

Comparing The Loyalty Of Two Mini Markets' Customers: The Role Of Store Image and Satisfaction

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Abstract *Indomaret and Alfamart are two franchise-local-mini markets in Indonesia. Side by side, they invade dwelling areas within cities: where there is an Indomaret store, there will be Alfamart, but with a lack of differentiation among them. This study aims to assess and compare the impact of store image on customer satisfaction and loyalty between two franchise-retail stores in Jakarta, Indonesia: Indomaret and Alfamart. There were 200 participants involved those who were regularly visiting one or both mini markets. Different cases showed different results. In the case of Indomaret, store image had a significant impact on customer satisfaction and loyalty, and satisfaction had a significant effect on customer loyalty. In the case of Alfamart, store image had a significant impact on satisfaction. In addition, satisfaction had a significant impact on loyalty, whereas store image had an insignificant effect on loyalty. Recommendations for management and future study are discussed.*

Keywords: *mini market; customer satisfaction; customer loyalty; store image; the Heywood case*

Introduction

Local and international brands of franchise-mini markets invaded Indonesian consumers lately, including Indomaret, Alfamart, Alfamidi, Ceria Mart, Lawson Station, Circle K, and Seven Eleven. Indomaret and Alfamart are the most expansive convenience stores in Indonesia. Where there is Indomaret store, there will be Alfamart store at its side. Side by side they exist in every neighbourhood in urban places, attracting customers with almost same products, similar services, and promotional activities. Thus, when there are two stores lying side by side while there is no specific uniqueness between them, to which store the customers to be loyal?

Prior studies showed that variables that could affect customer loyalty. They included hedonic and utilitarian shopping motives, time pressure stress, store image, expectation, in-store characteristics, economic drivers, private labels loyalty, product quality, corporate image, product price, and satisfaction (do Vale, Matos, & Caiado, 2016; Ha & Lee, 2016; Kongarchapatara & Shannon, 2016; Suki, 2017). In this current study, the authors select store image and customer satisfaction as the predictors of

store loyalty among customers of these two mini markets. Impact of image and satisfaction on loyalty have been examined by prior studies at different setting including restaurants, resorts, and stores (Bloemer & Ruyter, 1998; Faullant, Matzler, & Füller, 2008). However, there is a lack of study employing these three variables to compare two mini markets.

This study aims to examine the impact of store image on satisfaction and loyalty towards two mini markets – Indomaret and Alfamart. Further, results of these two stores are compared.

Store image is defined as “the complex of a consumer’s perceptions of a store on different (salient) attributes” (Bloemer & Ruyter, 1998). Existing studies showed a significant effect of store image on customer satisfaction, loyalty, sales, customer delight, perceived value, and perceived quality (Bloemer & Ruyter, 1998; Hameed, 2013; Ryu, Han, & Kim, 2008; Sachdeva & Goel, 2015). In this current study, store image is connected to satisfaction and loyalty.

Furthermore, satisfaction can influence attitude, recommendation, loyalty, and repurchase (Balabanis, Reynolds, &

Simintiras, 2006; Sivadas & Baker-Prewitt, 2000). In this study satisfaction is linked to loyalty. Customer loyalty refers to repeatedly purchase behaviour. Loyalty of customers can be divided into two models Kandampully, Zhang, and Bilgihan (2015, p. 380) The first model is “the progression of loyalty and the customer’s attachment to or relationship with the firm”. The second model is “the antecedents and consequences of loyalty, according to prior empirical research”.

Retailers create various loyalty programs to keep their customers being loyal, for example, shopping partner program, gift redemption, insurance coverage, member’s day, magazine, rebate, gift, voucher, and special price (Zakaria et al., 2014). Customer loyalty can be affected by various factors including trust, commitment, satisfaction, value equity, brand equity, and relationship equity (Gamboa & Gonçalves, 2014; Zhang, van Doorn, & Leeflang, 2014).

Theoretical framework

A Malaysian study was conducted by Suki (2017) exploring the effect of product quality, store image, corporate image, and product price on satisfaction and store loyalty. By using structural equation model for data analysis, they found that customer satisfaction was significantly affected by product quality, store image, corporate image, and product price. Besides, they also found that customer loyalty was significantly affected by product quality and customer satisfaction. These scholars documented that there was an insignificant effect of store image, corporate image, and product price on loyalty.

Ryu et al. (2008) investigated visit intention of restaurants visitors. They linked restaurant image on perceived value, satisfaction, and behavioural intention. Also, linking perceived value to customer satisfaction and behavioural intention. Besides, they linked customer satisfaction to behavioural intention. They found that all the links were significant. In other words, restaurant image had a significant impact on customer satisfaction. Furthermore, a study conducted by Hameed (2013) included

advertising spending, store image, perceived quality, and customer satisfaction to predict brand loyalty. Two of 12 hypotheses they tested and showed significance were, store image and customer satisfaction had a significant impact on brand loyalty.

Store image attributes were used by Theodoridis and Chatzipanagiotou (2009) to predict the Greece customer satisfaction of supermarkets visitors. The attributes included personnel, pricing, atmosphere, products, in store convenience, and merchandising. They found that only personnel, pricing, products, and in store convenience that significantly affected satisfaction.

Kumowal, Lapian, and Tumiwa (2016) tested the influence of store image on customer satisfaction and customer loyalty. Involving 100 a supermarket’s visitors, they found that store image significantly influenced customer satisfaction and loyalty. Further, Beneke, Adams, Demetriou, and Solomons (2011) studied loyalty of customers of a super market chain in Cape Town. They documented that store image had a significant impact on trust and satisfaction. Furthermore, trust significantly affected satisfaction while satisfaction significantly affected loyalty. In contrast, according to them, store image and trust insignificantly affected loyalty.

Ene and Özkaya (2014) investigated brand loyalty of retail food and garment in Turkey, by employing retail corporate image and satisfaction as predictor variables. In their study, store corporate image included layout, prestige, service quality, products, in-store promotion, support services, and equipment. These scholars found that retail corporate image significantly affected customer satisfaction. Additionally, customer satisfaction significantly affected customer royalty.

Based on the studies discussed above, therefore, the authors formulate the following hypotheses.

H₁ – Store image will significantly affect customer satisfaction

H_2 – Store image will significantly affect customer loyalty

H_3 – Customer satisfaction will significantly affect customer loyalty

This study is addressed to measure the theoretical framework as illustrated in the Figure 1. This illustration is developed based on the literature discussed above. In the model, store image is linked to customer loyalty and customer satisfaction, and customer satisfaction is linked to customer loyalty.

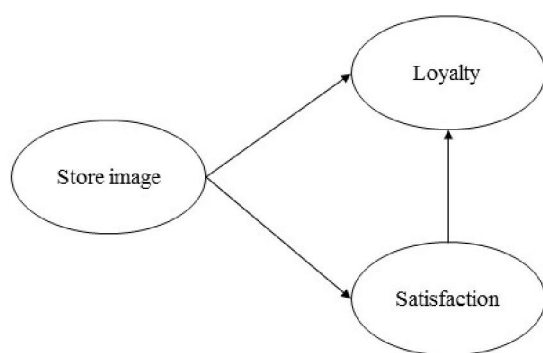


Figure 1. The Theoretical Framework

Methods

Sample and data collection

Participants of this study were approached conveniently, those who experienced visiting Indomaret and/or Alfamart more than twice within the last month. They were available at the stores at the moment the survey was conducted and asked to fill in a self-administered instrument. In the instrument, in the parts of scale, there were two columns provided: the first column was for measuring the case of Indomaret and the second column was for the case of Alfamart. The survey was conducted in two communities in southern of Jakarta.

Measures

As a part of validation, all variables were measured using indicators that have been validated by prior studies. Store image was measured using indicators adapted from

Collins-Dodd and Lindley (2003) and Hsu, Huang, and Swanson (2010). Customer satisfaction and customer loyalty were measured using indicators adapted from Ene and Özkaya (2014). A five-point Likert's scale was employed for each variable.

Data analysis

There were four steps of data analyses conducted for this study. As a part of validation, the authors ran an exploratory factor analysis (EFA). Besides, this method also was addressed to look at any possibility for obtaining dimensions of each variable tested. Only constructs with factor loadings of 0.4 and greater were kept for further analyses (Hair Jr., Black, Babin, Anderson, & Tatham, 2006).

Further, a reliability test was conducted. Constructs with a Cronbach's alpha score of 0.7 and greater are considered reliable (Hair Jr. et al., 2006). However, for hypotheses testing purpose, the authors still included constructs with a Cronbach's alpha lower than 0.7 (Suhud, 2013). The next step was conducting confirmatory factor analysis (CFA). By doing this, the authors could retain indicators that had higher validity among others (Holmes-Smith, 2010).

The last step was conducting structural equation model (SEM). This technique was dedicated for testing the theoretical framework and hypotheses. The task of SEM is to a fitness of the model tested. A fitted framework should be considered fitted if it had a probability score of 0.05 (Schermmelleh-Engel, Moosbrugger, & Müller, 2003) and CMIN/DF score of ≤ 2 (Tabachnick & Fidell, 2007). Also, CFI score of ≥ 0.97 (Hu & Bentler, 1995) and RMSEA score of ≤ 0.05 (Hu & Bentler, 1999).

Results and Discussion

Exploratory factor analysis

Ten indicators of store image survived with factor loadings ranging from 0.743 to 0.833. This construct has a Cronbach's alpha score of 0.924. further, five indicators of customer satisfaction survived with factor loadings ranging from 0.814 to 0.863. This

construct had a Cronbach's alpha score of 0.901. With factor loadings ranging from 0.848 to 0.897, customer loyalty contained

four indicators. These three constructs were considered reliable (Holmes-Smith, 2010).

Table 1 EFA result of store image

| | Factor loadings | Cronbach's alpha |
|---|-----------------|------------------|
| Store image | | 0.924 |
| c2 The entire products in Indomaret/Alfamart have a good quality | 0.833 | |
| c8 The employees of Indomaret/Alfamart are friendly | 0.790 | |
| c9 Indomaret/Alfamart gives a promotion | 0.785 | |
| c6 Overall, I have positive attitude in Indomaret/Alfamart | 0.782 | |
| c5 The interior decoration of Indomaret/Alfamart let me feel pleasant atmosphere | 0.773 | |
| c4 The products of Indomaret/Alfamart are good value for money. | 0.757 | |
| c1 Indomaret/Alfamart provides variety of products | 0.755 | |
| c10 The store of Indomaret/Alfamart is neat | 0.754 | |
| c3 The entire products in Indomaret/Alfamart have low price. | 0.746 | |
| c7 The employees of Indomaret/Alfamart help visitors | 0.743 | |
| Customer satisfaction | | 0.901 |
| k3 My choice of Indomaret/Alfamart was correct and logical | 0.863 | |
| k4 I don't regret choosing Indomaret/Alfamart | 0.861 | |
| k1 I was happy to shop from Indomaret/Alfamart | 0.858 | |
| k2 Retail store is an eligible and prestigious store | 0.846 | |
| k5 Presented products and services meet my expectations | 0.814 | |
| Customer loyalty | | 0.891 |
| L2 I would tell positive things to my acquaintances about Indomaret/Alfamart | 0.897 | |
| L3 I would continue shopping from Indomaret/Alfamart | 0.893 | |
| L1 I would recommend Indomaret/Alfamart to others | 0.849 | |
| L4 Even if the other retailer stores have a discount, I would continue shopping from Indomaret/Alfamart | 0.848 | |

Hypotheses testing

An effort has been conducted to measure the theoretical framework using SEM. The first model to be tested was the case of Indomaret. This model obtained a fitness with a probability score of 0.155 and CMIN/DF score of 1.252. Further, a CFI score of 0.992 and a RMSEA score of 0.036. However, looking at the standardised regression weights, the path of customer satisfaction on loyalty had a score of 1.108. A Heywood case occurred. This score is considered higher than 1.0, and therefore, the path should be constrained (Holmes-Smith, 2010).

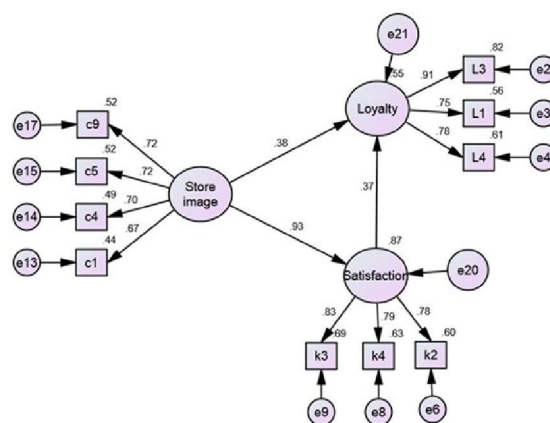


Figure 2. Structural model of the Indomaret case

Furthermore, after giving a constraint on the path of customer satisfaction on customer loyalty, and store image on customer loyalty,

better results were obtained. As presented on the figure below (on the left side), the model owned a fitness with a probability score of 0.068 and a CMIN/DF score of 1.388. Further, a CFI score of 0.988, and a RMSEA score of 0.044. The second model was to measure the case of Alfamart (on the right

side). This fitted model had a probability score of 0.191 and CMIN/DF score of 1.211. Also, a CFI score of 0.994, and a RMSEA score of 0.033.

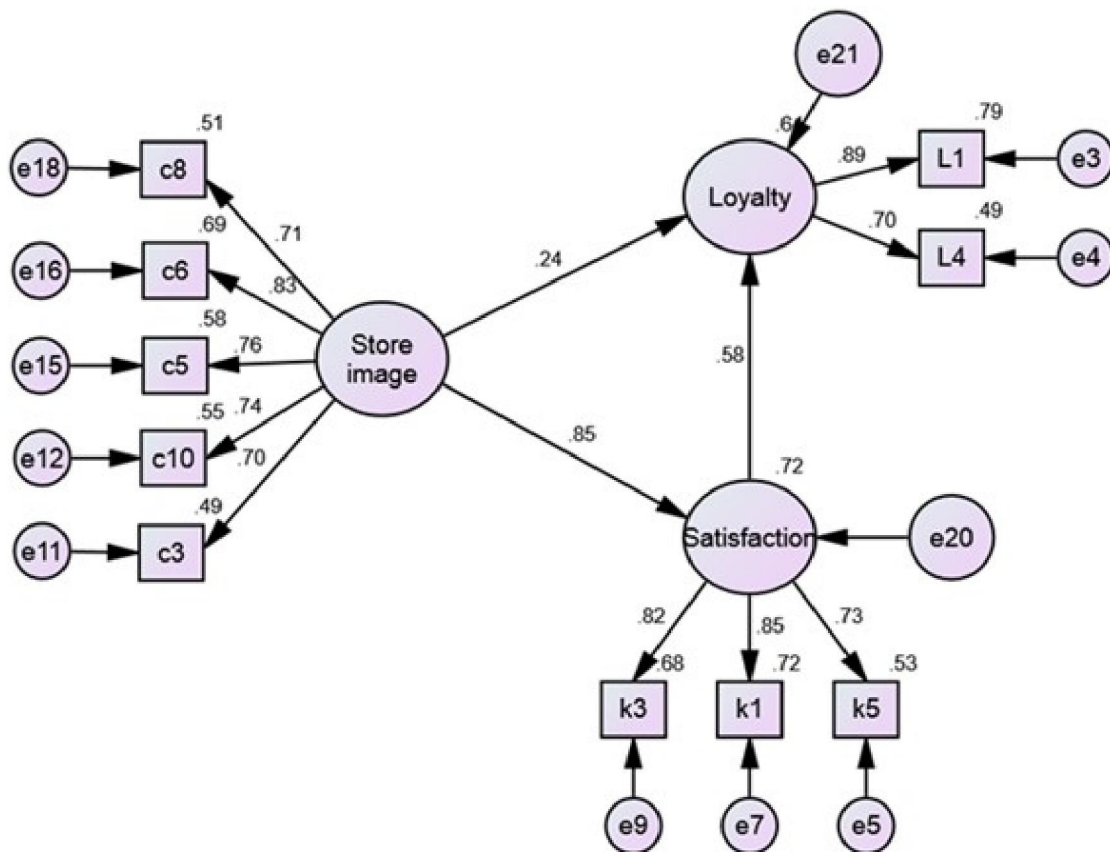


Figure 3. Structural model of the Alfamart case

Table 4 shows the summary of hypotheses testing of both cases. In the Indomaret case, store image significantly affected customer satisfaction, and customer

loyalty had C.R. scores of 9.321 and 8.869 respectively. Besides, customer satisfaction significantly influenced customer loyalty with a C.R. score of 8.869.

Table 2 Results summary of hypotheses testing

| | | | Indomaret | | Alfamart | | | |
|----------------|--------------|--------------------|-----------|-----|-------------|-------|-------|---------------|
| | | | C.R. | P | Results | C.R. | P | Results |
| H ₁ | Store image | → Satisfaction | 9.321 | *** | Significant | 8.831 | *** | Significant |
| H ₂ | Store image | → Customer loyalty | 8.869 | *** | Significant | 1.602 | 0.109 | Insignificant |
| H ₃ | Satisfaction | → Customer loyalty | 8.869 | *** | Significant | 3.658 | *** | Significant |

As all C.R. scores were higher than 1.96, therefore, all the three hypotheses are accepted.

In the case of Alfamart, store image significantly affected customer satisfaction with a C.R. score of 0.883. Besides, satisfaction significantly affected customer loyalty with a C.R. score of 3.658. Therefore, H1 and H3 are accepted. In contrast, store image insignificantly impacted customer loyalty with a C.R. score of 1.602. It indicates that H2 is rejected.

Discussion

The first hypothesis predicted the impact of store image on satisfaction. In both cases, the C.R. scores were significant. These findings support prior studies (Kumowal et al., 2016; Suki, 2017). The presence of mini markets with large numbers near housing, especially in urban environments, has changed consumer behaviour. Those who had gone to a supermarket that was farther away from home and bought large household items could now buy fewer but more frequent items. In other words, shopping for a mini market has shaped a new lifestyle for the community. Indomaret and Alfamart have also become symbols of newness and lifestyle. If the results of this research investigation showed that the store image has affected satisfaction, it seems reasonable.

The second hypothesis predicted the impact of store image on loyalty. In the case of Indomaret, the hypothesis is significant. This finding supports prior studies. On the other hand, in the case of Alfamart, the hypothesis is insignificant. Although this finding is different with the ones presented by prior studies (Kumowal et al., 2016; Ryu et al., 2008; Theodoridis & Chatzipanagiotou, 2009), studies conducted by Beneke et al. (2011) and Suki (2017) support the finding. The role of image store in the case of Indomaret and Alfamart were different. In the case of Alfamart, image store does not optimally work so that it cannot generate customer loyalty. There are several possible reasons why this happened. First, Indomaret has historically been present in the community, so that image store has been

formed before Alfamart operated. Second, there is a strategy 'where there is Indomaret, there is Alfamart'. Customers thought that this strategy as a very ambitious move to get less sympathy from customers. However, these two reasons still need to be proved empirically and in other ways.

The third hypothesis predicted the influence of customer satisfaction on customer loyalty. In both cases, the hypotheses were accepted. These findings were significant with prior studies (Beneke et al., 2011; Ene & Özkaya, 2014; Ryu et al., 2008). In many cases, satisfied customers will be loyal. Satisfaction is created by many factors, such as quality of goods, service quality, and price. Indomaret and Alfamart appear very closely both in terms of product quality, service, and price. These aspects of course can easily build customer loyalty.

Conclusion

The present study brought the cases of two mini market networks in Indonesia, Indomaret and Alfamart. The same participants measured two different situations. The first case tested the loyalty of Indomaret customers. In this case, the store image significantly affected customer satisfaction and customer loyalty. Then, satisfaction significantly influenced loyalty. The second case examined the loyalty of Alfamart customers. As a result, the store image impacted satisfaction and satisfaction affected customer loyalty significantly.

By comparing two cases of Indomaret and Alfamart, the authors become clear now. Both mini-marques sell my goods, offer similar services, and prices are not much different. Some items are sold for a higher price, while others are sold at a lower price than their competitors. Customers are understandable for such situations. One thing that distinguishes is the brand. Customers turned out to have different perceptions of both brands that have a disparate impact on their loyalty to both mini markets.

In this study, the authors selected the study participants using the non-probability method. This method has limitations, i.e. the results of the survey cannot apply to

represent the population. Also, the authors asked the participants to assess two mini markets at once, assuming that they are the mini market's second customers. However, there may be a likelihood of participants having a loyalty level to one of the two mini markets. For that reason, the authors should make better filters when recruiting participants. The authors should consider that some participants choose only one mini market that they visit most often for shopping.

Future research can duplicate the theoretical framework tested here. Of course, with some improvements, for example, selecting participants to examine one particular mini market only.

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