

Inter-relationships among Store Images, Store Satisfaction, and Store Loyalty among Korea Discount Retail Patrons

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Abstract

This study examines how various characteristics of the discount retail environment and the overall attitude towards a discount retail store, considered to be an abstract and global image component, influence consumers' satisfaction and how consumers' satisfaction, in turn, affects store loyalty. The data, collected from a sample of 517 discount retail customers in Daegu, Korea, indicate that: (1) forming the overall attitude is more closely related to in-store services: atmosphere, employee service, after sales service and merchandising, (2) store satisfaction is formed through perceived store atmosphere and value, (3) the overall attitude has strong influence on satisfaction and loyalty and its impact is much stronger on loyalty than on satisfaction, (4) store loyalty is directly affected by most significantly location, merchandising and after sale service in order, (5) satisfaction is not related to customers' committed store revisiting behavior. The applications in management and implications for future research are discussed.

Keywords: store loyalty, store satisfaction, discount retail images, store attitude

1. Introduction

The last decade has witnessed a dramatic globalization of industries, mainly due to increasing liberalization of trade policies, growing stability in monetary transactions, uninterrupted flow of goods, advances in transportation, communication, and information technologies (Czinkota & Ronkeinan, 2001). Especially, the discount retail business in Korea has experienced dramatic changes with many multinational corporations entering the market. Since E-Mart first opened its discount retail store at Chang-Dong, Seoul in 1993 and the distribution sector was fully opened in 1997, both domestic and international discount retailers have confronted fierce competition in Korea (Kim & Jin, 2001). The urgent market environment forces both marketing academicians and practitioners, especially of multinational retail entities, to delve into the various factors affecting discount retail store satisfaction and

loyalty in Korea. Building and maintaining store associations in the mature market are more difficult than the stores in the early stage. But relatively little research has directed its focus on the various dimensions of retail images relevant to the discount retail environment in Korea and the hierarchical effects of store images and the overall store attitude on store satisfaction and loyalty.

One of the main stream retail theories, the central place theory, emphasizes location to be the most important factor in attracting patrons to a shopping area (Kim & Jin, 2001, p. 236; Craig et al, 1984; Bruner & Masson, 1968; Nevin & Houston, 1980). But Burns & Warren (1995) report that the consumer may visit a more distant retailer to express his/her uniqueness. Similarly, other research suggests that there are more important factors associated with shoppers' selection of discount retail stores. These factors include store images (Martineau, 1958; Lindquist, 1974; Bearden, 1977; Nevin & Houston, 1980) and store attitude (Macintosh & Lockshin, 1997; Yoo et al., 1998), which subsequently affect store satisfaction and store loyalty (Bloemer & Ruyter, 1998). Building on previous store image studies, the purposes of this study are (1) to consolidate previous research on retail images with the cognitive structure theory in order to further bolster store image theories, (2) to introduce a new store image factor, a global attitude, based on the theories of cognitive process and brand equity, (3) to review the concepts of store satisfaction and loyalty in detail, (4) to investigate the interrelationships among retail store images, the overall store attitude and store satisfaction and loyalty in the context of the discount retail environment in Korea.

By delving into the sequential influences among various factors related to the discount retail store patronage, this study could provide valuable insights to both domestic and foreign retail entities on what policies in Asian retail markets are more effective. This study is insightful especially for multinational retailers in devising store management policies on whether to standardize or adapt their operations in Korea. The next section provides literature review on theories related to store images. And the hypotheses on relationships among store images, the overall store attitude and store satisfaction and store loyalty will be proposed. The empirical tests of hypotheses and discussion of the results will follow. And the study will conclude by addressing the theoretical and managerial implications of the findings.

2. Literature Review

2-1. Discount Retail Market in South Korea

Since E-Mart, a subsidiary of Shinsaegae Department Store conglomerate, was first introduced in 1993 in Seoul, the retail industry has been expanded rapidly. With the full liberalization of the distribution sector in 1997, both multinational and domestic discount retailers have been competing to gain more market share in Korea. Currently, the Korean retail market is at the end of growth stage and confronting increased competition among domestic and

international retail stores. While the amount of sales by department sales rose from 11,381 billion Won in 1998 to 17,100 billion Won at the end of 2002 (Biznet Times, 2003), that of sales by discount retailers rose from 4,974 billion Won to 17,200 billion Won (13.8 billion dollars) for the same period. These figures show that discount retailers are driving the retail market in Korea.

204 discount retail stores are competing in the market at the end of 2002 and expected to be over 300 by 2003 (Biznet Times, 2003). The market is dominated by five discount stores: E-mart, Homeplus, Carrefour, Lotte Mart and Wal-Mart. Their aggregate market share accounts for about 72% (Korea Herald, 2003). The market leader, E-mart with 51 stores nationwide, marked its sales about 5,600 billion Won for 2002 (Maeil Business Newspaper, 2003, p. 16). The second runner, Homeplus operated by British retailer Tesco with 26 stores in Korea, sold 2,400 billion Won and Lotte Mart, the third runner, operates 25 stores and sold 2,300 billion Won. Carrefour has 26 stores in Korea and sales volume of 1,700 billion Won, followed by Walmart Korea with 800 billion Won in its sales from 15 stores nationwide. US-based Costco Wholesale Corporation has five appearances. According to KOCHAM (2003), the retail industry is expected to enter a restructuring stage in 2005. This urgent market environment forces marketing academicians and practitioners, especially of multinational retail entities, to better understand the various factors affecting discount retail store satisfaction and loyalty.

2-2. Store loyalty

The generation of committed repeat purchasers has been a primary objective of marketers for decades because retaining customers requires less marketing resources than recruiting new ones (Knox & Walker, 2001; Reichheld & Sasser, 1990; Reichheld, 1996; Birgelen, 1997). And Loyalty has been used as a measure of the success of marketing strategy and a partial measure of brand equity (Knox & Walker, 2001, p. 111). Aaker (1991) treats loyalty as a dimension of brand equity. Keller (1993), Na, Marshall & Keller (1999) consider it as a consequence of strong brand associations. The concept of store loyalty has evolved from brand loyalty with respect to tangible goods (Cunningham, 1956). Cunningham (1961) was the first to extend brand loyalty into store loyalty using the same measures he had used earlier for brands.

A review of the literature by Jacoby & Chestnut (1978) indicates that much of the initial research emphasizes the behavioral aspect of loyalty. Exclusive purchase is considered to be brand loyalty if the customer consistently purchases a single brand (Brown, 1952). Two-thirds criterion stipulates that out of a set of three brands offered four or more purchases of the same brand must occur in a 6 week period for brand loyalty to exist (Charlton & Ehrenberg, 1976). And three-in-a-row criterion suggests that a consumer is brand loyal when three or more purchases in a row oc-

cur(Tucker, 1964; McConnell, 1968). The attitudinal measures stress psychological commitment. A consumer is defined as loyal to the brand he names in response to the question which brand he/she prefers (brand preference). Or loyalty is assessed on the basis of responses to the statement of asking the favorite brand name regardless of price (Knox & Walker, 2001, pp. 113-114).

It is currently accepted that loyalty consists of two dimensions: both attitudinal and behavioral. The behavioral aspect of loyalty focuses on a measure of proportion of purchase of a specific brand, while attitudinal loyalty dimension is measured by psychological commitment to the target object (Caruana, 2002, p. 813). Even Gremler & Brown (1996) in service context incorporate the three specific component of loyalty: the purchase, attitude and cognition. According to Bloemer & Ruyter (1998), when there is no store commitment in the consumer's repeat visiting or buying behavior, the consumer becomes spuriously loyal, or a consumer with "inertia repeat visiting behavior (Dick & Basu, 1994)." Knox & Denison (2000) defines store loyalty as "the consumer's inclination to patronize a given store or chain of stores over time (p. 34)." Knox & Walker (2001) similarly conceptualized brand loyalty with two measures; brand support index (a measure of brand buying behavior) and brand commitment. All these definitions suggest that consumer's commitment as necessary condition for store loyalty to occur (Bloemer & Ruyter, 1998, p. 500). So the store loyalty can be defined as "the biased behavioral response, expressed over time, by some decision-making unit with respect to one store out of a set of discount retail stores, which is a function of psychological decision-making and evaluative processes resulting in store commitment (Jacoby & Chestnut, 1978; Knox & Walker, 2001)."

2-3. Store satisfaction

Satisfaction has been considerable debate in services marketing literature. Three major positions have been noticed (Brady et al. 2002). First, satisfaction has been identified as a resulting concept of service quality (Anderson & Sullivan, 1993; Anderson et al., 1994; Cronin & Taylor, 1992; Gotlieb et al., 1994). In this causal relationship, satisfaction is described as a "post-consumption evaluation of service quality (Anderson et al., 1994, p. 245)." Second, some researchers argue that satisfaction is an antecedent to service quality (Bitner, 1990; Bitner & Hubert, 1994). Third position postulates that neither satisfaction nor service quality is antecedent to the other (Dabholkar, 1995; Cronin & Taylor, 1992, p. 59).

Satisfaction is considered as an antecedent of store loyalty (Bitner, 1990; Bloemer & Ruyter, 1998; Tse & Wilton, 1988, p. 204). Na et al. (1999) view satisfaction as a resulting variable of strong associations or images, along with preference and loyalty. And there are many different definitions of satisfaction in the literature. Hunt (1977) defines satisfaction

as “an evaluation of an emotion(pp. 459-460)” in a service context. This implies that satisfaction reflects the degree to which a consumer believes that the possession and/or use of a service evokes positive feelings based on disconfirmation paradigm in process theory(Rust & Oliver, 1994). Similarly, Giese & Cote(2000) define satisfaction as a summary response of varying intensity, with a time-specific point of determination and limited duration, directed towards focal aspects of product acquisition and/or consumption. Caruana(2002) define customer satisfaction as “a post purchase, global affective summary response, that may be of different intensities, occurring when customers are questioned and undertaken relative to the retail (banking) services offered by competitors(p. 816)”. Cronin et. al.(2000), however, display different view in the context of multiple service industries. They argue that satisfaction with a service provider is perceived as being both an evaluative and emotion-based response to a service encounter. The emotion-based satisfaction includes such 5 different measures as interest, enjoyment, surprise, anger, and shame/shyness. The evaluation-based satisfaction captures 3 evaluative items. But emotion-based measures are accepted as different concepts, called “in-store emotional experiences(Yoo et. al., 1998).”

More directly related to the retailing, Bloemer & Ruyter(1998) defined satisfaction as “the outcome of the subjective evaluation that the chosen alternative (the store) meets or exceeds expectations(p. 501).” This conceptualization stems from the disconfirmation paradigm(Oliver, 1980), in which satisfaction is believed to occur through a matching of expectations the consumer elaborates on the evaluation of a store.

2-4. Store images and the attitude towards a discount retail store

It is well known that store images have critical impact in building store loyalty(Bloemer & Ruyter, 1998; Martineau, 1958; Lindquist, 1974; Bearden, 1977; Nevin & Houston, 1980). Theoretical foundations of store images are found in theories of brand images. Brand image is defined as “the consumer’s perceptions of the brand’s tangible and intangible associations(Faircloth et. al., 2001, p. 64).” Aaker(1991) considers brand associations as “anything linked in memory in a brand” and brand image as “a set of brand associations, usually in some meaningful way(p. 109).” Keller(1993) conceptualizes brand image as “perceptions about a brand as reflected by the brand associations held in consumer memory(p. 3).” More specifically, brand image is brand associations consumers hold for a certain brand and consists of concrete attributes, benefit values and brand attitude(Keller, 1993, pp. 4-5; Srinivasan, 1976; Biel, 1993. Park & Srinivasan, 1994). This definition is adopted in this study to capture discount retail store images. Attributes are those descriptive features that characterize a product or service, what a consumer thinks the product or service is or has and what is involved with its purchase or consumption. Benefits are the personal values consumers attach to the product or service attributes, that is, what con-

sumers think the product or service can do for them. And brand attitudes are the consumers' overall evaluations of a brand(Keller, 1993, p. 4; Wilkie, 1986).

Store images in previous studies are closely related to the multi-attribute model. Martineau(1958) defines store images as the way in which the store is defined in the consumer's mind, partly by its functional qualities and partly by an aura of psychological attributes. Lindquist(1974) defines store images as a "structure of some sort that is tying together the dimensions that are at work(p. 30)" and conceptualizes store images as nine key attribute categories: merchandise, service, clientele, physical facilities, convenience, promotion, store ambience, institutional factors, and post-transaction satisfaction. Bearden(1977) conceptualizes shopping center images into seven different dimensions(p. 18). In predicting retail trade, Nevin & Houston(1980) have generated 3 dimensional images of the retail stores with 14 variables: assortment, facilities, and market posture. The most recent study on discount retailers in Korea is Kim & Jin(2001)'s, in which 6 image dimensions such as merchandising, service convenience, facility convenience, congestion, clean and spacious atmosphere, price competitiveness, fashion goods are identified and compared between local and multinational discount retailers. James et. al.(1976) define store images as a set of attitudes based on the evaluation of those store attributes deemed important by consumers(p. 25). They report that quality, price and assortment are the attributes deemed most important respectively by respondents(p. 30). These streams of retail images base their theoretical foundation on the cognitive structure theory(Lutz & Sway, 1977; Olson & Mitchell, 1975), which explains that the formation of attitudes of the consumers can be achieved through the formation of cognitive structure(Olson, Toy, & Dover, 1978). A well-known theory of the cognitive structure, the multi-attribute model, assumes that attitudes are a function of the associated attributes and benefits that are salient for the brand, or merely the salient beliefs on attributes(Ajzen & Fishbein, 1980).

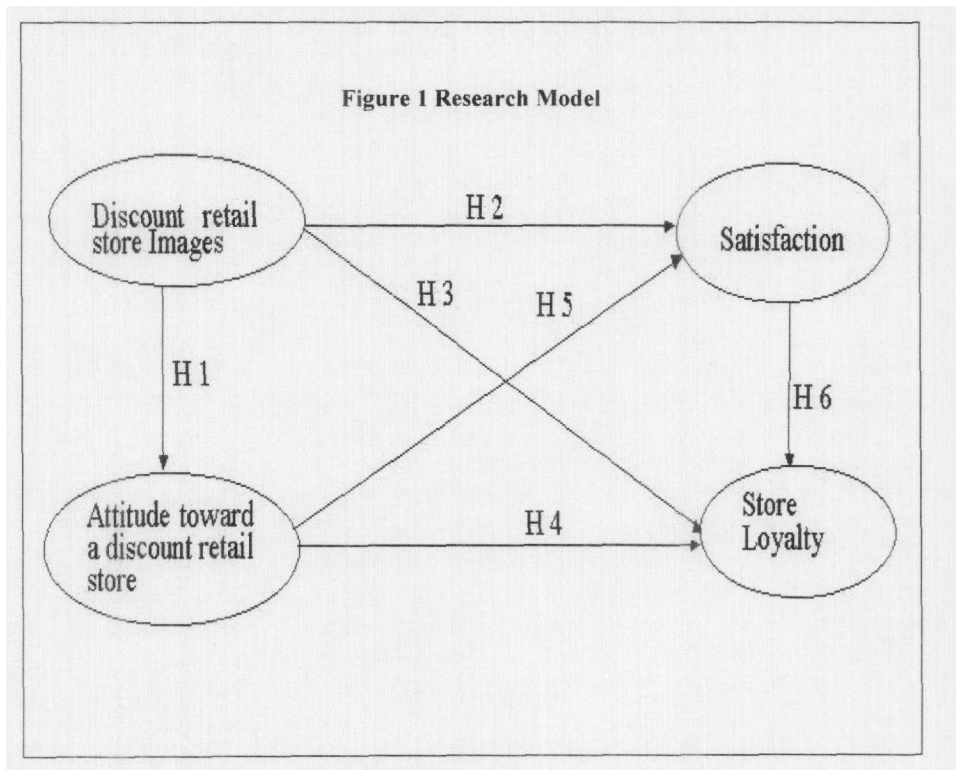
But brand attitudes can also be related to beliefs about non-product-related attributes and symbolic values(Rossiter & Percy, 1987), consistent with "a value-expressive" function of attitudes in the functional theory of attitudes(Katz, 1960; Lutz, 1991). Accordingly, cognitive response theorists have developed a general component of attitude towards the brand that is not captured by the attributes or benefit values of the brand(Park & Srinivasan, 1994; Srinivasan, 1979). Park & Srinivasan(1994). for example, suggest that brand associations contribute to brand equity in two different ways: through creating attribute-based and non-attribute-based associations(p. 274). Non-attribute-based brand associations are not related to product attributes. The masculine image of Marlboro Man, for example, has nothing to do with attributes, but plays major role in explaining its preference. Keller(1998) manifests that brand attitude is the most abstract and highest level of brand associations(p. 100), and can

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not be captured by specific brand attributes. And attitude can be formed by less thoughtful decision making based on simple heuristics and decision rules (Chaiken, 1986; Petty & Caciopo, 1986). That is, if consumers lack either the motivation or ability to evaluate the product or service, they may use signals or extrinsic cues to infer product or service quality on the basis of what they know about the brand (Olson & Jacoby, 1972). Consumers who lack specific store knowledge may make their decision on their global attitude towards a store triggered by simple cues. Zimmer & Golden (1988) assert that images are composed of both distinct attribute dimensions and global impression (p. 366). They define the global image as "an overall impression greater than its parts." This stream of research suggests that the overall attitude towards a discount retail store could be treated as a component of store images.

To summarize, this study implies that the discount retail store images are captured by consumers' beliefs on store attributes, benefit values and the overall attitude, i.e. the symbolic value of a discount retail store. This means that the concrete attributes, benefit values and the overall attitude towards a discount store altogether form store images and the concrete attributes, benefit values subsequently may influence the overall attitude, satisfaction and store loyalty. More specifically, store characteristics and the overall attitude towards a discount retail store may have different effects on satisfaction and loyalty. Figure 1 summarizes hypotheses to be investigated in the study.



3. Proposing hypotheses

Wilkie(1986) and other cognitive response theorists(Olson et. al., 1982) suggest that the causal link can be found between beliefs of various store attributes and the overall store attitude. It is suggested in the literature review that perceptions and beliefs on various retail store attributes and benefits can influence the formation of the overall store attitude, the most abstract form of image(Keller, 1993, p. 4). Zimmer & Golden(1988) assert that store images are composed of both distinct attribute dimensions and global impression, which is defined as "an overall impression greater than its parts(p. 366)." Bloemer & Ruyter(1998) suggest that "store attributes and characteristics are part of the overall image towards the store(p. 501)." Denbow & Culbertson(1985) report that 9 out of 11 specific beliefs on an osteopathic medical clinic correlated positively with attitude towards the clinic, a global assessment of goodness or badness(p. 36). Yoo et al.(1998) show that perceptions on physical characteristics of the department stores can affect store attitude directly and indirectly mediated by in-store emotions. They report that only store location has a direct effect on the overall store attitudes(p. 260). But few studies have attempted to explicitly verify the relationship between discount retail store images and attitude towards a discount retail store.

- H 1. Various discount retail characteristics have positive influences on attitude towards a discount retail store.

From the view of the consumer-based brand equity theory, brand associations are key in building satisfaction, preference, loyalty and possibly extending brand into other categories(Na et. al., 1999, p. 171). Thang & Tan(2003), adopting Donovan & Rossiter's(1982) framework of stimulus-organism-response, imply that store images can have an impact on the consumers' psychological responses including behaviors(Thang & Tan, 2003, p. 194). And most previous studies in retailing suggest a direct link between store images and retail store loyalty. Martineau(1958), Lindquist(1974), Bearden(1977), Nevin & Houston(1980) and James et al.(1976) show that store images of various store characteristics have direct bearings on store preference and patronage. Shim & Eastlick(1998), for example, show that mall shopping behavior is directly affected by perceived attributes of a regional shopping mall. Giese & Cote(2000) report that three attribute dimensions of a service provider affect service satisfaction directly(p. 820).

But recent studies suggest that the store image has an indirect impact on store loyalty or repeat visiting behavior mediated by store satisfaction(Bleomer & Ruyter, 1998; Sirgy and Samli, 1985; Kumar & Karande, 2000; Thang & Tan, 2003) or by emotional experiences in a retail store(Yoo et. al., 1998; Spies et. al., 1997). Based on these studies, this study investigates whether various image components have a direct bearing on store satisfaction and loyalty. But few studies have focused on empirically verifying the interrelationships among discount retail store images, satisfaction and

loyalty. This study explicitly examines these relationships in the context of discount retailing industry in Korea.

- H 2. Discount retail store attributes will have a positive impact on store satisfaction.
- H 3. Discount retail store attributes will have a positive influence on store loyalty.

Attitude towards a discount retail store is the consumer's overall evaluation of a retailer and reflects an image that can not be captured by the specific store attributes (Wilkie, 1986; Keller, 1993, p. 4). Several authors suggest that the overall attitude towards a discount retail store has a direct influence on store related behaviors. Most attitudes studies in the past empirically verified that attitudes towards an object have an impact on behavioral measures (Ajzen & Fishbein, 1980; Lutz, & Sway, . 1977; Mackenzie, & Lutz, 1989). Macintosh & Lockshin (1997) in their retail relationship study report that store attitude has positive effect on purchase intention among patrons of three different types of retail stores: liquor, national chain, and convenience stores. This study examines the relationship of the overall attitude to discount retail store loyalty in the context of the discount retailing industry in Korea.

On the other hand, Na et. al. (1999) view satisfaction as a resulting variable of strong associations or images. And the cognitive response theory suggests that attitudes towards an object can be naturally formed by the various cognitive beliefs or thoughts (Olson, Toy, & Dover, 1982), and attitude is subsequently to influence store satisfaction, as can do the dimensions of store images to satisfaction. But Macintosh & Lockshin (1997) report that store satisfaction has a positive effect on store attitude, the direction of which most previous studies have proved (Na et. al., 1999). So, it is worthwhile to investigate whether the various store images formed by consumers' exposures to various store attributes have a positive impact on store satisfaction in discount retail environment.

- H 4. Attitude towards a discount retail store will have a direct influence on consumer's discount retail store loyalty.
- H 5. Attitude towards a discount retail store has a positive effect on store satisfaction.

Aaker (1991) has identified satisfaction or more importantly dissatisfaction as a key diagnostic measure of loyalty (p. 45). Satisfaction has often been regarded as an antecedent of loyalty for various service providers (Dick & Basu, 1994; Cronin & Taylor, 1992; Ruyter et al., 1997; Spreng & Mackoy, 1996). It is also verified in the retail literature that store satisfaction has a positive relationship with store loyalty (Bitner, 1990; Bloemer & Ruyter, 1998; Rust & Zahorik, 1993; Cronin & Taylor, 1994; Parasuraman et al., 1994). Dick & Basu (1994) suggest that loyalty is the result of customer

satisfaction, which plays a role as a catalyst for loyalty to occur. Macintosh & Lockshin(1997) report that the satisfaction has an influence on store loyalty, a combined measure of store attitude, purchase intention and percent of business. Bloemer & Ruyter(1998) report in their study on the department store consumers that store image affects satisfaction, which subsequently has impact on store loyalty. But in the case of Cronin & Taylor(1992), satisfaction is hypothesized to be an antecedent of service quality in their multiple service sample. But their results show an opposite direction of effect. Based on these mixed results, this study hypothesizes to verify the relationship between store satisfaction and loyalty.

H 6. Store satisfaction has a positive influence on store loyalty.

4. Measurement

Most items indicating the store characteristics, the overall attitude towards a discount retail store, satisfaction and loyalty and other variables were drawn from previous literature. 5-point Likert scales were adopted to measure the concepts.

Store satisfaction is defined as “the outcome of the subjective evaluation that the chosen discount retail store meets or exceeds expectations(Bloemer & Ruyter, 1998)” and measured with 3 items following Brady et. al.(2001). Even though satisfaction has been explained under the disconfirmation theory, it is measured based on the consumer’s perceptions. Because some criticism reveals that the expectation portion adds “no additional information beyond which is obtained from performance perceptions alone” or “difference scores(between expectation and performance) cause problems in reliability, discriminant validity and variance restriction(Brady et al., 2002, p. 19).” Store loyalty has been conceptualized as “the biased behavioral response, expressed over time, by some decision-making unit, with respect to one store out of a set of discount retail stores, which is a function of psychological decision-making and evaluative processes resulting in store commitment(Jacoby & Chestnut, 1978; Knox & Walker, 2001).” In this study 4-item intention to revisit the store are adopted from Macintosh & Lockshin(1997, p. 496) and 2-item commitment scales from Jacoby & Chestnut(1978, p. 80).

Store images are conceptualized as “multidimensional concepts that a consumer perceives to be present in a discount retail store(Bloemer & Ruyter, 1998; Lindquist 1974; Bearden, 1977).” 7 different factors of store images are drawn from previous studies(Yoo et al, 1998; Than & Tan, 2002; Wakefield & Baker, 1998; Brown, 1978; Mazursky & Jacoby, 1986; Samli et al. 1998; Wong & Teas, 2001; Timmermans et al., 1982; Lumpkin et al., 1985; Chowdhury et al., 1998; Kumar & Karande, 2000; Hallsworth, 1987; Nevin & Houston, 1980; Lindquist, 1974; Arnold et al., 1983; Yavas & Tunclp, 1984). The attitude towards a discount retail store is adopted from

Yoo et al.(1998) and Macintosh & Lockshin(1997) and the measurement asks whether the target discount retail store is “good-bad, like-dislike, and favorable-unfavorable.”

5. Methodology and data analysis

5-1. Characteristics of sample population

Total sample in the main survey includes 517 patrons of discount retail stores in Daegu, the third largest metropolitan city in Korea with total population of around 2.5 million. At the end of 2002, there were 17 discount retail stores operating, compared to 6 stores before 1999(Lee, 2003). Among them, 4 stores(23.5%) headquartered in Daegu, 5 stores(29.4%) in Seoul and 8 stores(47.1%) are foreign entities. Multinational retailers are currently leading the discount retail market. US-based Costco first introduced warehouse discount retail store in Daegu in July 1997. Homeplus operated by British retailer Tesco opened its first Korean store in Daegu October 1997, and has been leading the market. E-Mart opened its first store in Daegu at the end of 1999 and added three more stores recently. French retailer, Carrefour introduced its store in Daegu in November 1998. Lotte Mart opened its first stores in October 2000. Wal-Mart operates three stores in Daegu since late 2000.

To be eligible for this kind of survey, the sample has to have some experiences purchasing at the discount retail stores within the previous 6 months. Respondents were approached by trained interviewers to respond to the survey when they exit the discount retail store(mall intercept). About two dollars worth remuneration was given at the end. Approximately 90 to 120 patrons of 6 major discount retail stores in Daegu were asked to respond to the questionnaire. 6 Major discount retail stores include Homeplus by Tesco, E-Mart, Costco Wholesale Corporation, Lotte Mart, Wal-Mart, Carrefour. Among 800, 572 questionnaires were redeemed, resulting in 71.5% response rate. By excluding problematic and unanswered questionnaires, 517 were put into the analysis, resulting in a valid response rate of 64.6%.

The survey showed that the respondents visited target stores 4.08 times for the last 4 weeks(once a week) and spent 78 minutes to shop around and 57,750 Won(\$ 50) per trip and it took about 19.3 minutes to travel to the store. 63.7% of the respondents used cars, 20.3% walked to the stores they patronize. 66.9% of the respondents were female, and 40.1% were twenties and 36.7% were thirties in their age. 52.7% were married and 37.9% earned between 1.5 million Won and less than 3 million Won. 60.4% completed at least university education. 20.4% were homemakers, 20.6% students, 33.1% office workers and professionals. According to Kim & Jin(2001), patrons(62%) in Ilsan and Budang, vicinities of Seoul, visited discount retail stores once a week using cars(57%), and took 20 minutes to travel and spent about 2 hours and 85,000 Won in shopping.

5-2. Validity and reliability of the scales

SPSS 10.0 was adopted for the exploratory factor analyses and structural equation model (LISREL 8.0, Joreskog & Sorebom, 1983) for the confirmatory factor analyses to verify the validity of the scales and structural relationships among exogenous and latent concepts. Two-stage analysis was utilized (Hair et al., 1995, p. 635). The confirmatory factor analyses are first analyzed and then the structural model. Covariance matrix was used as input matrix and maximum likelihood estimation procedure was utilized in the analyses adopting LISREL 8.0. The confirmatory factor analyses for exogenous and latent factors were separately estimated. Average variance extracted for each factor was calculated as a reliability score.

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To assess the stability of store image dimensions and other constructs, the pilot survey was conducted employing one-to-one interview survey of approximately 77 students enrolled in a senior level brand management course during the early May of 2003. More than 75 questions about the store characteristics, the overall attitude, satisfaction, intention to revisit, and other variables were given to the students. The results of the pilot

Table 5-1 The Confirmatory Factor Analysis for the Latent Constructs

Constructs and Scales		Loadings (error)	Standardized loadings	AVE
Constructs	Scales			
Attitude toward a discount store	When I think of this store, I have favorable attitude to this store	1.000	0.679	0.959
	When I think of this store, I like this store very much	0.981 (0.052)***	0.666	
	When I think of this store, this store is very good.	0.770 (0.052)***	0.523	
Satisfaction	I am satisfied with my decision to purchase products at this store	1.000	0.645	0.968
	I made a wise judgment to buy products at this store	0.968(0.056)***	0.625	
	When I finish shopping and come out of this store, I thought I did the right thing	0.903 (0.057)***	0.583	
Commitment	I am committed to maintaining my purchasing at this store	1.000	0.798	0.979
	I plan to maintain my general shopping habits at this store	0.937(0.050)***	0.747	
Intention to revisit the store	In the future, my shopping at this mall will be very frequent	1.000	0.848	0.988
	In the future, my shopping at this mall will be very probable	0.909(0.038)***	0.770	
	In the future, my shopping at this mall will be very Likely	0.825(0.037)***	0.699	
	In the future, my shopping at this mall will be very possible	0.782(0.037)***	0.663	

Table 5-2: The Confirmatory Factor Analysis for the Store Image Dimensions

Constructs and Scales		Loadings (error)	Standardized loading	AVE
Store Atmosphere	The layout makes it easy to get around	1.000	0.657	0.959
	Easy to find what I'm looking for in the store	0.944(0.075) ^{***}	0.620	
	The shelf is not too high enough to pick up merchandise with hands	0.815(0.088) ^{***}	0.535	
	Merchandise display at the store is very good	0.820(0.071) ^{***}	0.539	
Location	The store is quite conveniently located to meet people	1.000	0.672	0.943
	Store is located close to my house	0.906(0.118) ^{***}	0.609	
	Convenient to take a public transportation to get to the store	0.871(0.104) ^{***}	0.586	
	Variety of stores are located near the store	0.985(0.106) ^{***}	0.662	
Convenient facilities	Presence of convenient facilities including drug store, eye and health care centers etc.	1.000	0.744	0.970
	Presence of public facilities such as bank, post office, public office	0.906(0.081) ^{***}	0.674	
	The store has excellent entertainment alternatives for sports, foods and beverages	0.897(0.079) ^{***}	0.667	
	Convenient to do one stop shopping	0.849(0.076) ^{***}	0.632	
Value	The store offers manufacturer coupons, free samples, sales and trading stamps	1.000	0.639	0.948
	The store offers a lot of discounts, special sales, promotions	0.963(0.087) ^{***}	0.635	
	The store provides appropriate prices for merchandise they sell	0.621(0.073) ^{***}	0.409	
Employee service	Employees at the store are helpful and friendly and courteous	1.000	0.667	0.977
	Employees at the store are always willing to respond to my request promptly	0.984(0.057) ^{***}	0.656	
	Appropriateness of salesperson's explanation	0.955(0.057) ^{***}	0.637	
	I can trust employees at the store	0.892(0.062) ^{***}	0.595	
	Employees at the store are very kind in respond to my questions and inquiries	0.865(0.060) ^{***}	0.577	
After sale service	The store has appropriate return policy and easy to return hamper products	1.000	0.754	0.971
	The store's refund policy is appropriate	0.899(0.064) ^{***}	0.678	
	The store offers excellent and easy exchange services for goods I purchased	0.806(0.061) ^{***}	0.607	
Merchandising	The store sells a lot of name brands	1.000	0.590	0.941
	The store sells variety of products from many different manufacturers	0.943(0.093) ^{***}	0.556	
	The store carries many store brands	0.841(0.091) ^{***}	0.496	
	The store carries various assortments	0.776(0.094) ^{***}	0.457	

***<.001, **<.01, *<.05

study produced 16 factors with 55 store image scales. Among them, only after sales and in-store services, value were loaded to intended factors. The remaining items were loaded to different factors or separate factors. Based on these results, items in the main study contained 32 store image scale items: 5 items for each of store atmosphere and location, 4 scales for after sales service, value and convenient facilities, 6 items for employee service and merchandising, respectively. Other scales include two items measuring commitment, three items measuring the overall attitude and satisfaction, respectively, four items measuring intention to revisit a discount retail store. Other questions measure demographics, consumers' characteristics related to store visit, unaided recall measures, the most frequented discount retail store. During the scale refining process, 10 scale items in exogenous constructs were screened out.

Table 5-1 summarizes the results of the confirmatory factor analysis for the latent constructs. Final scales of store images put into analysis are also found in the table. Chi-square of the model was 114.845 with degrees of freedom 48 (P-value = .21020885D-06), RMR was 0.0217, standardized RMR was 0.0354 and goodness of fit and adjusted goodness of fit were 0.943 and 0.908 respectively. NFI and NNFI were 0.961 and 0.968. Based on these statistics, it is judged that the data fits the model reasonably well (Anderson & Gerbing, 1988).

The convergent validity of the items was assessed by analyzing the t values corresponding to the paths between the scales and their respective factors. All t values were significant at the significance level at .001 or less. Average variances extracted (AVEs) are calculated to measure reliability for latent constructs. All AVE scores were between .959 and .988, all of which are within the acceptable range.

The confirmatory factor analysis for exogenous constructs was also conducted. The results are summarized in Table 5-2. Final scale items of store images put into the analysis are also found in the table.

The final factors included in the analysis to form store images were store atmosphere, location, convenient facilities, value, employee service, merchandising, and after sales service. The model shows that the data fit the measurement model reasonably well (Chi-square 554.547 (d.f.=303, P=0.00), GFI=0.89, AGFI=0.86, RMR=.0432, standardized RMR=0.0570, NFI=0.851, NNFI=0.914). The results show the convergent validity of the constructs. The convergent validity of the items was assessed by analyzing the t values corresponding to the paths between the scales and their respective factors. All t values were significant at the significance level at .001 or less. Average variances extracted (AVEs) are calculated for all factors and the results implied that all concepts are in an acceptable range (ranging from .941 to .977). And these results are not very different from those found in the most recent study on discount retail stores in Korea (Kim & Jin, 2001). Kim

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& Jin(2001) identified 6 different store images: merchandising, in-store service, facilities, crowdedness, clean and wide space, price competitiveness, and fashion clothes.

Table 5-3 shows the average scores for the constructs adopted and correlation coefficients. Average scores of non-physical service related factors such as after sales service, employee service, value and merchandising were rated relatively higher than those of physical characteristics. Data distributions show discriminant validity of the constructs and do not present any abnormality problem.

Table 5-3: Correlations

Variables	Attitude	Satisfaction	Intention to revisit	Commitment	Atmosphere	Location	Convenient Facilities	Value	Employee Service	AS service	Merchandising
Averages	3.317	3.212	3.269	3.257	3.244	2.762	2.630	3.007	3.230	3.415	3.070
Satisfaction	.600***	1,000									
Intention to revisit	.622***	.505***	1,000								
Commitment	.589***	.463***	.651***	1,000							
Atmosphere	.507***	.488***	.429***	.397***	1,000						
Location	.211***	.252***	.379***	.219***	.254***	1,000					
Convenient Facilities	.191***	.266***	.132*	.138**	.221***	.308***	1,000				
Value	.459***	.506***	.389***	.390***	.370***	.288***	.373***	1,000			
Employee service	.540***	.469***	.376***	.359***	.388***	.142**	.205***	.464***	1,000		
AS service	.363***	.304***	.340***	.383***	.259***	.093	.021	.304***	.378***	1,000	
Merchandising	.491***	.463***	.388***	.490***	.395***	.177***	.317***	.470***	.442***	.335***	1,000

*<.05, **<.01, ***<.001



Table 5-4: Structural Equation Model

	Parameter	Un-standardized coefficients(error)	Standardized coefficients	t-values
Gamma	Store atmosphere → attitude	0,242(0,051)	0,247	4,787***
	Location → attitude	0,044(0,055)	0,043	0,800
	Convenient facilities → attitude	-0,064(0,052)	-0,068	-1,237
	Value → attitude	0,172(0,113)	0,139	1,518
	Employee service → attitude	0,240(0,061)	0,224	3,917***
	After sales service → attitude	0,125(0,052)	0,134	2,390**
	Merchandising → attitude	0,266(0,087)	0,213	3,074***
	Store atmosphere → satisfaction	0,155(0,047)	0,176	3,282***
	Location → satisfaction	0,016(0,049)	0,017	0,316
	Convenient facilities → satisfaction	0,011(0,047)	0,013	0,230
	Value → satisfaction	0,304(0,105)	0,273	2,883***
	Employee service → satisfaction	0,037(0,056)	0,039	0,673
	After sales service → satisfaction	0,003 (0,047)	0,003	0,059
	Merchandising → satisfaction	0,071(0,078)	0,063	0,901
	Store atmosphere → store loyalty	0,033(0,048)	0,037	0,687
	Location → store loyalty	0,251(0,053)	0,268	4,736***
	Convenient facilities → store loyalty	-0,119 (0,047)	-0,138	-2,530*
	Value → store loyalty	0,016(0,107)	0,014	0,145
Employee service → store loyalty	-0,121 (0,056)	-0,122	-2,165**	
After sales service → store loyalty	0,142(0,047)	0,165	2,990***	
Merchandising → store loyalty	0,227(0,080)	0,197	2,841***	
Beta	Attitude → satisfaction	0,316 (0,056)	0,352	5,612**
	Satisfaction → store loyalty	0,089(0,067)	0,087	1,333
	Attitude → store loyalty	0,494(0,062)	0,536	7,908***

* < .05, ** < .01, *** < .001

5-3. Tests of hypotheses

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To test hypotheses, structural equation model was employed using LISREL 8.0. Maximum likelihood estimation was utilized with covariance matrix as input matrix. In case of store loyalty, scales of commitment and intention to revisit the store were averaged respectively and put into the structural model as two separate scales of store loyalty. Table 5-4 summarizes the results. The model shows that Chi-square value 1,108.684(d.f.=515) with P value significant at 0.00. RMR and SRMR were 0.0362, 0.0494, respectively. GFI and AGFI were 0.890 and 0.865. NFI and NNFI were 0.873 and 0.916. All statistics show that the data fit the model well enough to test hypotheses proposed in the study. The overall model tests support the proposed conceptualization.

The result shows hypothesis 1 is partially supported. It is shown that various store images have important impact on attitude. More specifically, store atmosphere(standardized coefficient=.247, $t=4.787$), employee service(coefficient=.224, $t=3.917$), merchandising(coefficient=.213, $t=3.074$), after sales service(coefficient=.134, $t=2.390$) have significant impact on attitude towards a discount retail store. But images related to location, convenient facilities and value have no impact on attitude towards the discount retail store. This hypothesis is meaningful to confirm the results of Bloemer & Ruyter(1998, p. 501), Wilkie(1986), Olson et. al.(1982), Denbow & Culbertson(1985). But it is contradictory to Yoo et al.'s(1998), who, in their study under the context of department stores, showed that only location among other store images has a significant effect on the overall attitude. In this study location is not significant.

The results also show that hypothesis 2 is partially supported. 2 store images have a positive impact on store satisfaction. Store atmosphere(coefficient=0.176, $t=3.282$), value(coefficient=.273, $t=2.883$) have significant influence on satisfaction. But images including location, convenient facilities, employee service, after sales service and merchandising are not statistically significant. The results suggest that store atmosphere and value should be carefully bolstered in order to promote the level of satisfaction experienced by customers in discount retail stores. The results confirm those derived by Bleomer & Ruyter(1998), Sirgy & Samli(1985), Kumar & Karande(2000), Thang & Tan(2003), all of who stipulate that store images have a direct impact on satisfaction. It is may be because atmosphere and value are easy to realize or to evaluate good and/or valuable, compared to other images.

The results suggest hypothesis 3 is supported. Three image dimensions have a direct impact on store loyalty. It is revealed that location(coefficient=0.268, $t=4.736$), after sales service(coefficient=.142, $t=2.990$), merchandising(coefficient=.197, $t=2.841$) are statistically significant in affecting store loyalty. This result is contradictory to that by Bleomer &

Ruyter(1998, p. 508), who proved that store image has no direct effect on loyalty, but an indirect impact on store loyalty through satisfaction. This contradictory result may lie in difference in conceptualization. While Bleomer & Ruyter(1998) conceptualize store image as a single dimension, this study conceptualized store images as multi-attribute factors. Meanwhile, Craig et al(1984) report that location is the most effective factor in enticing customers as is in this study. And Ghosh(1990) insists that merchandising of a retailer is its most important retail mix. James et. al.(1976) report that quality, price and assortment are the most important attributes evaluated by respondents(p. 30). All these results imply that different image dimensions have different impact on retail loyalty under different environment or among different customers.

It is also shown that attitude towards a discount retail store has a significant influence on store loyalty(coefficient=.494, $t=7.908$), supporting hypothesis 4. This result implies that when consumers hold a positive attitude towards a discount retailer, they are more likely to become a committed loyal customer. This result verifies the suggestion by Thang & Tan(2003), who have implied that the overall attitude may have direct influence on store related behaviors. And this confirms the general maxim stipulated by attitude theorists(Chaiken, 1986; Petty & Caciopo, 1986; Ajzen & Fishbein, 1980), insisting that attitudes towards an object have a direct impact on behavioral measures.

The result shows that attitude towards a discount retail store has strong independent impact on satisfaction(coefficient=.3416 $t=5.612$), supporting hypothesis 5. The results indicate that if consumers have positive attitude towards a discount retail store, they are more satisfied with the store. That is, attitude towards a discount retail store, which is the overall evaluation for and the most abstract level of an image for a discount retail store, has significant impact on store satisfaction. This result is coincide with previous studies in brand equity and general attitudes(Keller, 1993, p. 4; Wilkie, 1986).

But the result shows that satisfaction has an insignificant positive effect on discount retail store loyalty(coefficient=0.087, $t=1.333$). The result implies that hypothesis 6 is not supported. This result is parallel to that by Cronin & Taylor(1992), but does not coincide with most previous studies from services industry by Ruyter et al.(1997); Spreng & Mackoy(1996) and from retail businesses by Bitner(1990), Bloemer & Ruyter(1998), Rust & Zahorik(1993), Cronin & Taylor(1994), Parasuraman et al.(1994), Macintosh & Lockshin(1997). Bloemer & Ruyter(1998) and Caruana(2002), for example, stipulate clearly that store image or service quality has an indirect effect on store loyalty mediated through store satisfaction(p. 509). But this study shows that there exist no direct relationship between store satisfaction and store loyalty. This may imply that satisfaction is to be treated as a resulting variable(Keller, 1993; Na et. al., 1999), rather than a determinant of,

store loyalty (Bleomer & Ruyter, 1998). In addition, this may be because the effects of store images on loyalty are too strong. This is observed in the revised structural model. When there are no paths from store image dimensions to loyalty, the effect of satisfaction to loyalty is statistically significant (coefficient=0.184, $t=3.116$). But the paths from images to loyalty are added, the effect becomes non significant. This situation is mainly due to many stores recently entering the market. Newly entering discount retail stores give many attractive deals including coupons, reduced prices, etc. Customers in this environment may be busy trying to visit many different stores, or may it be too early for customers to evaluate many different stores. This means customers do not have sufficient experiences to distinguish diverse stores and to fully form psychological responses, i.e. satisfaction.

In addition, the indirect effects of store images on satisfaction and store loyalty are analyzed. Store atmosphere has an indirect impact on satisfaction (coefficient=0.077, $t=3.712$) and loyalty (coefficient=0.140, $t=4.368$). Other images including employee service (coefficient=0.076, $t=3.133$), after sales service (coefficient=0.040, $t=2.160$), and merchandising (coefficient=0.084, $t=2.658$) have positive indirect influences on satisfaction mediated by attitude towards a discount retail store. Employee service (coefficient=0.129, $t=3.626$), after sales service (coefficient=0.065, $t=2.321$), and merchandising (coefficient=0.145, $t=3.096$) also have positive indirect influences on loyalty mediated through attitude towards a discount retail store.

Considering the results altogether, different factors affect the formation of attitude and satisfaction. Attitude is more closely related to non-physical attributes: store atmosphere, employee service, after sales service, and merchandising. But satisfaction is affected by factors of ambience and value. And it is shown that the customers' committed repeat visiting behavior is more closely related to the overall attitude, location, after sales service and merchandising. These results suggest that different attribute dimensions are working in the formation of the overall attitude, satisfaction and loyalty. This means that managerial implications will also differ in implementing different objectives: promoting favorable attitude, satisfaction and loyalty.

6. Summary and implications

This study was (1) to consolidate previous research on retail images leaning on the cognitive structure theory (2) to introduce a new store image factor, a global attitude, based on the theories of cognitive process and brand equity, (3) to review the concepts of store satisfaction and loyalty, (4) to investigate the interrelationships among retail store images, the overall store attitude and satisfaction and loyalty in the context of the discount retail environment in Korea.

The results are summarized into several points. First, forming the attitude towards a discount retail store is more closely related to in-store serv-

ices: atmosphere, employee service, after sale service and merchandising. Second, the overall attitude towards a discount retail store has strong influence on satisfaction and loyalty and its impact is much stronger on loyalty than on satisfaction. It means that attitude is an important factor in predicting loyalty behavior of the customers. Third, store satisfaction is formed through ambient factors: store atmosphere and value. Fourth, store loyalty is directly affected most significantly by location, followed by merchandising and after sales service. Fifth, the overall attitude is the strongest factor affecting store loyalty. Sixth, satisfaction is not related to customers' committed store revisiting behavior. This is true at least in this discount retail environment in which many different retailers are newly entering the market. It implies that customers need to accumulate experiences on various stores to express their satisfaction clearly.

These results provide several important insights in managing discount retail stores in Korea. It is first suggested that store images related to non-physical characteristics have to be formed favorably in order to promote a positive attitude towards a discount retail store. In other words, to form positive and favorable attitude towards a discount retail store, it is needed to improve store atmosphere, after sale and employee services and diverse merchandises. Atmosphere will be promoted through remodeling layout to make customers move easily around the store and to find products conveniently and to make shelves not too high. In-store services will be enhanced through the placement of knowledgeable, kind employees within the store and implementing appropriate refunding and exchange programs. Diverse merchandising will widen customers' choice alternatives. Companies including two leading companies, E-Mart, Homeplus managed by Tesco are very good at establishing store design, which is very convenient for customers to find items, and move around the store and the height of shelves is not too high to pick merchandise. While the atmosphere of these stores is that of department stores, prices of merchandise are lower. This practice adapted to the local environment in Korea is so called "Koreanized discount retailing operation." This is mainly because Korean customers prefer "immediate tangible benefits they seek when they are shopping at a discount store (Kim & Jin, 2001, p. 250)." But other international companies like Costco, Wal-Mart adopt globalization strategy offering lower prices. Their store shelves are too high to pick things up, and stores are located in remote areas. Their competitive advantage lies in lower prices. This result suggests that companies need to localize their operations to meet customers' needs when they operate in Asian markets. Second, it is said that the level of satisfaction is promoted through increased in-store atmosphere and value for money customers are paying. It is advised to implement policies to improve store atmosphere by creating layout which makes customers easy to move around and to find products, and by making shelves not too high, and by increasing perceived value of products and services through providing coupons, special promotions and appropriate prices for products and services. Third, it is also implied that increased satisfaction also comes from increased level of

the overall attitude towards a discount retail store. That is, when favorable attitude towards a discount retail store is formed in the minds of consumers, the level of satisfaction felt by customers is increased. This is even true for customers who lack their knowledge on various facilities and services of a specific retail store. These customers will decide their level of satisfaction based on the overall evaluation of the store, i.e. the attitude towards a retail store. Fourth, it is also suggested that location is the most important in predicting behavioral measure, customers' committed repeat visiting behavior. This suggests that, before establishing a discount store, the most important consideration would be the location on which the store is built. If this condition does not meet, well-managed store images and satisfaction will be of no use.

All of these arguments imply that different strategies are to be implemented with different objectives. When a manager, for example, is obsessed with long term strategies of promoting customers' favorable attitude, he/she has to attend more to non-physical attributes: its environment and services. If he/she cares more about customer satisfaction, he/she has to pay more attention to atmosphere and value for money. Even if the manager is more worried about a behavioral result, i.e. committed repeat visiting behavior, his or her immediate focus would be to establish a store at a strategically convenient location and then providing superior after sales and merchandising services. And then he/she will give attention to forming favorable attitude towards the store.

There also exist theoretical implications. First, previous research suggested that various store images have direct influences on store preference and behavioral measures such as revisiting behavior (Martineau, 1958; Lindquist, 1974; Bearden, 1977; Nevin & Houston, 1980). This study implies that store images have both direct and indirect influence on loyalty mainly mediated by forming favorable attitude towards a discount retail store. Second, some researchers in the retail distribution industry have suggested that location is the most important factor (Kim & Jin, 2001, p. 236; Craig et al, 1984; Bruner & Masson, 1968; Nevin & Houston, 1980). But some other researchers (Burns & Warren, 1995) insist that customer' uniqueness is more important. This study shows that the overall attitude towards a discount retail has the greatest impact on store loyalty, followed by location, after sales service, merchandising. This implies that the overall store image and location are the most important factors in attracting patrons to the store. Third, the characteristics of a customer may affect the relationships among various variables. The level of knowledge of a consumer on discount retail businesses may affect the relationship. It can be implied that more knowledgeable consumers will make their choice of store on various characteristics of stores, but customers lacking specific knowledge about the stores in the consideration set may use the overall attitude to choose stores.

This study like many others employing survey method has limitation. The limitation is related to sample. The sample of this study is experi-

enced customers of various discount retail stores in Daegu, Korea. Even though Daegu is the third largest city in Korea, its citizens may not be representative of all Korean customers. Especially, when we think that about 45% of total population in Korea is living in Seoul and its vicinities and its socioeconomic status is significantly different from that of Daegu, the representativeness of the sample becomes more serious. This leads us to pay more attention in interpreting the results from this study.

Despite the limitation, the findings from the study suggest several useful directions for future study. First, different authors in previous studies have distinguished different store attributes or characteristics. Lindquist(1974), for example, identified nine store images, Doyle & Fenwick(1974) only five elements, Bearden(1977) seven different retail characteristics. This suggests that new store images may be triggered by changed consumers' preference, needs and ever-changing retail environment. This study, for example, extended store images by including the overall store attitude towards a discount retail store, a global, abstract dimension of retail images. Continuous and more thorough investigation of store images may be needed to enhance our understanding on of retail satisfaction and loyalty in different retail environments. Second, more in-depth investigation of the sequential influence between store images and other intervening and resulting variables will make us better understand dynamic forces in the retail environment. These intervening variables may or may not influence depending on the environment under which it is working. Researchers have proposed various intervening variables, i.e. mediator or/and moderator variables. This study showed that satisfaction did not play a role as a mediating variable. But Yoo et. al.(1998) suggested that in-store emotions are moderating between store images and store attitude. Bloemer & Ruyter(1998) imply that both motivation and ability together with satisfaction to elaborate on the store choice, that is, shopping motives and involvement act as moderating variables. Third, researchers may extend the results to cross-cultural settings to determine which image components are important in many different countries.

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