Customer Retention and the Bottom Line: Examining the Role of Customer 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. To represent 38 retail-store categories based on the North American Industry Classification of retail categories, data were collected from 71 retail stores located in the Northeast United States. The results from multi-group structural equation modeling largely favor a 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.

INTRODUCTION

One of the primary axioms of relationship marketing is that buyers like to reduce choices and their associated risks by facilitating enduring relationships with sellers. Customers need to experience a sense of intimacy as well as fairness, over time, in order to believe in the dependability of the “total customer experience” delivered by the store (Berry and Carbone, 2007, p.26). Increasingly, research in customer relationship management is reflecting the importance of marrying function (practical value) with form (aesthetic value; Chitturi et al., 2007). It is well documented that even the slightest increase in customer-retention rates (5%) promotes significant increases (25%-100%) in profitability (Watson and Spence, 2007). In addition, revenues generated by loyal customers continue to increase the longer the customers remain loyal to the store. Retailers must therefore concentrate their already stretched resources on providing the best shopping experiences for the “right” kind of customers – namely, those who make a greater proportion of purchases at their retail location. This is because many firms find that the best ten percent of their patrons are worth five to ten times as much as the average patron in terms of lifetime profits.

It is not only important but necessary to understand why some customers choose to expend higher shares of their wallet to a store while others do not. Share of Wallet hereafter SOW, is an important individual choice variable because most shoppers have a primary store within a category to which they choose to devote a major percentage of their purchases, but the extent to which the purchases are allocated among various stores and the share assigned to the primary store vary across customers (East et al., 2000; Meyer-Waarden 2007). Chitturi et al. (2007) raise the questions how do consumers resolve trade-offs between hedonic and utilitarian consumption offerings and what if anything moderates this resolution? The present study hopes to shed some light on exactly that by looking at SOW as a key...
moderator. It is of utmost significance for retailers to understand the mechanisms influencing customers’ purchase allocations across competing stores so that they may be able to maximize customer lifetime value and profits (Du et al., 2007).

To facilitate a better understanding of such mechanisms, the present study first groups customers into high share and low share categories based on same store purchase allocation data. Between-group differences in attitudinal and behavioral outcomes are then assessed within the Stimulus-Organism-Response framework. In that connection, we propose that for High Share Customers (HSCs), the impact of price fairness and merchandise value on loyalty when mediated by trust will be greater than for Low Share Customers (LSCs). This is because, over time, HSCs have come to rely on the store with confidence, and trust has often been defined as the “willingness to rely” on the part of the truster (Moorman et al., 1992). For HSCs, trust then surpasses the initial affect associated with the in-store shopping experience as the basis for a long-term reciprocal relationship. Conversely, in the absence of high levels of trust, for LSCs, the impact of the in-store experience on loyalty when mediated by store-induced affect will be greater than for HSCs.

Over the years, the debate concerning the relative salience of affect and trust has intensified as customer loyalty continues to be elusive and unpredictable (Agustin and Singh, 2005). Adding to the uncertainty is the fact that, with rare exceptions (Bendapudi and Berry, 1997; Sirdeshmukh et al., 2002), the majority of empirical evidence on relational constructs such as trust is mostly limited to the service industry (Ball et al., 2004).

Further, though affect has been shown to have a direct impact on repatronage intentions (Babin and Darden, 1996; Mattila and Wirtz, 2001; Watson and Spence, 2007), affect has rarely been studied within the same empirical framework as trust in a retail context. Retail is a high repeat transaction business and largely dependent on customers returning frequently and making large portions of their category related purchases. Given the importance of both affect and trust in building loyalty, the failure to include both in the same study appears to be a critical gap in the extant literature.

The present research addresses this gap by integrating various research streams – including environmental psychology, price fairness, and relationship marketing – with the purpose of establishing affect and trust as pivotal intervening variables that are conceptually and empirically distinct from one another. We then examine a multicomponent model of mediated relationships and test this model in the context of ongoing relational exchanges with a store. We do this to guard against exchange-heterogeneity bias (new versus existing customers) and to provide valuable insights for customer-retention management. In addition, we propose SOW as an important individual choice variable that moderates the effects mediated by affect and trust. Toward this end, we conduct a multiple group analysis between high share customers (HSCs) and low share customers (LSCs) to examine how and why they differ in their patronage toward a store.

In the following section of this paper, we provide a theoretical background to the conceptual framework. Here, we discuss our proposed model and develop our hypotheses accordingly. Then, we test our hypotheses by estimating a structural equation model based on data from surveys conducted at seventy-two retail locations. Finally, after estimating the model, we draw on the findings to propose both managerial and theoretical implications as well as directions for future research.

**Conceptual Framework and Hypotheses**

The conceptual framework, shown in Figure 1, draws from research on environmental psychology, price fairness, and relationship marketing to explicate the bases for the hypotheses. The dual-process
model is based on multicomponent models suggesting that affective as well as cognitive processes simultaneously influence high-level evaluative judgments (Ajzen, 2001; Eagly and Chaiken, 1993). Although there is disagreement regarding the relative impact of each, both affect and cognition are considered important causal influences on intentions and evaluations (Watson and Spence, 2007). Past research has shown that people have affective reactions to varied situations and that such subjectively experienced emotions influence subsequent high level evaluations of stimuli (Pham et al., 2001; Watson and Spence, 2007).

On the other hand, several studies have defined trust as the customer’s confidence in the beliefs that he or she can rely on the seller to deliver promised goods and services (Agustin and Singh, 2005; Delgado- Ballester, 2004) and have demonstrated the mediating effects of trust on commitment and loyalty (Sirdeshmukh et al., 2002). Qualities that have commonly been associated with trust are reliability, fairness, security, and benevolence (Delgado-Ballester, 2004).

In contrast with previous research, the dual processes of store affect and store trust in the present model are hypothesized to have significantly different impacts on two aspects of customer loyalty – namely, commitment and repatronage intentions – with store affect being central to low share customers (LSCs) and store trust being the primary intervening variable for high share customers (HSCs). In brief, customers who give a higher SOW to a store do so because they trust the store and are satisfied by the store’s merchandise value offerings. On the other hand, customers who only spend a small SOW, visit the store primarily for the hedonic experience as they do not yet fully trust the store’s value offerings to make the bulk of their purchases there.

The Stimulus-Organism-Response Theory
While several current streams of research indicate that exposure to stimuli often results in both affective and cognitive reactions, environmental psychologists have presented a valuable theoretical model that can be adapted for studying the effects of store-related factors on subsequent processes leading to customer loyalty (Donovan et al., 1994; Mehrabian and Russell, 1974). In order to better understand the antecedents and consequences of store-related affect and trust, we utilize Mehrabian and Russell’s (1974) Stimulus-Organism-Response (S-O-R) framework. According to their S-O-R approach, attributes of the environment act as antecedents that directly shape emotional states that, in turn, influence approach or avoidance behaviors (Mehrabian and Russell, 1974). Extending this theory to a retail context, we propose that stimulus cues act as valuable information that the customer utilizes to make both hedonic and utilitarian appraisals of the store which, in turn, leads to outcomes such as commitment and/or repatronage intentions. The present study examines store atmosphere and merchandise value as stimulus cues (S); affect and trust as organism-specific constructs (O); and commitment and repatronage intentions as outcome responses (R).

Conceptualizing S-O-R Relationships: Antecedents of Store Affect
In this section, we develop our hypotheses by first explicating the top part of our dual-process model. Although, the S-O-R framework adopted in past research has mainly focused on specific elements within the service and retail environments, there is some evidence in the “servicescape” literature supporting the validity of using a more holistic approach to measuring the physical aspects of the environment. According to environmental psychologists, cues in the environment have synesthetic properties – that is, they work together synergistically to influence behaviors in the environment (Mehrabian and Russell, 1974). So, even though they may perceive discrete cues, people respond to a
particular physical setting holistically. It is this cumulative effect of all cues that comprises a store’s atmosphere with its ability to influence feelings, evaluations, and decision making. Because elements in the store’s environment such as décor, music, layout, and so forth are controllable by the retailer, their total impact on customer loyalty is of utmost importance to the successful management of customer retention.

According to Mehrabian and Russell (1974), “Persons enter a situation with different levels of emotion. Characteristic emotional levels associated with personality and temporary internal states combine with the situation to determine the overall emotional response. It is then this overall emotional response that the person reports and that mediates other behaviors in the situation (p.29).”

To capture this overall emotional response some researchers have defined positive affect as “general feelings of enjoyment” or pleasure experienced during a buyer-seller encounter (Dube and Morin, 2001). Other research has described affect as an evaluation of the degree to which one feels good, happy, pleased, or content in a given situation (Babin and Attaway, 2000; Bloemer and Oderkerken-Schroder, 2002). According to these definitions, store affect can be recognized as more context-specific and transient in nature than store trust. Thus, based on the theoretical and empirical evidence provided, we define store affect as an overall favorable emotional response toward the store, induced in this study by the store’s atmosphere and merchandise value.

Overall favorable emotional response or hedonic consumption has been related to the emotive aspects of shopping behavior and, in a sense, parallels the task orientation of utilitarian consumption, except that the “task” in some cases is the hedonic fulfillment itself – that is, fun and joy as part of the shopping experience (Babin et al., 1994). In addition to the affect induced by the immediate physical environment, shoppers often describe the sheer enjoyment of bargaining and looking for value. “Value shopping” refers to the quest for sales, discounts, and low prices and the enjoyment associated with “conquering” them (Arnold and Reynolds, 2003, pp. 81). Some consumers gain hedonic fulfillment by obtaining such bargains while also experiencing increased sensory involvement and excitement (Babin et al., 1994).

Most retail stores carry a wide range of products at different prices. In this connection, we focus on people’s perceptions of general merchandise price, quality, and value rather than specific product values. Buchanan et al., (1999) base their notion of store value on brand value which also comprises the three dimensions of quality, fair price, and overall value. But few studies have examined the combined effect of all three value dimensions mentioned above. Accordingly, in the present study, we operationalize merchandise value as a generalized construct of overall value reflecting a positive ratio of quality to price.

Consequences of Store Affect: Commitment and Repatronage Intentions

Mehrabian and Russell (1974) postulate that, generally speaking, all responses to an environment can be categorized as approach or avoidance behaviors. We study commitment and repatronage intentions as two crucial indicators of loyalty under the response section of the S-O-R framework proposed by Mehrabian and Russell (1974). The objective in relationship marketing is to build, maintain, and enhance the buyer-seller relationship so that both parties benefit from it. In this connection, the decision to continue (repurchase) is of a different kind than the decision to enhance the relationship. Thus, Dick and Basu (1994) posit that loyalty consists of two components – namely, favorable attitude (compared to alternatives) and repeat patronage (over time). Indeed, commitment has been defined as “an enduring desire to participate in a valued relationship” (Moorman, et al., 1992, p. 316). Commitment enhances the buyer-seller relationship because customers with high levels of loyalty have reported higher expectations
as a result of increased commitment towards the store. To reflect this strong attitudinal component of loyalty, we include positive word of mouth as one of the key indicators of commitment in this study (Oliver, 1999).

We selected word of mouth to reflect commitment because it is an important response variable indicating “bonding with the company” (Zeithaml et al., 1996, p. 34). Several studies have examined the nature and role of word-of-mouth communications in consumer decision-making processes and have found such recommendations to be a key outcome of successful relational exchanges for a variety of products and services. Beatty et al., (1996) found that word-of-mouth communication was extensive when customers considered themselves to be in a meaningfully committed relationship with the retail store. Bendapudi and Berry (1997) add that when customers wish an exchange pattern to continue as a “dedication-based” relationship, they favorably recommend the store to others, thereby reflecting a strong commitment toward the store.

Thus, overall positive affect generated by the store’s atmosphere can be a key determinant of future buying behavior and, more importantly, of durable favorable attitudinal commitment toward the store. The stronger the feelings, the more committed the customers will be.

Share of Wallet (SOW) as a Moderator of Affect-Mediated Relationships

Moderator variables have seen an increase in popularity in recent years especially in the domain of consumer behavior (Walsh et al., 2008). Their importance lies in their ability to augment understanding of the interrelationships between relevant exogenous and endogenous variables in unexplored as well as seemingly established relationships. According to Walsh et al., (2008), there are three broad categories of moderators with one comprising variables resulting from firm-customer interactions. Share of Wallet happens to be a key firm-customer interaction variable that reflects shoppers’ primary affiliations with stores that capture the bulk of their purchases (Rust et al., 2000). SOW is an independent choice made by an individual customer regarding a particular store. Its significance in determining retail profitability cannot be stressed enough (Brown, 2004; Donath, 2002; Du et al., 2007). In order to better reflect the strength and quality of the buyer-seller relationship from the customer’s point of view, we use SOW as a moderator and define it as the percentage of a customer’s total annual expenditure on a particular store type (say, bookstores) that is spent at a particular store (say, Barnes & Noble). Rust et al., (2000) emphasize the role of SOW in relational exchanges as a determinant of profitability and the lifetime value of the customer. Donath (2002) suggests that “share of customer purchases is likely to be a more important strategic measurement than is market share” (p. 9). Factors that determine where customers make most of their category-related purchases can be considerably different from factors that determine their frequency of visits (Magi, 2003).

The possibility that some factors lead customers to revisit and recommend the store despite generating lower share of wallet warrants further examination. Low share customers or LSCs may be attracted to the positive shopping experience induced by the store environment in addition to the positive affect derived from value offered by the store, which subsequently leads them to have a positive attitudinal commitment to the store. In other words, they may return to make only small purchases at the store (low share repatronage), but highly recommend the store to their friends and family (commitment) simply because of the enjoyable exchange experience. Such an affect-driven relationship is inherently different from a trust-driven one because, in the case of the latter, customers have come to rely on the store over time and choose to entrust the store with the bulk of their purchases. Hence, we propose
**H1:** The positive impact of Store Atmosphere on Commitment when mediated by Store Affect will be greater for LSCs than for HSCs.

**H2:** The positive impact of Merchandise Value on Commitment when mediated by Store Affect will be greater for LSCs than for HSCs.

**H3:** The positive impact of Store Atmosphere on Repatronage Intentions when mediated by Store Affect will be greater for LSCs than for HSCs.

**H4:** The positive impact of Merchandise Value on Repatronage Intentions when mediated by Store Affect will be greater for LSCs than for HSCs.

**Conceptualizing S-O-R Relationships: Antecedents of store Trust**

Trust has been differentiated from affect as a conscious regulation of one party’s dependence on another instead of the more holistic feeling of warmth or affection associated with affect. Widely accepted definitions of trust center on the dimensions of benevolence, reassurance and reliability (Delgado-Ballester, 2004; Sirdeshmukh et al., 2002). In the present study, store trust is defined as the willingness of the average consumer to rely on a particular store and to believe in its benevolence.

Based on the S-O-R framework (Mehrabian and Russell, 1974), we regard trust as an organism-specific construct that is influenced by stimuli such as store atmosphere and merchandise value, subsequently leading to greater customer loyalty. According to Lewicki and Bunker (1996), in the early stages of a buyer-seller relationship, both parties weigh the potential benefits promised over the costs incurred. At this stage, because buyers have little or no previous transaction experience to draw from, they use peripheral and other contextual cues such as store display, store image, and product assortment to form an initial trust of the store (Lewicki and Bunker, 1996; Xia et al., 2004). A store’s atmosphere may serve as such a cue for the buyer to form trust. A pleasant and enjoyable atmosphere signals competence and benevolence, leading a patron to infer that the store looks out for its customers. We suggest that this initial trust derived from the store’s atmosphere and overall shopping experience is an important first step in the process of building long term trust and loyalty.

Over repeated interactions, both buyers and sellers get to know each other better and a relationship develops based on knowledge rather than reputation. Such knowledge may consist of merchandise quality and fair price. A buyer-seller relationship is said to have fully developed when both parties “effectively understand, agree with, and endorse each other’s wants” (Lewicki and Bunker, 1996, p. 151). At this stage, buyers gain confidence in the seller’s trustworthiness, and the interpersonal nature of the relationship provides a strong foundation for long term loyalty (Xia et al., 2004). Thus, for customers who believe that they have a close, trust-based relationship with a seller, when the prices for good quality merchandise are within their level of expected acceptance, they may perceive merchandise value as an important benefit.

For the retailer, trust reduces transaction costs in retaining customers. For the customers, trust should reduce the threat of opportunistic behaviors by the retailer (Bendapudi and Berry, 1997). In other words, trust allows a customer to accept the retailer’s prices as fair, to have faith in the quality of goods and services sold, and to feel secure in a particular store. Specifically, when retailers’ behaviors and policies instill trust in their customers, reciprocity principles of social exchange theory suggest that customers will respond by demonstrating loyalty.
Consequences of store Trust: Commitment and Repatronage Intentions

As discussed earlier, the initial trust derived from a store’s image or atmosphere in the beginning stages of a buyer-seller relationship develops into a deeper and more meaningful trust as the relationship matures. Such higher overall trust contributes to the customer’s willingness to pay higher prices, to adopt product extensions, and even to survive strong challenges.

We study commitment and repatronage intentions as two separate approach responses indicating two types loyalty. This is because the choice to continue (repurchase) has implications different from those of the choice to enhance the relationship. In their seminal paper on the intrinsic and instrumental mechanisms of trust, Grisaffe and Kumar (1998) demonstrate how these two trust mechanisms relate to dimensions of loyalty. In an intrinsic mechanism, trust is innately functional in exchange situations, and buyers reward sellers with increased loyalty (repurchase). In an instrumental mechanism, trust is the desired advantage itself and is evaluated against the costs incurred in maintaining the exchange relationship. In this mechanism, trust increases loyalty intentions so long as it enhances the relational value (commitment).

Share of Wallet (SOW) as a Moderator of Trust-Mediated Relationships

While some research indicates that SOW can be influenced by marketing strategies (East et al., 2000), other findings suggest that customers are likely to distribute their purchases across stores in a manner largely unrelated to the marketing actions of those stores (Magi, 2003; Meyer-Waarden, 2004), thereby making it an unique individual choice variable. SOW is of great importance because a primary goal for retailers is to maximize their shares of their primary customers’ total expenditures (East et al., 2000). We propose that high share customers make substantially more of their category-related purchases at a store because, over time, they have come to rely on that store with great confidence and to believe in the store’s benevolence. In other words – when compared with low share customers, who respond more to the influence of affect – high share customers express commitment and stronger intentions to return to the store insofar as they strongly trust the retailer. Simply speaking, customers will spend more when they trust the store more.

**H5:** The positive impact of Store Atmosphere on Commitment when mediated by Store Trust will be greater for HSCs than for LSCs.

**H6:** The positive impact of Merchandise Value on Commitment when mediated by Store Trust will be greater for HSCs than for LSCs.

**H7:** The positive impact of Store Atmosphere on Repatronage Intentions when mediated by Store Trust will be greater for HSCs than for LSCs.

**H8:** The positive impact of Merchandise Value on Repatronage Intentions when mediated by Store Trust will be greater for HSCs than for LSCs.

**METHOD**

Data Collection and Sample Characteristics

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 these 71 retail stores resulted in an overall sample of 1966 respondents (mean age = 35). Out of the 1966 participants, 48% were males. The number of customers interviewed per store
ranged from a minimum of 20 to a maximum of 35 (mean = 27.7). In the majority of cases, as indicated by the list above, there were two or more stores per store type.

Comprising various measures relevant to the study, the survey consisted of a paper-and-pencil questionnaire and was conducted by 71 college students enrolled in an upper-level marketing course at a local private university. The students volunteered for the task (in lieu of alternative assignments) with the understanding that they would receive course credit (for 30 successfully completed customer surveys at the retail-store location of their choice). In order to prevent the immediate shopping experience from biasing the customers’ responses, interviewers were instructed to approach people as they entered a store and not on the way out (after eliminating customers not familiar with the store from the sample). These surveys were face-to-face interviews and not self-administered questionnaires, thereby allowing greater control over the data-collection process.

Development of Measures

Based on the literature, we derived several constructs from existing multi-item scales and then adapted them to suit the particular context of our study. 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). SOW was measured at the ratio level based on customer share measure used by van Doorn and Verhoef (2008). Instead of their forced-choice format of 6 percentage ranges, we asked customers to indicate what specific percentage of their category related annual purchases (clothing) were made at a particular store (Gap). Please refer to Table 1 for CFA results, measures and items.

MEASUREMENT MODEL

Confirmatory factor analysis using LISREL 8.80 (Joreskog and Sorbom, 2006) assessed the reliability and validity of the constructs in the study. Reflecting our large sample size (N = 1966), the chi-square ($\chi^2$) for the measurement model was significant ($p < .01$). However, the various indices suggest that the model fits the data well (RMSEA = .07, NFI = .98, NNFI = .97, CFI = .98, IFI = .98). It has been recommended that fit indices such as the non-normed fit index (NNFI) and the comparative fit index (CFI) be used to assess the fit (Bentler, 1990; Bentler and Bonett, 1980; Bollen, 1990). These indices indicate a satisfactory fit. Further, all but one of the indices – at $\alpha = .75$ or better – meet the recommended standard for composite reliability of .60 or greater (Bagozzi and Yi, 1988). At $\alpha = .56$, only Merchandise Value failed to meet this criterion. The results of the CFA and the descriptions of the scale items and construct reliabilities appear in Table 1

<table>
<thead>
<tr>
<th>Table 1: Scales Items and Confirmatory Factor Analysis Results</th>
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<tbody>
<tr>
<td><strong>All items were measured on a seven-point Likert Scale, ranging from “strongly disagree” to “strongly agree”</strong>.</td>
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<table>
<thead>
<tr>
<th>1. Store Atmosphere</th>
<th>Lamda Loadings</th>
<th>$\alpha^*$</th>
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<tbody>
<tr>
<td>This store is a pleasant place to shop.</td>
<td>.88</td>
<td></td>
</tr>
<tr>
<td>This store has a nice atmosphere.</td>
<td>.77</td>
<td>.84</td>
</tr>
<tr>
<td>This store is easy to shop in.</td>
<td>.74</td>
<td></td>
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<tr>
<th>2. Merchandise Value</th>
<th>Lamda Loadings</th>
<th>$\alpha^*$</th>
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<tbody>
<tr>
<td>This store gives me good value for money.</td>
<td>.79</td>
<td></td>
</tr>
<tr>
<td>This store is economical.</td>
<td>.43</td>
<td>.56</td>
</tr>
<tr>
<td>This store has high quality merchandise.</td>
<td>.64</td>
<td></td>
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<tr>
<th>3. Store Affect</th>
<th>Lamda Loadings</th>
<th>$\alpha^*$</th>
</tr>
</thead>
<tbody>
<tr>
<td>I love this store.</td>
<td>.84</td>
<td></td>
</tr>
</tbody>
</table>
This store makes me happy. .83 .82
I feel good when I shop at this store. .68

4. Store Trust
I trust this store .71
I rely on this store .69 .75
This store looks out for its customers .67

5. Commitment
I am committed to this store. .75
I prefer to shop at this store even if another store advertises some deal. .64 .76
I would recommend this store to my friends and relatives .81

6. Repatronage Intentions
I intend to return to shop at this store. .79
I will use this store the next time I buy ____. .80 .82
I would be willing to pay a higher price at this store over other similar stores. .72

Fit Statistics
Normed Fit Index (NFI) .98
Non-Normed Fit Index (NNFI) .97
Comparative Fit Index (CFI) .98
Root Mean Square Error of Approximation (RMSEA) .07
Root Mean Square Residual .04

* Cronbach's Alpha

To establish discriminant validity between the constructs, we applied the method recommended by Anderson and Gerbing (1988). For each pair of constructs (e.g. Store Atmosphere and Store Affect, 15 pairs total), we constrained the correlation to 1.0 and then computed the \( \chi^2 \) difference between the single-factor and the two-factor model. A significant \( \chi^2 \) difference with a lower \( \chi^2 \) value for the two-factor model establishes discriminant validity between the two constructs. For example, we were able to establish discriminant validity between store atmosphere and store affect because the \( \chi^2 \) difference between the single-factor and the two-factor model is \( \chi^2(1) = 519.7 \) (p < .005). In the case of all except one \( \chi^2 \) difference tests based on pairs, we were able to discriminate between the two constructs at p < .005. In the case of store trust and repatronage intentions, the \( \chi^2 \) difference between the single-factor and the two-factor model is \( \chi^2(1) = 4.96 \) (p < .05). Hence, the test for discriminant validity held in the case of all major constructs of interest in the study.

**STRUCTURAL MODEL**

As hypothesized, we tested for the moderating role of SOW (Low Customer Share or LCS versus High Customer Share or HCS) in our dual-process model. Please refer to Figure 2 for a graphical depiction of the full structural model. According to our hypotheses, the effects of our independent variables (Store atmosphere and merchandise value) on our dependent variables (Commitment and Repatronage Intentions) when mediated by Affect will be stronger for LSCs than HSCs; and when mediated by Trust, the effects will be stronger for HSCs than LSCs. To test this, we created a two-group model based on SOW (LCS, n = 883; HCS, n = 935) and conducted a multiple sample analysis using LISREL 8.80.

The first step was to identify the path coefficients of interest for both the low customer share LCS and high customer share HCS groups (please see Table 2):
Next, we calculate the mediating effects by multiplying together the relevant coefficients. For instance, in the case of affect-mediated relationships, the multiplied values of each pair of paths (store atmosphere - affect X affect - commitment) should be greater for LSCs than HSCs and conversely, for trust-mediated relationships, the multiplied values of each pair of paths should be greater for HSCs than LSCs. As evident from the results in Table 3, this was indeed the case in support of all eight hypotheses:

To test for the significance of the differences between the two groups in each hypothesis, we first constrain then free both of the relevant coefficients in each mediated relationship and test to determine if the chi-square difference is significant. By freeing each pair of the mediated paths one at a time, if the model fit improves significantly (or chi-square value drops significantly) then our hypothesis is statistically supported.

*Non-significant at p<.05
As indicated by the results in Table 4, all but one hypothesis were strongly supported. Hypothesis 2 did not find strong statistical support even though the mediated coefficients were higher for the low customer share group predicted (.394 > .291). The relevance and significance of these findings are further discussed in the following section of this paper.

To test for the overall fit of the model, we tested for the equality of these hypothesized paths across both groups by computing a chi-square difference. In order to do this we first allowed all paths to differ (i.e. be free) across the two groups (this is the baseline model and the $\chi^2(323) = 3279.88$, $p < .01$). We then assumed all paths to be equal across both groups (this is the constrained model and the $\chi^2(331) = 3641.17$, $p < .01$). By constraining the model, $\chi^2$ value increases substantially thereby indicating a worse fit for the overall model. In short, the $\chi^2$ difference between the baseline and constrained models is statistically significant ($\Delta\chi^2(8) = 204.22$, $p < .001$), thereby indicating that the model statistically differs in favor of the moderating influence of Share-of-Wallet (LCS versus HCS).

Finally, we also tested for the direct paths from store atmosphere and merchandise value to commitment and repatronage and found little or no direct effects for the path from store atmosphere to repatronage and merchandise value to commitment. In addition, the difference in the direct effects from store atmosphere to commitment and merchandise value to repatronage amongst LCS and HCS groups were non-significant. This further validates the importance of the role of affect and trust as mediators in building strong buyer-seller relationships.

**DISCUSSION AND MANAGERIAL IMPLICATIONS**

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. Share of wallet as a moderator is a key indicator of successful firm-customer interactions (Walsh et al., 2008). Drawing from our results, we find that seven out of the eight hypothesized relationships that were statistically supported as well as the one that was not, provide important insights for customer-relationship management.

Let’s begin with the affect-mediated path between merchandise value and commitment towards the store. According to our hypothesis, low share customers would have a stronger affective response to price value offerings because they are primarily new and light customers who are happy when they score a good bargain. However, the results interestingly indicate that there was no significant difference between the low share and high share customers when it comes to value – affect responses. According to this finding, customers, regardless of their category related purchases, experience positive affective responses when they think the store is offering them high quality merchandise at good prices. Such positive emotions translate into positive word of mouth, willingness to pay higher prices and overall attitudinal commitment towards the store. The latter are important factors in the developmental phase of a buyer-seller relationship. According to Berry and Carbone (2007), “emotional connectivity with customers decommoditizes a business, elevating a brand beyond price and features to a higher level of meaning and commitment for customers.” (p. 26). Our findings suggest that perceptions of the firm’s value offerings have a considerable influence on the overall emotional experience regardless of customer share of wallet.

Key contributions of this study revolve around the mediating impacts of affect and trust within the moderating context of SOW. 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. First, for low share customers, affect
mediated relationships were much stronger with the one exception discussed above. 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 (3 out of the 4 hypotheses) for the low share group is of considerable significance to retail managers. 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).

Since such positive emotional experiences can be generated by controllable factors within the store, this finding has important practical implications for retail managers. In order to fulfill customers’ desires for pleasant, entertaining, and unique shopping experiences, retailers must invest resources in creating and delivering atmospheres that attract customers and encourage them to spend more time and money at the store. Discrete cues combining to create holistic experiences that engage a consumer’s senses can range from the tone and tempo of in-store music, décor, layout, or crowding to friendly salespeople, personal interactions, or easy-to-locate merchandise. As Zaltman stated in 1997 at Procter & Gamble's Future Forces Conference in Cincinnati, Ohio, “consumer preference and motivation are far less influenced by the functional attributes of products and services than the subconscious sensory and emotional elements derived by the total experience.”

In addition, it is very revealing that the impact of affect on commitment or attitudinal loyalty is much stronger than the impact of affect on repatronage intentions for the low share group. The practical implication of this finding is that 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 group expresses positive repatronage intentions but this relationship is considerably weaker than their attitude toward the store. Therefore, in order to reap the benefits of free word-of-mouth advertising and premium pricing, retailers must continue to deliver positive affective shopping experiences while finding ways to convert these customers to high share, high volume patrons over time. One way to do exactly that, according to the findings of this study, is by instilling trust.

Trust has been well established in literature as an essential component of customer loyalty and psychological approaches have tended to focus on the role of transaction-based satisfaction (Chaudhuri and Ray, 2003; Hart and Johnson, 1999), perceptions of price fairness (Kickul et al., 2005), and communication as key indicators of trust. However, according to Lewis and Weigert (1985), “the sociological foundation of trust is also constructed on an emotional base that is complementary to its cognitive base” (p. 971). Hence, the enjoyable experience generated by the store strengthens the affective component of trust which creates an emotional bond. The betrayal of such trust could easily lead to an irrevocable end to the relationship causing avoidance behaviors such as merchandise returns, complaints, negative word of mouth, and loss of future purchases.

This study also establishes the importance of trust whether influenced by emotional or functional store related cues, 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 do so because they have come to rely on the store and believe in the store’s benevolence and integrity. 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 and overall positive store atmosphere.

**LIMITATIONS AND AVENUES FOR FUTURE RESEARCH**

The first limitation of the study concerns its static cross-sectional correlational design. Future research will need to manipulate affect and/or trust experimentally. Also, in order to better understand constructs such as loyalty, a longitudinal design would be more conducive to testing the hypothesized sequence of effects. This is because store loyalty, defined as a commitment or bonding to a store, would be more accurately monitored if measured over time, especially since such committed relationships take time to develop.

Second, the present study may have limited generalizability because of the regional sample used. Store patrons were randomly sampled as they entered the store, but all 71 retail stores were located in the Northeast of the United States, and store patronage doubtless reflected some biases due to self-selection. Observations based on more representative samples remain an important goal for future research.

Third, this study did not examine individual-level dispositional variables such as propensity to seek out pleasure. These might moderate the impact of store atmosphere and store affect on store loyalty. Some people may require high levels of affective satisfaction for the fulfillment of relational exchanges, while others may not even regard it as important.

Finally and perhaps more importantly, other antecedents of store loyalty need to be explored within the same conceptual framework. As researchers continue to investigate the nature of relational exchanges between customers and retailers, other constructs such as liking, involvement, and perceived risk should be examined within the same theoretical model. This would provide a more complete understanding of the processes involved in establishing and developing relationships between retailers and their customers.

**REFERENCES**

AC Nielsen (2005), AC Nielsen's 91st Annual Frequent Shopper Survey.


