

THE 80/20 RULE OF CUSTOMER LOYALTY: EXAMINING THE ROLE OF SHARE OF WALLET (SOW) AS A MODERATOR OF AFFECT- AND TRUST-MEDIATED EFFECTS

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ABSTRACT

This study presents a model in which store affect and store trust mediate the effects of store characteristics on store outcomes. It is proposed that the impacts of store atmosphere and merchandise value on two types of loyalty intentions are mediated by store affect and store trust simultaneously in a dual process model. Customer share of wallet is hypothesized to moderate the effects of these relationships such that affect will be the key intervening variable for low share customers while trust will be the key intervening variable for high share customers. Using multi-group structural equation modeling, the authors examine moderating effects of share of wallet on affect-mediated and trust-mediated buyer-seller relationships. The results largely favor a multicomponent dual-mediated model with affect having a greater impact on commitment for low share customers and trust having a stronger impact on repatronage intentions for high share customers.

A sample of 38 commonly-occurring store types was selected from the North American Industry Classification of retail categories (Office of Management and Budget, 1998). To represent these 38 retail-store categories, data were collected from 71 retail stores located in northeastern United States. A field survey of customers at the 71 retail stores resulted in an overall sample of 1966 respondents (mean age = 35). In the majority of cases, there were two or more stores per store type.

Except for the measure of customer share, all measures were based on a seven-point rating scale of agreement from 1 (very strongly disagree) to 7 (very strongly agree). Share of wallet was measured at the ratio level based on customer share measure used by van Doorn and Verhoef (2008).

The purpose of this study was to examine how and why the relationships between vital antecedents (store atmosphere and merchandise value) and consequences (commitment and repatronage intentions) of store affect and store trust differ for low and high share customers. Seven of the eight hypothesized relations found strong statistical support in this study further advancing the need to execute marketing strategies that incorporate both affect enhancing and trust building elements in the buyer-seller dynamic. Key contributions of this study revolve around the mediating impacts of affect and trust within the moderating context of Share of wallet. First, for low share customers, affect mediated relationships were much stronger than trust mediated ones. The fact that, as hypothesized, positive affect induced by the pleasant store atmosphere and merchandise value has a greater impact on commitment and repatronage intentions for the low share group is of considerable significance to retail managers. It is also very revealing that the impact of affect on commitment is much stronger than the impact of affect on repatronage intentions for the low share group.

In terms of marketing strategies, at the beginning of a buyer-seller relationship, retailers need to deliver an overall positive experience that emotionally connects with customers and establishes a bond that competitors' efforts are unlikely to disrupt. In effect, customers' desires to revisit the store result more from how they feel about the shopping experience than from an itemized evaluation of the product attributes and functions (Berry and Carbone, 2007). Additionally, low share customers visit the store for the overall enjoyable experience which leads to positive word of mouth for the store and willingness to pay higher prices but not necessarily larger category related purchases.

This study also establishes the importance of trust in influencing commitment and repatronage intentions for high share customers. The significance of high share customers in determining long term profitability and value has been acknowledged across industries, but the fact that the impact of trust on repatronage or behavioral loyalty is much stronger than the impact of trust on commitment for the high share group has important implications. Customers that make the majority of their category-related purchases at a particular store mainly do so because they have come to rely on the store and believe in the store's fair prices and value offerings. Thus, in order to enhance the high share group's trust-based experience, retailers must focus their marketing strategies on trust-building strategies including merchandise quality, pricing, product assortment as well as overall positive store atmosphere.

References Available on Request.