

# The interrelationships between boutique store atmosphere, customer satisfaction, store loyalty and repurchase intention - A Study of Females in the North-West Province

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## ABSTRACT

The global fashion retail industry has been characterised by fierce competition and therefore retailers face increasing pressure to differentiate themselves from competitors by catering for the ever-evolving needs, wants and desires of customers. Customers are becoming increasingly more sophisticated and individualistic and turn to small speciality retailers such as boutiques to provide unique and tailored retail experiences. It is therefore important for boutiques to be aware of and actively manage their store atmosphere, as it contributes to a positive retail experience. It is professed that a customer who positively experiences a retailer's store atmosphere will feel more satisfied and will return with the hope of receiving a similar experience. Once the customer returns, the possibility arises that the customer may become store loyal and the probability of developing positive repurchase intentions becomes real. The primary objective of this study is to investigate the interrelationships of boutique store atmosphere on customer satisfaction, store loyalty and repurchase intention at boutiques. A descriptive research design was followed and self-administered questionnaires were fielded. Judgemental, convenience and quota sampling were used to select a sample of 400 respondents. A total of 361 questionnaires were suitable for analysis. The results indicate that store atmosphere has a large direct influence on both customer satisfaction and store loyalty, albeit with no direct influence on repurchase intention. A medium indirect effect was realised for both mediating relationships between store atmosphere and repurchase intention with customer satisfaction and store loyalty as respective mediators. Conclusion and recommendations are subsequently presented.

**Keywords:** Boutique; retailing; store atmosphere; customer satisfaction; store loyalty; repurchase intention

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The global fashion retail industry has been characterised by fierce competition for numerous years (Terblanché & Boshoff, 2006:1; Forbes, Kelley & Hoffman, 2005:280). As a result, retailers are under constant pressure to distinctly differentiate themselves from others (Terblanché & Boshoff, 2006:1; Forbes et al., 2005:280). According to Janse van Noordwyk (2008:ii), the key to survival in retailing is to implement differentiation strategies whereby marketers have to adapt their marketing strategies accordingly (Huffman, 2006:1). Marketers are utilising different elements in their marketing mixes to compete for customers' attention, satisfy their retail experience needs, and encourage them to return (Berman & Evans, 2013:4; Zavotka, 2007:1; Koo, 2003:43).

Shopping for clothes forms a significant part of the South African female's lifestyle (Janse van Noordwyk, 2002:13). Although the fashion merchandise in a retailer is important, the retail experience must also be enjoyable to customers (Kusumowidagdo, Sachari & Widodo, 2012:565). Wilson, Zeithaml, Bitner and Gremler (2012:37) as well as Blackwell, Miniard and Engel (2006:389) agree and profess that customers do not merely purchase the retailer's merchandise; they want to experience the atmosphere in the retail store when shopping. Customers, in particular females, are becoming increasingly more sophisticated and individualistic, and as such, many are now turning to small, speciality retailers such as boutiques, which cater for their individual and specific retail experience needs (Lovelock & Wirtz, 2011:276, 280; Yu, 2006:2; Turley & Milliman, 2000:193; Kotler, 1973-1974:48).

A retailer's marketing efforts should, therefore, satisfy the customer's retail experience needs as to ensure survival, competitive advantage and furthermore achieve the retailer's financial goals (Palmer, 2011:338). Wilson et al. (2012:37) and Blackwell et al. (2006:389) agree that customers want to experience the atmosphere in the retail store when shopping. More retailers are, therefore, turning their focus towards environmental cues, or the store's atmosphere, as a marketing tool (Palmer, 2011:338). According to Berman and Evans (2013:4), Palmer (2011:338), Koo (2003:43), as well as Little and Marandi (2003:14, 15), the store atmosphere presented by speciality retailers such as boutiques, can satisfy a customer's specific retail experience needs and consequently elicit customer satisfaction, store loyalty and repurchase intention.

The primary objective of this study is therefore to investigate store atmosphere and determine the interrelationships between store atmosphere, customer satisfaction, store loyalty and repurchase intention in the fashion retail industry, more specifically where boutiques are concerned. The following section provides a literature background addressing retailing and related concepts, store atmosphere, customer satisfaction, store loyalty and repurchase intention.

## LITERATURE BACKGROUND

### *Retailing and related concepts*

Retailing is defined as business activities which involve the offering of value-added merchandise and services as well as a retail experience to customers for the purpose of consumption (Levy, Weitz & Grewal, 2014:7; Berman & Evans, 2013:33; Mostert & Du Plessis, 2007:203; Zentes, Morschett & Schramm-Klein, 2007:1). Closely linked to retailing is the retailing concept, which is a value-driven, customer-centred approach (Levy et al., 2014:135; Berman & Evans, 2013:43). This approach assists retailers in developing and implementing a retail strategy with clear marketing goals (Levy et al., 2014:135). The retailing concept involves the development of plans to satisfy customers' needs and preferences more effectively and efficiently than competitors, while simultaneously achieving the retailer's objectives (Cooper, 2010:49; Terblanché, 1998:9). Terblanché (1998:8) adds that if the retailing concept is correctly executed, customers will have an overall pleasant retail experience. According to Berman and Evans (2013:43) as well as Wigley and Chiang (2009:252), there are four principles underlying the retailing concept that retailers ought to consider. Customer orientation involves retailers identifying the needs and attributes of customers' and attempting to satisfy them, and a coordinated effort involves retailers incorporating all their strategic plans and business activities in order to satisfy identified customers' needs and maximise efficiency. Being value driven involves retailers offering good value to customers in the form of either discounted prices or upscale merchandise and services. Finally, being goal orientated involves retailers to set goals and use

the retail strategy to attain the set goals (Berman & Evans, 2013:43; Wigley & Chiang, 2009:252; Terblanché, 1998:7).

The retail strategy refers to the overall plan or framework that guides retailers' actions and their economic and competitive market force responses (Berman & Evans, 2013:40, 84; Newman & Cullen, 2002:98). It allows retailers to adapt their resources to the opportunities and threats present in the market (Lusch, Dunne & Carver, 2011:42). Ghosh (1990:126) explains that in order to succeed in the market, it is imperative for retailers to develop a suitable retail strategy, including a retail marketing mix, guided by the retailing concept.

An important aspect of retailing involves the retail marketing mix that refers to the blending of marketing mix elements that are within the retailer's control (Wilson et al., 2012:20; Van Waterschoot & Van den Bulte, 1992:84). The retail marketing mix is composed of six major elements, namely the merchandise assortment, customer services, location, communication mix, pricing, as well as the retail store design and display (Levy et al., 2014:24; Lusch et al., 2011:62; Lamb, Hair & McDaniel, 2009:377). These elements are combined to communicate with customers, to elicit customers' responses and to satisfy customers' needs for certain merchandise and experiences (Wilson et al., 2012:20; Lusch et al., 2011:61). The retail marketing mix is used to create a particular retail store image, including the store atmosphere. Kotler and Armstrong (2010:279) note furthermore that the retail marketing mix contributes to the success of retailers.

Retail store image entails a set of tangible or intangible dimensions present in retailers, involved in creating customers' total perceptions regarding retailers which accordingly encourages customer behavioural responses (Berman & Evans, 2013:488; Janse van Noordwyk, 2008:87; Dichter, 1985:75; James, Du Rand & Dreeves, 1976:25; Lindquist, 1974-1975:31; Martineau, 1958:47). More specifically, these dimensions involve store atmosphere, facilities, merchandise, convenience, institutional, promotion, service and sales personnel (Janse van Noordwyk, 2008:87;

Lindquist, 1974-1975:31). The retail store image is formed based upon the overall impression the retailer makes on the minds of customers (Dichter, 1985:75) and customers' subsequent perceptions of the underlying dimensions associated with the retailer (Jin & Kim, 2003:397; Thang & Tan, 2003:193). Customers' perceptions of the retail store image are centred on retailers' responsiveness to their needs and expectations pertaining to the retail experience and the underlying dimensions (Bell & Ternus, 2003:20). The retail store image is critical in retailing, particularly in fashion retailing, since retailers are able to acknowledge a specific customer segment's retail experience needs and expectations and respond to those needs and expectations (Hawkins & Mothersbaugh, 2013:609; Jin & Kim, 2003:397; Osman, 1993:133). This encourages favourable customer behavioural responses (Janse van Noordwyk, 2008:87; Lindquist, 1974-1975:31), which allows retailers distinctive differentiation from alternative retailers offering the same or similar merchandise (Delgado-Ballester, Hernandez-Espallardo & Rodriguez-Orejuela, 2014:2; Du Preez, Visser & Janse van Noordwyk, 2008:50). Once this occurs, the retailer is provided with increased sales and profits and a competitive advantage due to unique differentiation (McDaniel, Lamb & Hair, 2013:251; Kumar & Steenkamp, 2007:26; Visser, Du Preez & Janse van Noordwyk, 2006:51; Sullivan & Adcock, 2002:121).

### **Store atmosphere**

Store atmosphere is one of the underlying dimensions of the retail store image (Baker, Parasuraman, Grewal & Voss, 2002:122; Baker, Grewal & Levy, 1992:446). It involves the personality of retailers, which is represented by the physical design, stimuli, features, characteristics, décor and layout (Berman & Evans, 2013:542). Store atmosphere subdimensions and corresponding elements significantly influence the customers' choice of the retail store (Thang & Tan, 2003:195), customers' shopping enjoyment, merchandise choices, the time customers spend browsing, their propensity to further their spending

than what was initially planned, their willingness to interact with sales personnel, the way in which they evaluate merchandise information, and their actual purchase behaviour (Berman & Evans, 2013:544; Baker et al., 2002:125). Furthermore, Berman and Evans (2013:491) recommend that retailers consider certain store atmosphere subdimensions, namely exterior, interior, layout and design and point-of-purchase and decoration, each with corresponding elements when designing a suitable store atmosphere to address customers' retail experience needs (Berman & Evans, 2013:492-503; Terblanché & Boshoff, 2006:1, 2; Turley & Milliman, 2000:194). These subdimensions can be described as follows:

- Exterior variables include the physical exterior of the retail store itself. Examples include the retailer's exterior signs, location, colour of the building, architectural style, display windows, entrances, lawns and gardens, parking availability, surrounding area and surrounding stores (Berman & Evans, 2013:493; Turley & Milliman, 2000:194).
- Interior variables refer to the interior of the retail store. Examples include flooring, colour, lighting, music, smell, width of the aisle, wall composition, merchandise, temperature and cleanliness (Berman & Evans, 2013:507; Turley & Milliman, 2000:194).
- Layout and design variables denote to the overall floor space designated for selling, customers, sales personnel and merchandise. Examples include store space design, merchandise groupings, merchandise placement, checkout points, sitting or waiting areas, fitting rooms, racks and cases, waiting queue and furniture (Berman & Evans, 2013:496; Turley & Milliman, 2000:194).
- Finally, the point-of-purchase and decoration variables entail the devised signage and wording displays to inform customers about pricing and checkout points. These provide customers with information and operate as a substantial promotional tool. Examples of point-of-purchase and decoration include signs and cards, wall decorations, artwork, merchandise displays and price displays

(Berman & Evans, 2013:500; Turley & Milliman, 2000:194).

These subdimensions are specifically utilised to enhance customers' retail experience by creating an overall exciting retail environment (Parsons, 2011:429).

### **Customer satisfaction**

Customer satisfaction refers to customers' emotional responses regarding the perceived evaluation of merchandise standards, experiences and performances, and whether these meet or exceed customers' expectations (Oliver, 2010:28; Schiffman & Kanuk, 2010:29; Lindquist & Sirgy, 2009:123; Giese & Cote, 2000:14; Oliver, 2000:450; Bloemer & De Ruyter, 1998:501). Customer satisfaction differentiates retailers from competitors by fulfilling customers' actual and emotional needs (Martin, O'Neill, Hubbard & Palmer, 2008:224). It contributes to the development of store loyalty and repurchase intention, since customers who are satisfied with retailers generally have a loyal tendency towards a specific retailer and return to that retailer, and therefore repurchase intention occurs (Oliver, 2010:5; Ailawadi, Pauwels & Steenkamp, 2008:19; Miranda, Konya & Havrila, 2005:222; Seiders, Voss, Grewal & Godfrey, 2005:26; Bloemer & De Ruyter, 1998:499). Satisfied customers communicate affirmative oral messages to prospective customers regarding retailers, and therefore customer satisfaction also ensures positive word-of-mouth (Raab, Ajami, Gargeya & Goddard, 2008:64) and enhances the reputation of retailers through positive word-of-mouth (Machado & Diggines, 2012:150; Chatura & Jaideep, 2003:85). Finally, customer satisfaction assists in retaining customers and realising profits (Egan, 2011:127; Ray & Chiagouris, 2009:1; Van der Vyver, 2008:28).

### **Store loyalty**

Store loyalty refers to customers' commitment to continuously revisit or repurchase from the same store (retailer) over time (Koschate-Fischer, Cramer & Hoyer, 2014:71; Ray & Chiagouris,

2009:3; Ailawadi et al., 2008:19; Assael, 2004:81; Bloemer & De Ruyter, 1998:500; Osman, 1993:135). Store loyal customers prefer particular retail stores from a set of competing retailers (Ailawadi et al., 2008:20; Bloemer & Odekerken-Schroder, 2002:70). In time, store loyal customers often become committed to purchase from a particular retail store and will remain at that retailer, even though prices may be higher. Therefore, the willingness to pay higher prices at particular retailers indicates a strong sense of customers' commitment to retailers (Chaudhuri & Ray, 2003:140). Ray and Chiagouris (2009:12) as well as Ailawadi et al. (2008:20) also propose that store loyal customers repurchase merchandise from the same retail store. As a result, these store loyal customers will spread positive word-of-mouth about the retail store, or recommend the particular retail store to family and friends. Consequently, word-of-mouth builds customers' awareness regarding the retail store (Ray & Chiagouris, 2009:7). In view of store loyal customers' purchasing habits, retailers may generate profits from store loyal customers due to their reluctance to purchase from competing retailers (Ray & Chiagouris, 2009:11, 13).

### ***Repurchase intention***

Repurchase intention refers to customers' self-assured willingness of possibly engaging in future repurchase behaviour from the same retailer, or recommending the retailer to others, which consequently arises after the purchase and use of the retailer's merchandise (Feng & Yanru, 2013:181; Collier & Bienstock, 2006:261; Seiders et al., 2005:27; Hellier, Geursen, Carr & Rickard, 2003:1764; Cronin & Taylor, 1992:56). Customers with favourable perceptions regarding a particular retailer and who are store loyal, will be reluctant to purchase from competing retailers (Ailawadi et al., 2008:20). Therefore, these customers will normally recommend the retailer to others (Feng & Yanru, 2013:181). Schiffman and Kanuk (2010:497) propose furthermore that a customer's purchase is either a trial or long-term commitment with retailers. If the retail experience is satisfactory and better than alternative retailers, customers are likely to repurchase. Consequently,

retailers may ensure and establish a long-term commitment with customers. Accordingly, this contributes to the continued retailers' profits (Huang, Yen, Liu & Chang, 2014:108; Lee, Choi & Kang, 2009:7849).

## **HYPOTHESES AND MODEL DEVELOPMENT**

When customers purchase at retailers, they engage emotionally with the retail experience offered by retailers (Hawkins & Mothersbaugh, 2013:13). This emotional state accordingly influences their satisfaction with and perception of the retailer's store atmosphere (Law, Wong & Yip, 2012:113; Lindquist & Sirgy, 2009:123). A pleasant store atmosphere will therefore result in customer satisfaction with the overall retail experience in the retail store (Soars, 2009:288). Customers' retail experience – together with the appraisal of store atmosphere – elicits a response which consequently influences customer satisfaction (Wilson et al., 2012:81; Namkung & Jang, 2008:143; Kim & Jin, 2001:239, 241; Bloemer & De Ruyter, 1998:501; Bitner, 1992:61). Subsequently, alternative H1 is formulated: Store atmosphere has a significant and positive influence on customer satisfaction.

Experiencing a pleasant store atmosphere increases customers' intention to return to the retailer, since customers' assessment of the actual and overall retail experience influences their decision to repurchase (Wilson et al., 2012:37, 38). In addition, this motivates customers to repurchase from the retail store providing a pleasant store atmosphere (Zhou, Fang, Vogel, Jin & Zhang, 2012:274). Several other authors argue furthermore that store atmosphere has a positive influence on repurchase intention (Hart, Farrell, Stachow, Reed & Cadogan, 2011:589; Joseph-Mathews, Bonn & Snepenger, 2009:195; Van der Vyver, 2008:28, 29; Zavotka, 2007:1; Turley & Milliman, 2000:206). Subsequently, alternative H2 is formulated: Store atmosphere has a significant and positive influence on repurchase intention.

Birtwistle and Shearer (2001:9, 10) suggest that, when the retailer's store atmosphere is positively perceived by customers, customers would want

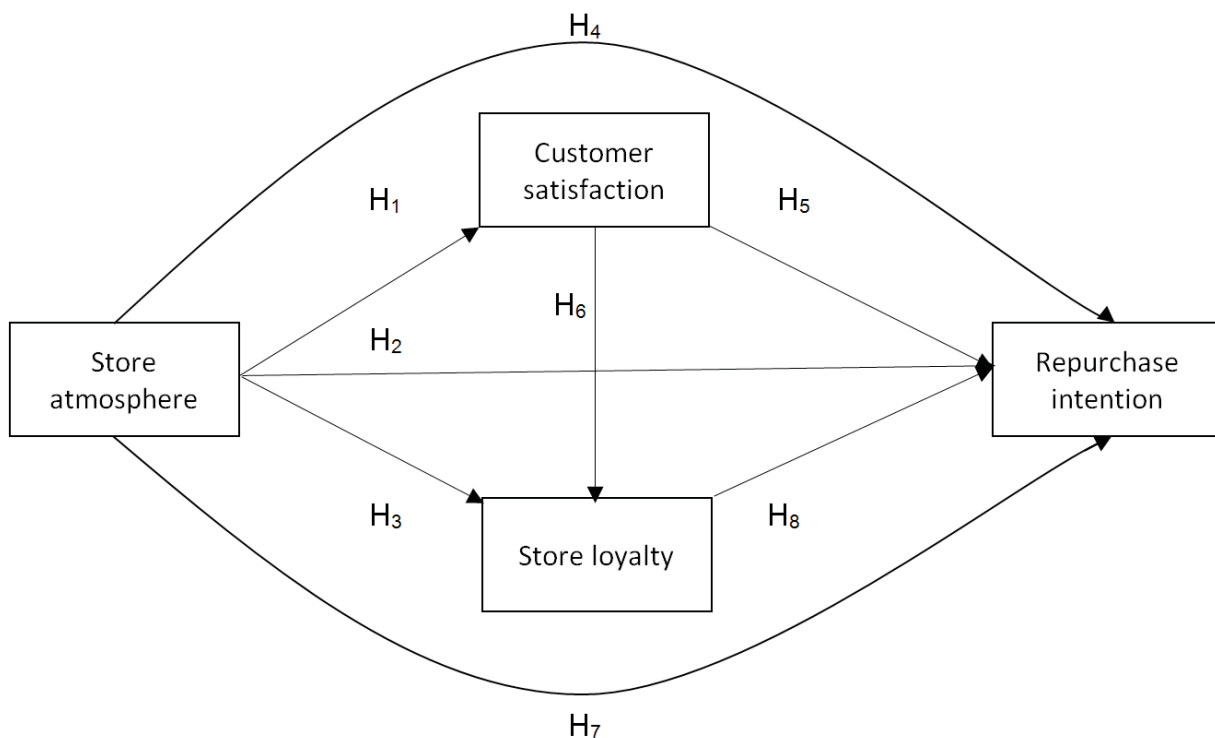
to experience that particular store atmosphere again, return and be reluctant to purchase from competing retailers (Ray & Chiagouris, 2009:11, 13; Ailawadi et al., 2008:20). Consequently, a positively perceived store atmosphere results in store loyalty. Based on the results of preceding research, it can be argued that store atmosphere has a positive influence on store loyalty (Janse van Noordwyk, 2008:55; D'Astous & Saint-Louis, 2005:316; Koo, 2003:45; Baker et al., 2002:121; Birtwistle & Shearer, 2001:15, 16; Knox & Walker, 2001:111; Bloemer & De Ruyter, 1998:500). Subsequently, alternative H3 is formulated: Store atmosphere has a significant and positive influence on store loyalty.

It has been established that store atmosphere influences customers' repurchase intention. This relationship, however, only occurs if retailers provide customers with a satisfactory shopping experience created by a pleasant store atmosphere. This in turn will encourage customers to return (Tian-Cole, Crompton & Willson, 2002:10) and consequently repurchase (Tulipa, Gunawan & Supit, 2014:153, 155). The higher the level of customer satisfaction with the store atmosphere,

the more customers will want to return to the retail store (Wong & Sohal, 2003:250). Therefore, based on the results of preceding research, it can be argued that the relationship between store atmosphere and repurchase intention is mediated by customer satisfaction with the retailer's store atmosphere (Beneke, Hayworth, Hobson & Mia, 2012:36). Subsequently, alternative H4 is formulated: Customer satisfaction mediates the relationship between store atmosphere and repurchase intention.

Satisfied customers generally tend to be loyal to a particular retailer and in turn, elicit favourable consumer behaviour towards that retailer (Ailawadi et al., 2008:19). Grace and O'Cass (2005:228) declare that customer satisfaction with the retail experience increases positive emotions in customers, which leads to customers intentions to repurchase (Seiders et al., 2005:27). In addition, several other authors also argue that customer satisfaction is a reliable indicator of repurchase intention (Huang et al., 2014:109; Pappas, Pateli, Giannakos and Chrissikopoulos, 2013:188; Nsairi, 2012:684; Kim, Ng & Kim, 2009:12; Namkung & Jang, 2008:143; Chang & Tu, 2005:198; Seiders

**FIGURE 1**  
Theoretical model



et al., 2005:26). Subsequently, alternative H5 is formulated: Customer satisfaction has a significant and positive influence on repurchase intention.

Rhee and Bell (2002:226) believe that customers patronise many retail stores. Yet, they have a primary affiliation towards a particular retailer that receives the majority of their purchases. Customers who demonstrate satisfaction with such a retail store's merchandise performance, (Wright, Newman & Dennis, 2006:925) will be reluctant to purchase from competing retailers (Ray & Chiagouris, 2009:11, 13; Ailawadi et al., 2008:20). This results in customers continuously returning to the same retail store, ultimately ensuring store loyalty to that particular retail store (Feng & Yanru, 2013:183; Ailawadi et al., 2008:20; Wright et al., 2006:925; Miranda et al., 2005:221; Sawmong & Omar, 2004:504). Therefore, customer satisfaction in turn, influences store loyalty (Berman & Evans, 2013:16; Little & Marandi, 2003:48). Based on the results of preceding research, it can be argued that customer satisfaction has a positive influence on store loyalty. Subsequently, alternative H6 is formulated: Customer satisfaction has a significant and positive influence on store loyalty.

As mentioned previously, store atmosphere influences customers' repurchase intention. Birtwistle and Shearer (2001:9, 10) explain that when the retailer's store atmosphere is positively perceived by customers, customers are more likely to return more than once (Alias & Mohd Roslin, 2014:2; Ray & Chiagouris, 2009:11, 13; Ailawadi et al., 2008:20), which facilitates the repurchase process of customers (Ballantine, Jack & Parsons, 2010:643; Varela-Neira, Vazquez-Casielles & Iglesias, 2010:90; Bodet, 2008:158; Donovan & Rossiter, 1982:39). Moreover, once customers are pleased with the store atmosphere, store loyalty becomes a definite behavioural response which encourages customers to revisit and repurchase at the retail store. Therefore, based on the results of preceding research, it can be argued that store loyalty mediates the relationship between store atmosphere and repurchase intention (Tulipa et al., 2014:153; Mehrabian & Russell, 1974:257). Subsequently, alternative H7 is formulated: Store loyalty mediates the relationship between store

atmosphere and repurchase intention.

Once customers perceive the retail experience in the retailer as pleasing, repurchase or revisit intentions occur. Therefore, store loyal customers are expected to revisit or repurchase merchandise from the same retailer (Palmer, 2011:205; Ray & Chiagouris, 2009:12; Ailawadi et al., 2008:20). This indicates that store loyalty is a reliable predictor of repurchase intention (Feng & Yanru, 2013:181; Mattila & Wirtz, 2008:562; Scarpi, 2006:12; Ogle, Hyllegard & Dunbar, 2004:720; Eroglu, Machleit & Davis, 2003:145). Based on the results of preceding research as well as the prior discussion regarding the relationship between the store loyalty and repurchase intention constructs, it can be argued that store loyalty has a positive influence on repurchase intention. Subsequently, alternative H8 is formulated: Store loyalty has a significant and positive influence on repurchase intention.

Based upon the hypotheses formulated above, the following theoretical model is proposed for this study.

## **PROBLEM STATEMENT AND RESEARCH OBJECTIVES**

Based upon the introduction, literature background and hypotheses and model development sections, the following problem statement is formulated for this study:

Retailers face increasing pressure to differentiate themselves from competitors by catering for the ever-evolving needs, wants and desires of customers. Customers are becoming increasingly more sophisticated and individualistic and turn to small speciality retailers such as boutiques to provide unique and tailored retail experiences. It is therefore important for boutiques to be aware and actively manage their store atmosphere, as it contributes to a positive retail experience. Store atmosphere is also considered an important marketing tool, given that it could possibly provide boutique marketers with the ability and competitive edge to influence customer satisfaction, and subsequently influence them to return to the boutique. Once the customer returns, the possibility arises that

the customer may become store loyal and the probability of developing positive repurchase intentions becomes real. Although researchers have investigated the interrelationships between the constructs of concern in this study, a theoretical model such as presented in Figure 1 has neither been proposed in general nor for boutiques in particular, before.

The following objectives have been formulated for this study. The primary objective of this study is to investigate the interrelationships of boutique store atmosphere on customer satisfaction, store loyalty and repurchase intention at boutiques. Several secondary objectives support the primary objective:

- To measure the perceived store atmosphere respondents have towards a boutique from which they have bought items most recently.
- To measure the level of customer satisfaction of respondents towards a boutique from which they have bought items most recently.
- To measure the level of store loyalty of respondents towards a boutique from which they have bought items most recently.
- To measure the level of repurchase intention of respondents towards a boutique from which they have bought items most recently.
- To determine the interrelationships between boutique store atmosphere, customer satisfaction, store loyalty and repurchase intention.

## METHOD

### *Research design*

A descriptive research design was followed to achieve the research objectives and to describe the specific marketing phenomenon of this study, namely the interrelationships between the constructs of concern.

### *Questionnaire and pretesting*

Data was collected by means of a self-administered survey. The questionnaire includes several sections. Screening questions were firstly used to ensure that all respondents who participated in this study bought items from any one of the pre-

identified boutiques during the past six months, and that they all earned a net monthly household income of more than R14 000 (target population). The questionnaire furthermore determined a demographic profile of respondents as well as their patronage habits in relation to the pre-identified boutiques. The questionnaire also measured the perceptions of respondents regarding the store atmosphere of the boutique they had bought items from most recently, with thirty six individual statements measuring four subdimensions (factors) of store atmosphere, namely exterior (10 statements), interior (11 statements), layout and design (10 statements) and point-of-purchase and decoration (5 statements). The questionnaire also includes a section with three subsections measuring customer satisfaction, store loyalty and repurchase intention towards the boutique, each containing five individual statements. The individual statements measuring the constructs of this study were adapted from the research of several authors including Jiang and Liu (2014:20); Berman and Evans (2013:491); Jang, Liu & Namkung (2011:671); Lusch et al. (2011:505); Ryu, Lee & Kim (2011:208); Ballantine et al. (2010:645); Ha and Jang (2010:524); Lee, Lee, Lee and Babin (2008:59); Namkung and Jang (2008:149); Countryman and Jang (2006:538); Koo (2003:45); Baker et al. (2002:125); Kim and Jin (2001:239, 241) and Spies, Hesse & Loesch (1997:10) to suit the particular context. All these statements were measured on a five-point Likert-type scale with the extremes of the scales labelled 'Strongly disagree' and 'Strongly agree'.

A pilot study was conducted among 30 respondents taken from the target population, which allowed the questionnaire to be pretested. Henceforth, the researcher considered feedback from respondents and subsequently various changes were made to the questionnaire.

### *Sampling design*

A two-stage sampling procedure was followed. The researcher compiled a list of twenty pre-identified boutiques (sampling units) in Potchefstroom (ten boutiques) and Klerksdorp (ten boutiques) based upon the non-probability sampling method, namely judgemental sampling.



Boutiques carrying their own labels or brands or which focus on offering limited merchandise lines (e.g. women or men's clothing, accessories, cosmetics and fragrances or home fashions), or which specialise in one or limited merchandise lines (women clothing) (Stone, 2010:500), were selected. To be included as a sampling unit, the boutique should have been unique (one of a kind), or form part of a small chain of retail stores with their own store name. Furthermore, boutiques in Potchefstroom and Klerksdorp were chosen since these areas represent a significant share of retail activity in the North-West Province (South African Government Information, 2012:21). Furthermore, non-probability sampling methods, namely convenience sampling and quota sampling were used by the fieldworkers to select twenty sampling elements (female respondents) who complied with the prespecified criteria (screening questions) from each of the twenty pre-identified boutiques (sampling units) to take part in this study. Therefore, respondents who were in the same place and time as the researcher or fieldworkers in this instance, had the probability of being selected to take part in this study (Wiid & Diggins, 2009:200). The proposed sample size for this study was 400 respondents.

### **Data collection**

Ten BCom Honours students, who were completing a module in Marketing Research central to their studies, were recruited as fieldworkers to select respondents and distribute the self-administered questionnaires to these respondents. Each fieldworker was assigned 40 questionnaires and was responsible to select suitable respondents to participate in this study. The researchers furthermore allocated each fieldworker to areas where the boutiques are located to select respondents. The fieldworkers approached prospective respondents outside of the pre-identified boutiques, determined their willingness to participate in the study, and ensured that they meet the selection criteria before they were asked to complete the questionnaire. The researchers supervised the fieldwork process.

### **Data analysis**

Data was gathered, captured, edited, coded and stored using SPSS (SPSS Inc, version 21, 2012). Mplus 7.11 software was used to test the proposed theoretical model. In order to ensure accurate results from the captured data, the data analyses and interpretation followed in this study included: (1) determining the reliability of measurement scales, (2) assessing the measurement model and confirming construct validity, and (3) assessing the structural model and testing the hypotheses formulated for this study.

## **RESULTS**

### **Sample**

Of the 400 respondents selected as part of the sample, 370 qualifying respondents returned completed questionnaires for further analysis. Nine of the questionnaires were rejected due to response errors, such as uncompleted questions or more than one option selected. A final sample size of 361 was realised.

The majority of female respondents who participated in this study were between the ages of 27 years or younger (30.5%) and 37 to 48 years old (24.7%). In terms of the highest level of education, the majority of respondents has a Matric or Grade 12 education (32.4%), followed by a Degree (28.3%). The majority of respondents' home language is Afrikaans (78.4%), followed by English (16.9%) and Sotho (Sepedi, Sesotho, Tswana) (2.7%). Regarding employment status, 52.6% of respondents are full-time employed and 15.2% are students. Furthermore, respondents' monthly estimate average boutique expenditure is R1 281.02 with a standard deviation of R1 415.66. The majority of respondents (70.6%) normally buy clothing items, followed by jewellery items (41.8%) from boutiques. Wallets and other items (3.3%) turned out to be the items respondents normally buy the least from boutiques. When asked "How often do you shop for items at boutiques in general?", the majority of respondents (33.5%) indicated that they shop at boutiques once a month, followed by 19.4% of respondents who shop at boutiques once every two months.

**TABLE 2**  
Measurement model fit indices

Model fit indices	Recommended cut-off points	Fit indices value
CFI	$\geq 0.95$ or $\geq 0.90$ = acceptable fit (Blunch, 2011:115, Hair, Black, Babin & Anderson, 2010:664)	0.958
TLI	$\geq 0.95$ or $\geq 0.90$ = acceptable fit (Blunch, 2011:115, Hair et al., 2010:664)	0.956
RMSEA	$< 0.05$ = good fit $\leq 0.08$ = acceptable fit $\leq 0.10$ = average fit (Hoe, 2008:78, Meyers, Gamst & Guarino, 2006:608)	0.048

*The fit indices represent the overall model fit for this study's data*

### Assessing reliability

Cornbach's alpha coefficients were evaluated to assess the internal consistency reliability of the measurement scales used in this study. It is apparent in Table 1 that the Cronbach's alpha coefficient values for the measurement scales measuring the subdimensions (factors) and constructs of this study are larger than 0.80, which indicates internal consistency reliability (Malhotra, 2010:319; Yuksel, Kilinc & Yuksel, 2006:18).

**TABLE 1**  
Cronbach's alpha coefficients

Constructs and subdimensions (factors)	Cronbach's alpha coefficient
<b>Store atmosphere</b> (36 statements)	<b>0.96</b>
Exterior (10 statements)	0.91
Interior (11 statements)	0.92
Layout and design (10 statements)	0.91
Point-of-purchase and decoration (5 statements)	0.90
<b>Customer satisfaction</b> (5 statements)	<b>0.96</b>
<b>Store loyalty</b> (5 statements)	<b>0.94</b>
<b>Repurchase intention</b> (5 statements)	<b>0.93</b>

### Assessing the measurement model and confirming construct validity

Confirmatory Factor Analysis (CFA) was conducted for a four-construct measurement model (store atmosphere, customer satisfaction,

store loyalty and repurchase intention) where store atmosphere was considered as a higher order factor model comprised of four subdimensions (factors), namely exterior, interior, layout and design and point-of-purchase and decoration. The CFA was undertaken to explore and test the measurement model properties with regard to the proposed theoretical model's four constructs. Furthermore, CFA tests the degree to which the alternative hypotheses suggested in the proposed theoretical model are supported by the observed data (Kent, 2007:421). In order to evaluate how well the observed data fits the proposed theoretical model, multiple fit indices are reported (Blunch, 2011:117). Bowen and Guo (2012:145) suggest that to report multiple fit indices, is good practice. Therefore, CFI and TLI are used as incremental fit indices. The RMSEA is used as an absolute fit index to assess the measurement model. Table 2 presents the measurement model fit indices, recommended cut-off points for each fit index used in the SEM, as well as the fit indices values.

From Table 2 it is apparent that the CFI (0.958) and the TLI (0.956) both exceed the recommended cut-off points of 0.95, indicating an acceptable measurement model fit (De Beer, Pienaar & Rothmann, 2013:5; Blunch, 2011:115). Furthermore, the RMSEA of 0.048 is lower than the recommended cut-off point of 0.05, which confirms a good model fit (Moutinho & Hutcheson, 2011:307). As a result, the assessment of the measurement model confirms an acceptable model fit with the exception of the RMSEA indicating a good model fit. It can therefore be

**TABLE 3**  
Results of the Structural Equation Modelling (SEM) analysis

Model fit indices	Recommended cut-off points	Fit indices value
CFI	≥ 0.95 or ≥ 0.90 = acceptable fit (Blunch, 2011:115; Hair et al., 2010:664)	0.964
TLI	≥ 0.95 or ≥ 0.90 = acceptable fit (Blunch, 2011:115; Hair et al., 2010:664)	0.962
RMSEA	< 0.05 = good fit ≤ 0.08 = acceptable fit ≤ 0.10 = average fit (Hoe, 2008:78; Meyers et al., 2006:608)	0.056

The fit indices represent the overall model fit for this study's data

concluded, that based upon the assessment of the measurement model, the measurement model was found to fit the observed data, taking the recommended cut-off points into account (Hair et al., 2010:644-670). Construct criterion validity can therefore be confirmed.

It was furthermore necessary to assess the standardised model results as they assist in evaluating the strength of the loading of each statement on the constructs and subdimensions (factors) in the measurement model. The factor loadings for the statements range between 0.582 and 0.980 and are thus all above the recommended minimum value of 0.5 (Mpinganjira, Bogaards, Svensson & Mysen, 2014:7) indicating a large effect (Suhr, 2006:5) and being statistically significant (p-value < 0.05). All the statements were therefore retained for further analysis.

**Correlation analysis**

A correlation analysis was furthermore

conducted in order to measure the strength of the linear relationship between the latent variables (Aaker, Kumar, Leone & Day, 2013:509). The correlations between pairs of latent variables are all statistically significant (p-value < 0.05), with Pearson correlation coefficients ranging between 0.569 and 0.955 indicating a large effect (Cohen, 1988:284, 285) in all instances. The latent variables considered in the proposed theoretical model therefore correlate practically and statistically significant with one another.

**Assessing the structural model**

The assessment of the structural model's fit with the observed data was undertaken by means of SEM using the Mplus 7.11 software (Muthén & Muthén, 2014:1). In order to evaluate the overall fit between the observed data and measurement model with the structural model, multiple fit indices are reported (Blunch, 2011:117). The fit indices enable researchers to assess which of the

**TABLE 4**  
Hypotheses testing the direct effects

Hypothesis	Relationship	β weight	SE	p-value	Size of effect
H <sub>1</sub>	Store atmosphere → Customer satisfaction	0.761	0.027	0.001	Large
H <sub>2</sub>	Store atmosphere → Repurchase intention	0.045	0.048	0.350	No effect
H <sub>3</sub>	Store atmosphere → Store loyalty	0.271	0.050	0.001	Small
H <sub>5</sub>	Customer satisfaction → Repurchase intention	0.275	0.050	0.001	Small
H <sub>6</sub>	Customer satisfaction → Store loyalty	0.541	0.052	0.001	Large
H <sub>8</sub>	Store loyalty → Repurchase intention	0.606	0.039	0.001	Large

β weight = Standardised regression weight; SE = Standard error; p = p-value ≤ 0.05 statistical significance; \*Relationship is statistically and practically significant when r > 0.30 (medium effect) and r > 0.50 (large effect)

**TABLE 5**  
Mediating hypothesis testing the indirect effects

Mediating Hypothesis	Relationship	$\beta$ weight	Confidence interval (95%)		kappa-squared ( $k^2$ )	Size of indirect effect
H <sub>4</sub>	Customer satisfaction mediates the relationship between store atmosphere and repurchase intention	0.256	0.153	0.356	0.190	Medium
H <sub>7</sub>	Store loyalty mediates the relationship between store atmosphere and repurchase intention	0.201	0.118	0.279	0.167	Medium

$\beta$  weight = Standardised regression weight; \*Relationship is statistically significant when indirect effect small sizes are 0.01, medium sizes are 0.09 and large sizes are 0.25 respectively (Preacher & Kelley, 2011:94; Cohen, 1988:284, 285)

**TABLE 6**  
Summary of findings with respect to the hypotheses

Hypothesis	Finding
H <sub>1</sub> Store atmosphere has a significant and positive influence on customer satisfaction.	Supported
H <sub>2</sub> Store atmosphere has a significant and positive influence on repurchase intention.	Reject
H <sub>3</sub> Store atmosphere has a significant and positive influence on store loyalty.	Supported
H <sub>4</sub> Customer satisfaction mediates the relationship between store atmosphere and repurchase intention.	Supported
H <sub>5</sub> Customer satisfaction has a significant and positive influence on repurchase intention.	Supported
H <sub>6</sub> Customer satisfaction has a significant and positive influence on store loyalty.	Supported
H <sub>7</sub> Store loyalty mediates the relationship between store atmosphere and repurchase intention.	Supported
H <sub>8</sub> Store loyalty has a significant and positive influence on repurchase intention.	Supported

models best represent the observed data (Bagozzi & Yi, 2012:15). CFI and TLI are therefore used as incremental fit indices. The RMSEA is used as an absolute fit index for the structural model. Table 3 presents the model fit indices, recommended cut-off points for each fit index used in the SEM, as well as the fit indices values that were uncovered.

From Table 3 it is apparent that the CFI (0.964) and the TLI (0.962) both exceed the recommended cut-off points of 0.95, which indicates an acceptable structural model fit (Blunch, 2011:115). Both fit indices are slightly higher than those of the measurement model CFI (0.958) and TLI (0.956). Therefore, both the CFI and TLI of the structural model indicate a better model fit than the measurement model (De Beer et al., 2013:5). Furthermore, the RMSEA (0.056) is higher than the recommended cut-off point of 0.05, which confirms an acceptable model fit (Moutinho & Hutcheson, 2011:307). This is slightly lower than the measurement model RMSEA (0.048) which confirms a good model fit. As a result, the structural model shows an acceptable model fit. Therefore, the structural model was found to fit

the observed data adequately, taking all of the recommended cut-off points into account (Hair et al., 2010:644-670).

The results indicate statistically significant factor loadings for all statements above the recommended cut-off points in the evaluation of the relationships between the various subdimensions (factors) and constructs in the measurement model. It is therefore important to illustrate the alternative hypothesised relationships' strength between the constructs, by referring to the standardised regression weights of the structural model (Hoe, 2008:79). Table 4 indicates the alternative hypothesised relationships (H<sub>1</sub>, H<sub>2</sub>, H<sub>3</sub>, H<sub>5</sub>, H<sub>6</sub>, and H<sub>8</sub>) with the relevant beta coefficient ( $\beta$  weight) (which specifies the strength of the relationship), the standard error (SE), statistical significance, and the size of the direct effect of the relationships between the constructs in the specified structural model. Table 5 indicates the size of the indirect effects regarding the mediating alternative hypothesised relationships (H<sub>4</sub> and H<sub>7</sub>) between the constructs of this study.

Table 4 indicates that all the standardised

regression weights of the alternative hypothesised relationships between the constructs are positive, ranging between 0.045 and 0.761. The alternative hypothesised relationships ( $H_1$  and  $H_3$  to  $H_8$ ) are statistically significant with the exception of  $H_1$  (store atmosphere – customer satisfaction, 0.761),  $H_6$  (customer satisfaction – store loyalty, 0.541) and  $H_8$  (store loyalty – repurchase intention, 0.606) which realised large direct effect sizes for the relationships between the constructs concerned (Suhr, 2006:5). Both mediation alternative hypotheses, presented in Table 5, namely  $H_4$  and  $H_7$  realised a medium indirect effect for the relationships between the constructs concerned. Hypothesis  $H_3$  (store atmosphere – store loyalty, 0.271) and  $H_5$  (customer satisfaction – repurchase intentions, 0.275) realised small direct effect sizes for the construct relationships. Since the relationship proposed in hypothesis  $H_2$  (store atmosphere – repurchase intention, 0.045) was not significant, no direct effect for the relationship between these two constructs can be reported. Table 6 provides a summary of the findings with respect to the hypotheses formulated for this study. Finally, finding the hypothesised relationships between the main constructs of this study practically and statistically significant, allows the researchers to confirm criterion validity of the measurement scales.

## CONCLUSIONS AND RECOMMENDATIONS

Latent variable modelling through Structural Equation Modelling (SEM) was applied to investigate the interrelationships between the different subdimensions (factors) and constructs, in order to determine the relative importance of each of these in the theoretical model, as well as the overall fit between the observed data and proposed theoretical model of this study. Additionally, the structural model indicates an acceptable model fit. From the results, it can be concluded that significant and positive direct relationships exist between all the constructs of this study, except for the interrelationship between store atmosphere and repurchase intention. Furthermore, the mediation relationships realised a medium indirect

effect between store atmosphere and repurchase intention, with both customer satisfaction and store loyalty as mediators. Several recommendations can be made with respect to these findings.

A boutique should manage its store atmosphere in terms of the boutique's exterior, interior, layout and design, as well as point-of-purchase and decoration in order to positively influence customer satisfaction. Customer satisfaction levels should be measured with respect to store atmosphere, merchandise and services, as well as other aspects influencing customer satisfaction. Customer satisfaction that is not optimal can be identified, and marketing strategies can be developed to improve on the aspects concerned.

A boutique should also assess customers' store loyalty levels towards the boutique on a continuous basis by evaluating customers' purchase volume, frequency, ranking ratio amongst alternative boutiques, tendency for future purchases, and willingness to recommend the boutique to others. A boutique should implement store loyalty cards, special seasonal offers, or limited editions of merchandise in the boutique, as well as a pleasant store atmosphere to promote store loyalty.

A boutique can improve their customers' level of repurchase intention by providing customers with purchasing convenience in the form of credit or debit card facilities, convenient operating hours, a variety of merchandise, a proper layout and design of the boutique which facilitates the customer's movement through the boutique, as well as a pleasant store atmosphere. Repurchase intention can furthermore be improved by providing customers with more value or benefits in the form of discounts, special seasonal offerings, limited editions of merchandise, adequate merchandise, as well as individual assistance from professional and well trained sales personnel.

Customer satisfaction, store loyalty and repurchase intention can be measured using in-store questionnaires which customers complete, online questionnaires which are emailed to customers, or a touch-pad point in the boutique containing a questionnaire.

## LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Given that only twenty boutiques in Potchefstroom and Klerksdorp were selected, the findings are not universal to other geographical regions as the findings of this study are restricted to these areas. Due to the use of non-probability sampling methods to capture the target population sample, this study is not representative of the entire population, and therefore generalisation of the main findings should be avoided to guide boutique customers. Since fieldworkers chose respondents on the basis of judgement, convenience and quota sampling, the demographics (except for gender) were not equally distributed across the various population groups.

Future research should include extending the study to other areas and provinces of South Africa in order to determine the status quo in these areas and provinces, and to assess whether statistical significant differences exist between respondents based upon demographic and geographic differences. This study can also be duplicated targeting a larger sample in order to achieve a specific representation of the target population's geographic and demographic features. Future research can also make use of probability sample methods in order to draw a more representative sample of the population under study. A comparative study can be undertaken to investigate store atmosphere in different kinds of retailers, in order to determine if statistically significant differences are present amongst the store atmospheres of different kinds of retailers. Since this study only investigated four subdimensions of store atmosphere, future research could attempt to involve the sales personnel subdimension in order to gain a thorough understanding of all the subdimensions of store atmosphere. A longitudinal study can also be conducted to track customers' satisfaction, store loyalty and repurchase intention levels over time.

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