Customer Satisfaction, Loyalty and Repurchase: Some Evidence from Apparel Consumers

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Customer Satisfaction, Loyalty and Repurchase: Some Evidence from Apparel Consumers

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Executive Summary

While customer satisfaction, loyalty and repurchase intent are some of the most researched areas in marketing and consumer behavior, there is little certainty on the direction and strength of these relationships. After completing a literature review, this study develops a model of loyalty dimensions, satisfaction and repurchase intent. A sample of 499 respondents who had purchased jeans was interviewed in the Southeastern United States. Results were analyzed using Structural Equation Modeling. The results of nine hypothesized relationships are discussed. A significant positive relationship exists between commitment and repurchase/repurchase intent. Some surprising findings also emerged as the model was modified. It is clear that loyalty dimensions, repurchase/repurchase intent, and satisfaction are linked and influence each other.

1. Introduction

Satisfaction, repurchase and loyalty concepts are considered to be among the most researched variables in marketing literature. Increase in customer satisfaction, repurchase rates, and the formation of loyalty are believed to positively influence the performance of firms and lead to a competitive advantage. A number of research findings on relationships between loyalty, repurchase, and satisfaction exist. However, those findings vary in terms of the strength of relationship.

Although a number of researchers reported that satisfaction often leads to loyalty, other researchers reported that satisfaction has a low correlation with loyalty or repurchase in some situations. Olsen (2007, p.316) indicated that the relationship between satisfaction and loyalty varies between industries, and the strength of relationship can be affected by many factors including commitment, trust, or the level of consumer involvement.
Findings on the repurchase/repurchase intent and satisfaction relationship have also reported mixed results. While many researchers view satisfaction as an indicator of repurchase, others demonstrated either a weak link between these two constructs, or no link at all.

The purpose of this research is to further extend knowledge in the area of loyalty, repurchase, and satisfaction, by studying consumers who purchased jeans in the Southeastern part of the United States.

2. Literature Review

First, a literature review will provide the overview of the researched loyalty dimensions, including commitment, trust, involvement and word of mouth, and its relation with repurchase/repurchase intent. Next, the investigation of the satisfaction-loyalty dimensions, and satisfaction-repurchase/repurchase is presented. Nine research hypotheses are proposed.

2.1 Loyalty Dimensions

Academic literature identified a number of dimensions and determinants of loyalty. Loyalty dimensions in the service literature include positive word-of-mouth, a resistance to switching, identification with the service, and a preference for a particular service provider. Rauyruen and Miller (2007, p.25) proposed four determinants of business to business loyalty: service quality, commitment, trust, and satisfaction. Morgan and Hunt (1994, p.25) stated that commitment entails consumers to make an effort to maintain a relationship with a provider. Trust could be identified with functional reliability, because it provides consumers with a sense of security. Trust between consumers and trading partners plays an important part in building commitment. Suh and Yi (2006, p.146) stated that involvement has often been regarded as one of the important moderators that determine purchase decisions. Positive word of mouth is a common approach to loyalty conceptualization, where loyal customers become advocates for the service or product.

This study investigates four loyalty dimensions: commitment, trust, involvement, and word of mouth. Commitment has been found to be positively related to repurchase or repurchase intent. Hence, the following hypothesis is proposed:

H1. Commitment has a strong positive relationship with repurchase/repurchase intent.

Trust is considered to be one of the critical factors for a successful relationship between parties and is viewed as one of the loyalty dimensions. The importance of trust in explaining the loyalty concept, future intentions, and satisfaction is supported by many researchers. Morgan and Hunt (1994, p.31) indicated trusted parties believe that performed actions will result in positive outcomes. The following hypothesis is proposed:

H2. Trust has a strong positive relationship with repurchase/repurchase intent.

Product involvement refers to a general level of interest or concern about a product class. Some products are referred to as low-level involvement products, such as frequently purchased household goods, while others are characterized as higher-involvement products, such as luxury products. Prior research suggests that consumers may be heavily involved in a product but not loyal or committed to a brand. Seiders et al. (2005, p.33) concluded that involvement does not provide a positive effect on repurchase behavior. Therefore, the following hypothesis is proposed:
**H3. Involvement has a weak positive relationship with repurchase/repurchase intent.**

Word-of-mouth (WOM) refers to the passing of information about consumer personal experiences with a product or service. WOM plays an important part in shaping consumers' behaviors and attitudes, and forming loyalty. Post-purchase communications by consumers or WOM behavior is believed to emerge from satisfaction or dissatisfaction with the consumption\(^\text{15}\). While some researchers identified a positive effect of WOM on repurchase/repurchase intent\(^\text{16}\), other researchers indicated no relationship\(^\text{17}\). This leads to the following proposed hypothesis:

**H4. Word of Mouth has a weak positive relationship with repurchase/repurchase intent.**

**2.2 Satisfaction-Loyalty Dimensions**

Despite these numerous studies, Oliver (1999, p.34) stated that an inquiry into the relevant literature shows that the loyalty-satisfaction link is not well defined. Bloemer and Kasper (1995, p.312) indicated that many studies had downsides because they did not take into account the differences between repurchase and loyalty, and the differences between spurious and true loyalty while investigating the relationship to satisfaction. Furthermore, researchers have concentrated on satisfaction as the independent variable and did not take into account different types of satisfaction.

Two main views emerged from the literature review on the satisfaction-loyalty relationship. The first view concluded that satisfaction is the main driver of consumer loyalty\(^\text{18}\). Satisfaction affects future consumer choices, which in turn lead to improved consumer retention. Customers stay loyal because they are satisfied and want to continue their relationship. The second view on the satisfaction-loyalty relationship is that, while consumer satisfaction may positively influence consumer loyalty, it is not sufficient to form loyalty\(^\text{19}\). These researchers argued that although loyal consumers are most typically satisfied, satisfaction does not universally translate into loyalty. Past research investigated the role of satisfaction on predicting commitment and trust. Positive relationships between satisfaction and commitment\(^\text{20}\) and between satisfaction and trust\(^\text{21}\) were found. Therefore, the following hypotheses are proposed:

**H5. Satisfaction has a strong positive relationship with commitment.**

**H6. Satisfaction has a strong positive relationship with trust.**

Few empirical studies have investigated the role of satisfaction and involvement. Olsen (2007, p.324) tested the satisfaction-involvement relationship at the product category level. The study results indicated that, although a positive relationship exists between satisfaction and involvement, involvement appears to be a complete mediator between satisfaction and repurchase loyalty. This leads to the following proposed hypothesis:

**H7. Involvement has a weak positive relationship with satisfaction.**

Heitmann et al. (2007, p.245) stated that satisfaction positively affects loyalty, willingness to recommend, and word-of-mouth. A number of studies investigated the satisfaction and word of mouth relationship, and found this relationship to be positive. Hence, the following hypothesis is proposed:

**H8. Satisfaction has a strong positive relationship with word of mouth.**
2.3 Satisfaction-Repurchase/Repurchase Intent

Early studies in consumer behavior explored the relationship between repurchase intentions and the level of satisfaction. While many researchers view satisfaction as an indicator of repurchase, other researchers demonstrated either a weak link between these two constructs or no link at all. Tsai, Huang, Jaw, and Chen (2006, p.453) reported that longitudinal and cross-sectional studies have demonstrated that satisfied consumers are more likely to continue their relationship with a particular organization than dissatisfied ones. The following hypothesis is proposed:

**H9.** Satisfaction has a strong positive relationship with repurchase/repurchase intent.

3. Research Model

The four loyalty dimensions, including commitment, trust, involvement, and word-of-mouth were investigated and tested to identify which dimensions have strong or weak relationships with satisfaction and repurchase/repurchase intent for consumers of apparel products. In addition, the satisfaction-repurchase/repurchase intent relationship was examined.

The theoretical model of loyalty dimensions-repurchase/repurchase intent-satisfaction is presented in Exhibit 1.

4. Methodology

A survey was undertaken with undergraduate and graduate students at three colleges (Business, Aviation, and Arts and Sciences) at a private university located in the Southeastern part of the United States. Course instructors were asked to allocate fifteen minutes for the survey completion either at the beginning or at the end of the class. A total of 576 questionnaires were distributed.

Two pilot tests were conducted to check the validity and reliability of each of the scales used. To confirm reliability, Cronbach’s alphas from the original scales were compared with the calculated Cronbach’s alphas from the pilot studies.

5. Structural Equation Modeling

The AMOS 7 program was used to construct a path diagram representing the hypothesized relationships between the researched variables based on the literature review. However, the model measures indicated that calculated statistics (p-value, GFI, AGFI, and NFI) were all below the cutoff points as recommended. The chi square is large at 647.678 and differed greatly from the degrees of freedom (6), indicating that this is not a good fitting model.

The results of the initial structural model, including the normalized residuals and the modification indices, were examined in order to maximize the model’s goodness-of-fit. Hair et al. (1998) proposed looking at the normalized residuals that exceed the threshold value of 2.58 and the modification indices that exceed 3.84 values. The examination of the model resulted in constructing additional paths for some of the predictor variables, representing loyalty dimensions. The improved structural model is presented in Exhibit 2.
The final structural model consists of twelve variables: six observed or endogenous variables labeled as "Commitment", "Trust", "Involvement", "Word of Mouth", "Satisfaction", and "Repurchase Intent"; and six unobserved or exogenous variables represented by error terms (e1, e2, e3, e4, e5, and e6). The parameter summary indicates twenty regression weights, six of which are fixed and fourteen that are estimated, and six variances. In total, the structural equation model contains twenty-six parameters, seventeen of which are to be estimated.

6. Results

The response rate for the surveys conducted during class time was 98%, which resulted in 564 surveys. The data was entered into the database using the SPSS software. The incomplete surveys were disregarded; they resulted in a final sample of 499.

The hypothesized relationships, Loyalty dimensions-Repurchase/Repurchase Intent-Satisfaction, and their paths are presented in Exhibit 3.

<table>
<thead>
<tr>
<th>Hypotheses Testing</th>
<th>Unstandardized Estimates</th>
<th>Standardized Error</th>
<th>Standardized Estimates</th>
<th>t-value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loyalty Dimensions-Repurchase/Repurchase Intent</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1 Repurchase intent ← Commitment</td>
<td>0.449</td>
<td>0.038</td>
<td>0.449</td>
<td>11.937</td>
<td>Supported</td>
</tr>
<tr>
<td>H2 Repurchase intent ← Trust</td>
<td>0.178</td>
<td>0.036</td>
<td>0.178</td>
<td>4.962</td>
<td>Supported</td>
</tr>
<tr>
<td>H3 Repurchase intent ← Involvement</td>
<td>0.100</td>
<td>0.035</td>
<td>0.100</td>
<td>2.885</td>
<td>Supported</td>
</tr>
<tr>
<td>H4 Repurchase intent ← Word-of-Mouth</td>
<td>0.195</td>
<td>0.034</td>
<td>0.195</td>
<td>5.723</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>Satisfaction-Loyalty Dimensions:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H5 N/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H6 Satisfaction ← Trust</td>
<td>0.136</td>
<td>0.05</td>
<td>0.136</td>
<td>2.722</td>
<td>Supported</td>
</tr>
<tr>
<td>H7 Satisfaction ← Involvement</td>
<td>0.205</td>
<td>0.05</td>
<td>0.206</td>
<td>4.092</td>
<td>Supported</td>
</tr>
<tr>
<td>H8 Satisfaction ← Word-of-Mouth</td>
<td>0.248</td>
<td>0.051</td>
<td>0.248</td>
<td>4.890</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>Satisfaction-Repurchase/Repurchase Intent:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H9 Repurchase intent ← Satisfaction</td>
<td>0.079</td>
<td>0.029</td>
<td>0.079</td>
<td>2.728</td>
<td>Supported</td>
</tr>
</tbody>
</table>
Loyalty dimensions in the service literature include positive word-of-mouth, a resistance to switching, identification with the service, and a preference for a particular service provider.

The positive directions of all of the proposed hypotheses were supported with the exception of H5. The satisfaction-commitment path (H5) was removed in the final structural equation model in order to improve the model fit.

The proposed strong relationships between commitment and repurchase/repurchase intent, and three proposed weak relationships between involvement and repurchase/repurchase intent; Word-of-Mouth and repurchase/repurchase intent; involvement and satisfaction were supported. However, the strength of four hypothesized relationships, between trust and repurchase/repurchase intent; trust and satisfaction; word of mouth and satisfaction; and satisfaction and repurchase/repurchase intent, does not appear to be significantly strong.

H1 hypothesized that Commitment has a strong positive relationship with Repurchase/Repurchase Intent. This hypothesis was supported with a t-value of 11.937 and a standard loading of 0.449. Therefore, a significant positive relationship between Commitment and Repurchase/Repurchase Intent exists, as suggested by the literature.

H2 hypothesized that Trust has a strong positive relationship with Repurchase/Repurchase Intent. This hypothesis was supported with a t-value of 4.962 and a standard loading of 0.178. Although a positive relationship between Trust and Repurchase/Repurchase Intent exists, statistically, it does not appear to be strong. This finding confirms the literature that a positive relationship between Trust and Repurchase/Repurchase Intent exists. However, it does not support the theory that this relationship is strong.

H3 hypothesized that Involvement has a weak positive relationship with Repurchase/Repurchase Intent. This hypothesis was supported with a t-value of 2.885 and a standard loading of 0.100. A weak positive relationship between Involvement and Repurchase/Repurchase Intent exists as suggested in the literature.

H4 hypothesized that Word-of-Mouth has a weak positive relationship with Repurchase/Repurchase Intent. This hypothesis was supported with a t-value of 5.723 and a standard loading of 0.195. A weak positive relationship between Word-of-Mouth and Repurchase/Repurchase Intent exists, which is consistent with the literature.

H5 hypothesized that Satisfaction has a strong positive relationship with Commitment. After the model modification, the Satisfaction-Commitment path was removed. Therefore, no statistical results are available for the proposed hypothesis.

H6 hypothesized that Satisfaction has a strong positive relationship with Trust. The path of the modified model was changed from Trust to Satisfaction. This hypothesis was supported with a t-value of 2.772 and a standard loading of 0.136. A positive relationship between Trust and Satisfaction exists; however, it is not statistically strong. The findings confirm the literature review that positive relationship between Trust and Satisfaction exists. However, they do not support the theory that this relationship is strong.

H7 hypothesized that Involvement has a weak positive relationship with Satisfaction. This hypothesis was supported with a t-value of 4.092 and a standard loading of 0.206. A weak positive relationship between Involvement and Satisfaction exists as suggested by the literature review.
H8 hypothesized that Satisfaction has a strong positive relationship with Word-of-Mouth. The path of the modified model was changed from Word of Mouth to Satisfaction. This hypothesis was supported with a t-value of 4.890 and a standard loading of 0.248. A positive relationship between Word of Mouth and Satisfaction exists; however, it is not statistically strong. The findings confirm the literature review that a positive relationship between Satisfaction and Word of Mouth exists. However, they do not support the theory that this relationship is strong.

H9 hypothesized that Satisfaction has a strong positive relationship with Repurchase/Repurchase Intent. This hypothesis was supported with a t-value of 2.728 and a standard loading of 0.079. The findings agree with the literature that a positive relationship between Satisfaction and Repurchase/Repurchase Intent exists. However, it did not support the theory that this relationship is strong.

The SEM results indicate that two additional paths with significant positive relationships were found within the loyalty dimensions. Involvement has a strong positive relationship with Commitment (t-value of 17,845 and a standard loading of 0.625); and Commitment has a strong positive relationship with Trust (t-value of 12.722 and a standard loading of 0.528).

The results indicate that although positive relationships between loyalty, repurchase/repurchase intent, and satisfaction exist, not all relationships are significantly strong. This implies that consumer behavior in the retail environment is a complex one. A number of external factors might influence loyalty, repurchase and satisfaction.

First, consumers of different types of products display different levels of satisfaction, loyalty, and repurchase. For example, if the consumer pays $40,000 for a car, his or her expectations might be very different compared to consumers of apparel products such as jeans. Second, weak relationships between some of the loyalty dimensions, repurchase/repurchase intent, and satisfaction could be attributed to the consumers’ personality, financial situation, and the available product or brand assortments.

7. Study Limitations

The study has several limitations. First, the sample size was collected using undergraduate students enrolled at a private university. Different population samples for different types of products should display different loyalty, repurchase/repurchase intent-satisfaction relationships.

Second, the survey instrument was a combination of several seven-point marketing scales, where the interpretation of scale items such as “strongly agree,” “agree,” or other items may differ from one participant to another.

...satisfied consumers are more likely to continue their relationship with a particular organization than dissatisfied ones.

Third, four dimensions of loyalty (commitment, trust, involvement, and word-of-mouth) were examined on their relationships with repurchase and satisfaction variables. The investigation of additional loyalty dimensions could provide further insights into the researched relationships.

8. Discussion

The overall findings of this research indicate that field study results agree on positive relationships between the research constructs. The differences lay within the strength of those relationships. The study results suggest that
Consumers of different types of products display different levels of satisfaction, loyalty, and repurchase. ...If the consumer pays $40,000 for a car, his or her expectations might be very different compared to consumers of apparel products such as jeans.

young consumers purchasing jeans display a strong commitment to repurchase, or display repurchase intent. Therefore, retail managers need to be aware of strong positive effects of these variables. The buyer-seller relationship literature defines commitment as rational continuity between partners. The repeat buying of a brand is based on a maximum amount of commitment. Trust is a feeling of security held by the consumer that the other party will meet his or her expectation. Trust involves dependability and competence with the product, while involvement involves product-related stimuli and social psychological stimuli.

In addition to the theoretical foundation and the literature review, which identifies the differences in strength between the researched constructs, other possible causes may exist. The study was conducted for the homogeneous group of consumers which consisted predominately of generation Y, full-time students. The possible reasons that survey participants did not display strong relationships between involvement-repurchase/repurchase intent, word-of-mouth-repurchase/repurchase intent, involvement-satisfaction, and word of mouth-satisfaction could be attributed to the following:

a. Personality. According to the participants’ comments, they prefer to spend less time when they shop and buy jeans only when they need them. They look for the best fit at the lowest price rather than the specific brand. The participants’ comments:

“I don’t care about brands, it’s how well they [jeans] fit.” “I pick the jeans that fit best, not about a brand.” “Jeans are made to suit personality. People usually choose jeans which they look good in.” “When I buy jeans my consideration is the fit of the jean. I don’t care too much about price or brand.” “It’s all about the model and the color.” “Brand loyalty in this case only exists for me if a brand continues to carry the type of jeans I like.” “I usually do not buy a specific brand, I usually just go to Wal-Mart or something and pick a pair that looks and fits good, whatever the brand is.” “I am not a big shopper.” “I don’t really think about jeans that much.”

b. The financial situation. The majority of the study participants did not indicate any income. According to the participants’ comments, they prefer to buy jeans on sale rather than to look specifically for their favorite brand. The participants’ comments: “I buy the cheapest pair from Wal-Mart that fits decent.” “I buy the jeans that has a good price.” “If jeans fit good and are the right price, I will buy them. I usually go for what is on sale first.” “I like cheap jeans and nothing else.” “I basically buy jeans mostly based on price. I can’t justify spending more than a certain amount on one pair of jeans.” “When I look for jeans, price is a big factor. If I can buy a cheap pair vs. an expensive pair that fit the same, it doesn’t really matter what the brand name is.”

c. Product/Market. The variety of different brands of jeans available in a wide range of prices could negatively affect consumers’ loyalty towards a specific brand. The participants’ comments: “All brands are good.” “To me, jeans are jeans. I shop by price and fit, not name brand.” “I buy considering price only; all jeans are the same to me.”
9. Recommendations for Future Research

Additional research is recommended to further investigate the relationships between the loyalty, satisfaction and repurchase constructs. This study could be enhanced through validation of the final structural equation model using different population samples. SEM provides the ability to modify path to variables in order to achieve a better fitting model. Additional samples of consumers need to be examined to provide a basis for validity of the model and theory.

Testing of the research constructs in different situational environments (retail versus online shopping), or with different types of products or services could also provide additional insights. An examination of the structural model using the business-to-business (B2B) setting in addition to the business-to-consumer (B2C) setting will be another area for future research to investigate how much consumers in a B2B setting differ, if at all, from consumers in the B2C setting.

Trust is a feeling of security held by the consumer that the other party will meet his or her expectation.

The loyalty construct consists of many other dimensions in addition to commitment, trust, involvement, and word-of-mouth. Additional loyalty dimension might provide new insights on loyalty-repurchase-satisfaction relationships. Following the incorporation of new loyalty dimensions, the structural model might require a new fit, which might retain the satisfaction-commitment path. This will allow an investigation of the satisfaction-commitment relationship.

10. Conclusion

The overall results of this study indicated that loyalty dimensions, repurchase/repurchase intent, and satisfaction are linked and affect each other. Satisfied consumers display loyalty and a higher repurchase rate, while loyal consumers display satisfaction and come back to repurchase the product. Managers need to take into consideration many factors before making a decision where to invest: either in creating consumer loyalty, increasing consumer satisfaction, or increasing repurchase rate, which could also mean a temporary solution.

Endnotes
3 Dixon et al., 2005, p.363; Heitmann et al., 2007, p.245; Szymanski and Henard, 2001, p.19
4 Olsen, 2007, p.330; Seiders et al., 2005, p.33; Suh and Yi, 2006, p.151
5 Fullerton, 2005, p.105; Olsen, Wilcox, and Olsson, 2005, p.249; Rauyruen and Miller, 2007, p.25
6 Mittal and Kamakura, 2001, p.140
7 Butcher, Sparks, and O’Callaghan, 2001, p.311
8 Dixon et al., 2005, p.355
9 Garbarino and Johnson, 1999, p.74; Macintosh and Lockshin, 1997, p.490
10 Butcher et al., 2001, p.311
11 Dixon et al., 2005, p.361; Fullerton, 2005, p.106; Macintosh and Lockshin, 1997, p. 493
12 Dixon et al., 2005, p.363; Floh and Treiblmaier, 2006, p.106; Rauyruen and Miller, 2007, p.27
13 Suh and Yi, 2006, p.146
14 Warrington and Shim, 2000, p.771
15 Oliver, 1999, p.41
16 Bloemer, Ruyter, and Wetzels, 1999, p.1091
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