by consumers as part of the main drivers for hypermarket patronage. The details are discussed as below.

Service Quality and Cognitive Loyalty
The finding is consistent with the previous studies (e.g., Brown 2004, Chang & Tu 2005), whereby they reveal that service quality has a positive effect on store patronage. This indicates that consumers are looking for service consistency, which is an important element in the service industry. As retailing is part of service industry, service providers who are able to deliver higher service value have a higher competitive edge over their competitors.

Product Quality and Cognitive Loyalty
The significant result for product quality construct is consistent with the previous studies (e.g., Koo 2003, Sweeney, Soutar, & Johnson 1996), whereby the consumer's perception of the product quality and quality of store relates to store patronage. This indicates that hypermarkets consistently provide quality products and quality in-house product brands. Wheatley, Chiu, and Goldman (1981) argue that the store quality cue has a greater effect on product quality perceptions. As the level of the store quality cue rises, the consumer has less ability to discriminate the product quality.

Store Atmosphere and Cognitive Loyalty
The significant result in this study is consistent with previous studies (e.g., Bloemer & Odekerken-Schroder 2002, Chang & Tu 2005). They acknowledge that a conducive store atmosphere has an impact on the consumer's perception of value and their store patronage intentions. This is due to store atmosphere becoming store differentiation because modern consumers often expect shopping to be more than simply the purchase of products (Turley & Chebat 2002). As the number of retailers increases, atmospherics become one of the important tools for attempting to attract and hold a specific segment of the market (Kotler 1973).

Promotion Activity and Cognitive Loyalty
Many studies (e.g., Chang & Tu 2005, Gijsbrechts, Campo, & Nisol 2008) highlight that promotion allows retailers to gain customer re-visit, as compared to retailers that do not participate in promotional activity. The significant result in this study reveals that promotion activity contributes to store patronage. As highlighted by Glasman and Albarracin (2006), attitudes influence future behaviors when they are easy to retrieve from memory and stable over time. This explains why hypermarkets consistently deploy low price promotion strategies in order to retain and attract customers.

Perceived Value and Cognitive Loyalty
Previous studies (e.g., Brown 2004, Jinfeng & Zhilong 2009) acknowledge that perceived value has a positive association with customer loyalty. However, this finding reveals that the perceived value construct contradicts the previous studies. The possible explanation for the inconsistent finding is that perceived value is less important in store patronage than promotion and store assortment (Fox,
Montgomery, & Lodish 2004). This is due to the main activity of hypermarket customers being grocery purchasing. As such, it has become a norm and does not have a significant impact on cognitive loyalty.

**Convenience and Cognitive Loyalty**
The previous studies (e.g., Bloemer & Odekerken-Schroder 2002, Brown 2004) highlight that convenience provided by retailers has contributed to store loyalty. However, the finding of this study discloses that the convenience construct is not significant. The possible explanation for the inconsistent finding is that the retail convenience, shopping convenience, and service convenience are becoming a standard feature for most of the established retailers.

**Product Selection and Cognitive Loyalty**
The insignificant result in this study for product selection construct is not supported in the previous studies (e.g., Bloemer & Odekerken-Schroder 2002, Koo 2003), whereby the product selection or assortment contributes significantly to the store loyalty. The reason of the inconsistent finding is parallel with perceived value construct, whereby customers perceive hypermarkets always provide a large variety of assortment (Oppewal & Koelemeijer 2005). As such, it has become a norm and does not have a significant impact on cognitive loyalty.

5.2 Affective Loyalty and Its Antecedents

The study hypothesizes (H8 to H10) that customer satisfaction, loyalty program, and retailer brand equity are positively related to affective loyalty. The results indicate that all the three constructs are significant drivers of affective loyalty.

**Customer Satisfaction and Affective Loyalty**
The significant result of the customer satisfaction construct in this study is consistent with the previous studies (e.g., Binninger 2008, Solvang 2007), whereby there is a positive relationship between customer satisfaction and customer loyalty. The result indicates that to a large extent, hypermarkets’ customers are satisfied with their offering on both products and services. Oliver’s (1980) expectancy disconfirmation theory states that confirmation occurs when the outcome matches the expectations; that is meeting customers’ fulfillment.

**Loyalty Program and Affective Loyalty**
The positive relationship between loyalty program and customer loyalty in this study is supported by the previous studies (Sharp & Sharp 1997, Gomez, Arranz, & Gillian 2006), which state that there is a direct relationship between loyalty program and customer loyalty. Loyalty program is generally intended to bond customers to be more committed by means of increasing the switching barrier through monetary and non-monetary benefits (Sharp and Sharp 1997, Butscher 2002), increasing customer satisfaction (Omar, Musa, & Nazri 2007, Sharp & Sharp 1997), and providing higher perceived value (Butscher 2002). Although some authors (e.g., Evanschitzky & Wunderlich 2006, Solvang 2007) argue that loyalty program has the ability to increase the switching barrier, hence getting customer to commit for a particular loyalty program. However, this study discloses that loyalty program is at affective level instead of conative level. It seems that hypermarkets’ loyalty programs are able
to gain customer loyalty only at affective level. According to Levy and Weitz (2007), it is due to emotional attachment.

Retailer Brand Equity and Affective Loyalty

The positive relationship between loyalty program and customer loyalty in this study is supported by the previous studies (Aaker 1996, Lassar, Mittal, & Sharma 1995), which shows there is a direct relationship between retailer brand equity and customer loyalty. Brand equity is an important element, whereby it allows the retailers to gain a competitive advantage based on non-price competition (Aaker 1996, Lassar, Mittal, & Sharma 1995). Hence, competitive advantage can be achieved through deploying customer loyalty (Bharadwaj, Vanradarajah, & Fahy 1993, Dick & Basu 1994, Reichheld 1996). This study discloses that retailer brand equity is at affective level. This result can be explained from the empirical finding by Pappu and Quester (2006), whereby the study reveals that retail brand equity varies with customer satisfaction. The number of dimensions will vary according to the customer satisfaction level with the retailer. Likewise, Binninger’s (2008) empirical study reveals that retailer brand satisfaction and loyalty are positively related to store loyalty.

5.3 Conative Loyalty and Its Antecedent

The study hypothesizes (H11) that customer commitment is positively related to conative loyalty. The significant result for customer commitment is consistent with the previous studies (Pritchard, Havitz, & Howard 1999, Fullerton 2003), whereby the customer commitment has a positive impact on customer loyalty. According to Day (1969) and Oliver (1999), commitment is a required condition to true or action loyalty, which is the last stage in Oliver’s Four-Stage Loyalty Model. Heskett (2002) highlights that a committed customer will eventually translate intention behavior into action. The commitment is expressed in the form of willingness to encourage and recommend a product or service to others. Similarly, Reichheld (2003b) argues that word of mouth behavior intention is a strong indicator of loyalty because it indicates the favor of customers toward the firm.

On the other hand, the new linkages as proposed by structural model for loyalty program to conative loyalty (H15) and retailer brand equity to conative loyalty (H16) are not significant. The possible explanation for the insignificant result for the loyalty program in conative loyalty can be explained from the empirical finding by Omar, Musa, and Nazri (2007). The finding reveals that only program satisfaction is supported, while program perceived value and program card loyalty are not supported toward the store loyalty in the local context. Thus, it requires extra efforts from the retailers in strategizing the loyalty program that will deliver high value.

5.4 Action Loyalty and Its Antecedents

This study hypothesizes (H12 to H14) that the relationship among the Oliver’s Four-Stage Loyalty Model are positive. The result indicates that the relationships among the four stages in Oliver’s model of cognitive loyalty to affective loyalty, affective loyalty to conative loyalty, and conative loyalty to action loyalty are positive and significant. It concludes that the antecedent of action loyalty is conative loyalty. It is
the result of the transition from attitudinal level to behavioral level. This result acknowledges existence of attitude-behavior relationship, which is inline with the previous studies (e.g., Back & Parks 2003, Blut, Evanschitzky, Vogel, & Ahlert 2007, Evanschitzky & Wunderlich 2006, Harris & Goode 2004, Sivadas & Baker-Prewitt 2000).

Likewise, the new linkages as proposed by the structural model for customer satisfaction to action loyalty (H17), and customer commitment to action loyalty (H18) are significant. This reveals that the antecedents of action loyalty is not only the transition from conative loyalty, but it also consists of two other antecedents, namely, customer satisfaction and customer commitment, which share the common antecedents with affective loyalty and conative loyalty. It can be argued that action loyalty only materializes with the presence of both customer satisfaction and customer commitment.

6. Conclusion

The conceptual model of customer loyalty as developed in this study allows the retailer to visualize the customer loyalty framework. It provides a more comprehensive framework for the retailer to capitalize customer loyalty as a means of gaining competitive advantage. The findings highlight the need for the practitioner to acknowledge the importance of customer loyalty that consists of four different levels, and that they are evolving in stages.

Practitioner should ensure that attitudinal loyalty is top priority in strategy planning because it will build up the behavioral loyalty. The retailer should leverage three strategic tools in strategy formulation, namely, store image, loyalty program, and retailer brand equity. All these strategic tools are essential for strengthening the customer-firm relationship. They complement each other in order to obtain a higher customer satisfaction, hence higher chances of translating it into customer commitment. Thus, it is a mechanism to facilitate the transition of attitudinal loyalty to behavioral loyalty. In addition, these strategic tools must be measured for their effectiveness.

Hypermarket should present an overall store image instead of just everyday low pricing as a promotional tool. Likewise, the hypermarket should offer high value proposition in loyalty program instead of just a standard loyalty program without any differentiation. At the same time, branding is important for the retailer as a key differentiator in order to motivate consumers to continue their patronage to the store. The approach to obtaining a higher attitudinal loyalty is shown in Figure 2. The main concept of the approach is to create a differentiator for the store by combining antecedents that are relevant in creating values and enhancing customer experiences.
References

Byrne, BM 2001, Structural equation modeling with AMOS: basic concepts, applications, and programming, Lawrence Erlbaum Associates Publishers, New Jersey.

Figure 2: Approach to Obtaining a Higher Attitudinal Loyalty

<table>
<thead>
<tr>
<th>Strategic tool</th>
<th>Creating value</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store image (short-term)</td>
<td>Attitudinal loyalty</td>
<td>Behavioral loyalty</td>
</tr>
<tr>
<td>Loyalty program (medium-term)</td>
<td>- Enhancing perceptions of store image</td>
<td>- More referral</td>
</tr>
<tr>
<td>Retailer brand equity (long-term)</td>
<td>- Differentiated loyalty program</td>
<td>- More purchase frequency</td>
</tr>
<tr>
<td></td>
<td>- Strong retailer brand equity</td>
<td>- More money spend</td>
</tr>
</tbody>
</table>
Proceedings of 3rd Asia-Pacific Business Research Conference

Harris, LC & Goode, MMH 2004, ‘The four levels of loyalty and the pivotal role of trust: a study of online service dynamics’ Journal of Retailing, vol. 80, pp. 139-158.
pp. 48-64.


