

The Impact of Store Atmosphere on Customer Loyalty through Perceived Quality and Satisfaction: An Evidence from Boutique Industry in Tarakan

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Abstract

The increasingly competitive retail industry demands the ability of retailers to use appropriate marketing strategies to build customer loyalty and dominate the targeted market. This research aims to examine the relationship between strategic variables and the influence of these variables on the loyalty of boutique customers in Tarakan City. The research model tests the direct effect of store atmosphere on perceived quality, direct and indirect effects of store atmosphere on satisfaction, direct and indirect effects of store atmosphere on loyalty, direct effects of perceived quality on satisfaction, the direct effect and indirect effect of perceived quality on loyalty, and the direct effect of satisfaction on customer loyalty. One hundred seventy-six (176) respondents were used as samples and drawn by the accidental sampling method. The test results with SmartPLS show that this study's measurement model meets the convergent and discriminant validity. The results of the path analysis indicated that the nine hypotheses study are supported by the data. The store atmosphere positively affects perceived quality, customer satisfaction, and customer loyalty. The perceived quality has a positive effect on satisfaction, and loyalty. Furthermore, satisfaction has a positive and significant effect on loyalty. The role of perceived quality mediates the effect of store atmosphere on satisfaction, and satisfaction mediates the impact of store atmosphere on loyalty. The results of this study also reveal that the effect of store atmosphere on loyalty is not mediated by service quality. Thus, the results of this study are one of the empirical evidence that contributes to the development of customer loyalty theory and is useful as a basis for developing marketing strategies to increase boutique customer loyalty.

Keywords: Store atmosphere; Perceived quality; Satisfaction; Loyalty; Boutique.

1. Introduction

The development of the population, supported by the increasing purchasing power of consumers, has encouraged the growth of retail businesses from year to year. In the fourth quarter of 2018, the growth of retail business fields covering large trade and Retail in North Kalimantan reached 9.3% (Bank Indonesia, 2019), with a contribution of 10.8% to the total Gross Regional Domestic Product (GRDP) of North Kalimantan Province (BPS, 2019). The increasing growth of the retail business shows that the retail business is one of the prospective and attractive business fields for investors. Furthermore, retail business fields that include large trade and retail are important for the government because they can contribute quite a lot to GRDP.

Retailing refers to purchasing products from other organizations to resell them to the final customer (Jiputra et al., 2020). Generally without transformation and rendering services incidental to the sale of merchandise (Zentes et al., 2017). However, the retail includes business activities involved in the sale of goods and services to consumers for personal, family, or household use (Berman et al., 2018) and plays an essential role in connecting brands with consumers in the final phases of the buying process and at the point

of purchase (Kotler & Armstrong, 2016). As the last stage in the process of distributing goods and services, the role of retail business is needed by every business. Therefore, retailers must decide on three major product variables: product assortment, service mix, and store atmosphere (Kotler & Armstrong, 2016).

Store atmosphere (atmospherics) is a physical environment of the store designed to produce a specific emotional effect on the buyer to attract and increase the likelihood of his purchase" (Kotler, 1974). For store-based retailers, atmosphere (atmospherics) refers to the store's physical characteristics that project an image and draw customers (Berman et al., 2018). As a marketing stimulus (Kotler, 1974; Berman et al., 2018), the store atmosphere can affect the cognitive components of consumers (Chen & Hsieh, 2011). The cognitive component consists of the individual's beliefs or knowledge about the object (Mothersbaugh & Hawkins, 2016), and one concept included in the cognitive component is perceived quality. However, it is estimated that it can affect perceived quality. Unfortunately, an empirical study that tests the effect of store atmosphere on perceived quality has not been found in previous studies. For this reason, the influence of the store atmosphere on perceived quality needs to be tested empirically.

Quality is defined as the characteristics of a product or service that bear on its ability to satisfy stated or implied customer needs ((Kotler & Armstrong, 2016). As a cognitive component, perceived quality can serve as an antecedent of affective components, for example, satisfaction (Oliver, 2015). Andreassen and Lindestad (1998) research revealed that perceived quality positively and significantly affects satisfaction. Apart from being a consequence of service quality, store customer satisfaction is also specified as a consequence of store atmosphere and loyalty antecedents. Several previous studies have found that store atmosphere has a positive and significant direct effect on the affective component, namely customer satisfaction (Lee et al., 2015; Diawan et al., 2016; Miswanto & Angelia, 2017; and Furoida & Maftukhah, 2018). Furthermore, following the postulate of the Four-Stage Loyalty Model (Oliver, 2015), several previous studies have revealed that satisfaction has a direct positive and significant effect on customer loyalty (Reddy et al., 2011; Tulipa et al., 2014; Sari and Wijaya, 2019). But on the contrary, the results of the research of Jere et al. (2014) revealed that the effect of satisfaction on customer loyalty is not significant.

In connection with the inconsistency of the previous study's findings, this study aims to re-examine the relationship between store atmosphere, perceived quality, customer satisfaction, and customer loyalty. The rest of the paper is organized as follows. First, the theories relating to the definition of research constructs and the development of hypotheses are discussed in Section 2. The research methodology is then described in Section 3, followed by the results of data analysis and discussion in Section 4, a discussion of the analysis results in Section 5, and the study's conclusions in Section 6.

2. Literature Review and Hypothesis Development

2.1. Consumer Behavior

Consumer behavior is the activity humans carry out when obtaining, consuming, and disposing of products and services (Blackwell et al., 2006). The process is a dynamic interaction between affection, cognition, behavior, and the environment in which humans carry out aspects of the exchange. Understanding consumer behavior helps marketers improve existing products, understand the products needed, and attract consumers (Blackwell et al., 2006). Consumer behavior can be learned through theories or models that are classified into analytical and prescriptive models. Consumer behavior theories are classified into buyer behavior theory (Howard & Sheth, 1969) and the consumer decision process (Blackwell et al., 2006).

The theory of buyer behavior and the consumer decision process provide a basic framework for explaining consumer behavior through a complex relationship that is difficult to test in a single empirical study. Some prescriptive model has been initiated that describes the sequence of the elements that are the causal factor of each observed element. In other words, prescriptive models can be applied to predict the effects of causal factors that must be changed to attract a certain response from consumers. One well-known prescriptive model is the Theory of Reason Action (TRA) (Fishbein & Ajzen, 1975).

Consumer behavior can be learned through theories or models of consumer behavior, which can be classified into two categories: analytical and prescriptive. The first category includes consumer behavior theories, including the Theory of Buyer Behavior (Howard & Sheth, 1969) and the Consumer Decision Process (Blackwell et al., 2006). As a grand model, the Theory of Buyer Behavior (Howard & Sheth, 1969) and the Consumer Decision Process (Blackwell et al., 2006), provide a basic framework for explaining consumer behavior through the relationship between concepts that are very complex so that it is difficult to test and solve in an empirical study. In this regard, several prescriptive models have been initiated which explain the order that will appear as a result of changes in the elements that are the causal factors of each observed element. In other words, prescriptive models can be applied to predict the effects of causal factors that must be changed in order to attract a certain response from consumers. One well-known prescriptive model is the Theory of Reason Action (TRA) (Fishbein & Ajzen, 1975). TRA is a guideline or framework for determining the formation of consumer behavior in a structured manner by involving three important aspects, namely: cognitive (beliefs and evaluation), affective (attitudes), and conative (behavior as measured by behavioral intentions). The paradigm of forming a structured and sequential of the cognitive, affective, and conative components has been followed by several researchers in developing models and theories of consumer behavior, both before and post-purchase behavior, including the Four-Stage Loyalty Model (Oliver, 2015).

2.2. Four-Stage Loyalty Model

Oliver (2015) introduced a loyalty theory called the Four-Stage-Loyalty Model to study consumer behavior post-purchase decisions. The Four-Stage-Loyalty Model was developed from the attribute-based models of attitude that Fishbein and Ajzen (1975) pointed out, with cognitive, affective, and conative action patterns. According to Oliver, the components

of attitudes that include cognitive (knowledge), affective (emotional or emotional aspects), and conative (intention or commitment) are dimensions of loyalty that are not consonants. Therefore, such components will be consonants through cognitive meanings, affective ways, conative meanings, and ways of behavior, respectively. Oliver also explains the three phases of loyalty, namely, cognitive, affective, and conative, involve strengthening loyalty levels.

Cognitive loyalty is a base of information available to attract consumers' attention to one of the brands. As the first stage in the model, cognitive loyalty is seen as loyalty in the cognitive sense or consideration. Therefore, cognitive loyalty is based on functional characteristics, costs, and primary benefits. The second stage of forming loyalty is affective loyalty, that is, loyalty based on affection (feeling). In this stage, loyalty is planted in the consumer's mind as affection (feeling) and no longer solely as cognition (consideration). Affective loyalty occurs during consumption, which involves feelings of liking, satisfying experiences, and preferences. Therefore, this phase also has the potential to cause dissatisfaction. The third stage of loyalty formation, conative loyalty, is directly influenced by changes in the brand's affection. Conation is the intention or commitment to behave towards the goal in a certain way that contains a statement about the commitment to buy. Then it becomes action loyalty, consumers' real action or behavior to make repurchases. Of the various measurement models used in various empirical studies, Four-Stage Loyalty is sufficiently tested for conative loyalty. In other words, empirical studies only predict a customer's intention to perform action loyalty. Action loyalty is thought to occur just as intention loyalty when the customer has the right opportunity to act.

2.3. Store Atmosphere

Every store has a physical look and layout that is difficult or easy to replace or remove (Kotler & Keller, 2016). The appearance and layout of the store are known as the store atmosphere or store atmosphere. Store atmospherics is a purchasing environment (designed) to produce specific emotional effects on the buyer to increase the likelihood of their purchase decision (Kotler, 1974), and can be measured through three dimensions, namely exterior, interior, and layout and design (van Niekerk, 2015). Exterior dimensions are measured through 10 indicators, 11 indicators measure interior dimensions, and layout and design dimensions are measured through 10 indicators (see Table 1). Chen and Hsieh (2011) argue that store atmosphere can affect cognitive components, and

perceived quality is one of the concepts included in the cognitive component. Several previous studies have also revealed that store atmosphere has a positive and significant effect on satisfaction (Lee et al., 2015; Diawan, 2016; Miswanto & Angelia, 2017; Sitinjak et al., 2019; Furoida & Maftukhah, 2018). Besides, satisfaction affects loyalty (Lee et al., 2015; Hussain & Ali, 2015; Diawan et al., 2016; Wu & Chung, 2016; Githiri, 2017; Sitinjak, 2019). Based on the opinions and findings of previous research, the following hypotheses can be formulated:

- H₁ : Store atmosphere has a positive and significant effect on perceived quality.
- H_{2a} : Store atmosphere has a positive and significant effect on satisfaction.
- H_{2b} : The effect of store atmosphere on satisfaction is mediated by perceived quality.
- H_{3a} : Store atmosphere has a positive and significant effect on the loyalty.
- H_{3b} : The effect of store atmosphere on loyalty is mediated by perceived quality.
- H_{3c} : The effect of Store atmosphere on loyalty is mediated by satisfaction.

2.4. Perceived Quality

Quality is the totality of features and characteristics of a product or service that depend on its ability to meet stated or implied needs (Koller & Keller, 2016). The perceived quality of a store is measured through two dimensions, namely merchandise quality and service quality (Reddy et al., 2011; Muzakki and Tarigan, 2020). The merchandise quality is measured through six indicators, while service quality can be measured through five items (see Table 1). Previous studies have revealed that perceived quality positively benefits satisfaction (Andreasson & Lindestad, 1998) and loyalty (Misnalwati, 2014; Sari and Wijaya, 2019). Based on this argument, the following hypotheses can be formulated:

- H₄ : Perceived quality has a positive and significant effect on satisfaction.
- H₅ : Perceived quality has a positive and significant effect on the loyalty.

2.5. Satisfaction

Profiting through customer satisfaction is the end point of the marketing concept (Kotler & Armstrong, 2016). satisfaction is defined as an individual's feelings of pleasure or disappointment derived from a comparison between perceptions of performance (or results) and his expectations of the product (Kotler & Keller, 2016; Jiputra et al., 2020).

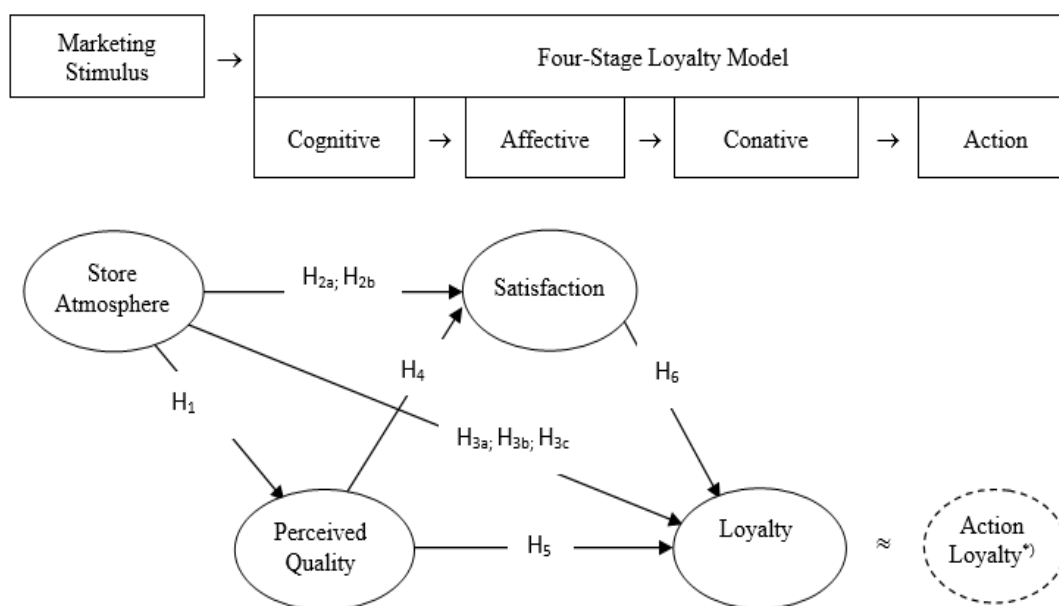


Figure 1. The relationship between theoretical models and research models

Note: *) = not tested in this study because it is already represented and considered equal to loyalty intention

According to van Niekerk (2015), boutique customer satisfaction can be measured through five indicators (see Table 1). In addition, several previous researchers have found that satisfaction positively and significantly affects loyalty (Reddy et al., 2011; Tulipa et al., 2014; Sari and Wijaya, 2019). Therefore, based on the findings of previous research, the following hypotheses can be formulated:

H₆ : Satisfaction has a positive and significant effect on the loyalty.

The relationship between theoretical and research models and hypotheses developed in this study can be seen in Figure 1.

3. Methods

3.1. Population and Sample

The population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate (Sekaran & Bougie, 2016), while a sample is a subset of the population. It comprises some members selected from it (Sekaran & Bougie, 2016). Thus, the population of this study is all boutique customers in Tarakan, Indonesia. In contrast, the imperious of this study are all customers who come and shop at five boutiques in Tarakan, Indonesia. This research sample was drawn by a non-probability method, namely accidental sampling. The research questionnaires were distributed to customers who

came and shopped at five boutiques in Tarakan, Indonesia. The number of questionnaires distributed in each boutique is 50 sets of questionnaires. The customer who comes to the boutique at the time of data collection is asked to become a respondent. Customers willing to be respondents are given a set of questionnaires and then asked to fill out and return the questionnaire before leaving the boutique. The number of questionnaires returned was 187, or 74.8% of the 250 questionnaires distributed. Of the 187 returned, only 176, or 94.1%, were fully charged and could be used as analysis material. The majority of respondents to this study were women (78%), aged 25 - 35 years (41%), unmarried (57%), graduated from high school (56%), worked as employees (30%), knew boutique from friends (58%), and lived in Tarakan (81%).

3.2. Variables and Measurements

This study has four variables: store atmosphere, perceived quality, satisfaction, and customer loyalty. The store atmosphere is measured by three dimensions: exterior, interior, layout, and design (van Niekerk, 2015). Perceived quality is measured using two dimensions: merchandise quality and service quality (Reddy et al., 2011; Muzakki and Tarigan, 2020), boutique customer satisfaction variables can be measured through five indicators (van Niekerk, 2015), and customer loyalty is measured by five indicators developed by van Niekerk (2015). Alternative answers

to each indicator are measured on a Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The dimensions and indicators for each of these research variables can be seen in Table 1.

3.3. Data Analysis

Hypothesis testing can proceed if the measurement model used as a data collection instrument is valid and reliable. The validity of the questionnaire as an instrument of research data collection shows that the measuring instruments used to obtain such data are reliable. Valid means that the instrument can be used to measure what to measure. With a valid instrument, the research results are expected to be valid. An instrument can be said to have high validity if the instrument performs its measuring function or provides measuring results that follow the purpose of the measurement. A valid measuring instrument cannot just reveal data precisely and provide a careful picture of the data. Careful means that the measurement can show the smallest differences between one subject and another. The instrument's validity was evaluated with convergent validity and detected from the loading factor value. Generally, the acceptable loading factor values to qualify for convergent validity are 0.40 and 0.70 (Hair et al., 2014). The following condition that a measurement model must meet is the reliability of the instrument. Reliability refers to the internal consistency and stability of the value of the results of a certain size scale. Instruments that give the same results when used as measuring instruments used repeatedly can be said to be reliable. One of the approaches used to assess the reliability of instruments is the alpha coefficient or Cronbach's alpha (Malhotra et al., 2002). This coefficient ranges from 0 to 1, and values equal to or less than 0.6 indicate unsatisfactory internal consistency reliability (Malhotra et al., 2002). Thus, the accepted reliability limit is Cronbach's alpha coefficient value greater than 0.6.

In this study, the approach used to test the validity and reliability of measurement models and hypotheses developed was the PLS-SEM approach which was analyzed with SmartPLS (Ringle et al., 2015). PLS-SEM is a data analysis tool for this study because it allows researchers to conceptualize higher-order factors by using manifest variables iteratively (Chin et al., 2003; Tenenhaus et al., 2005; Kleijnen et al., 2007). In addition, structural templates developed with PLS-SEM also do not need to be evaluated with GoF since the results of the measurement model and structural model are already considered sufficient to explain the accuracy of the model developed by the researcher

(Hair et al., 2014). Thus, validity and reliability tests were used to test the measurement model developed in this study. In contrast, the hypothesis developed in this study was tested with a t-test with a PLS-SEM approach. SEM modeling with Variance Based SEM or PLS-SEM is carried out through four stages, namely: (1) structural model specifications, (2) measurement model specifications, (3) measurement model evaluations, and (4) structural model evaluations (Hair et al., 2014).

4. Result

4.1. Measurement Model

The constructs used in the research model must be generated from valid and reliable instruments or measurement tools. For this reason, the instrument's validity can be measured by convergent validity. The validity test results on all variables of this study show that all indicators of variables Exterior, Merchandise Quality, Service Quality, satisfaction, and loyalty have a loading factor greater than 0.50. As for the indicator for the variable interior, one indicator is invalid, namely the net interior boutique with an outer loading value of 0.202. For the layout and design variable, one of the 11 indicators is invalid, i.e., furnishing in the boutique is attractive with an outer loading value of 0.299. After the invalid indicator was eliminated, the final results showed that all the study variables had a loading factor greater than 0.50, AVE greater than 0.50, and composite reliability of more than 0.70. Based on Fornell-Larcker Criterion, the discriminant validity value is also met because the square root value of the AVE for each variable is higher than the correlation value between each variable. The measurement model's evaluation results are presented in Table 1 and Table 2.

4.2. Structural Model

Before proceeding with the structural model analysis, it must be ensured that there are no symptoms of collinearity between the study variables. The results of the evaluation of *collinearity* symptoms in the structural model of this study (Table 3) showed that the *VIF* value between predictor constructs was higher than 0.20 and lower than 5.00. Thus, it is not necessary to eliminate constructs or combine predictors in a single construct (Hair et al., 2014), and it can be continued. The structural model assessment results to determine the path coefficient's significance can be seen in Figure 2 and Table 5, predictability (R^2), and *predictive relevance* (Q^2) in Table 4.

Table 1. Measurement Model Test Result

Latent Variables dan Items	Mean	Outer Loading	Composite Reliability	AVE
Exterior	3.456		0.935	0.590
1. The outside of the boutique has eye-catching signs and colors	3.640	0.825		
2. The entrance to the boutique attracts the attention	3.560	0.821		
3. The boutique has an attractive window display	3.600	0.783		
4. The boutique building has attractive colors	3.520	0.754		
5. The boutique close to a variety of interesting shops	3.520	0.781		
6. The boutique is in an interesting location	3.580	0.777		
7. The boutique is in a convenient location	3.320	0.718		
8. The boutique architectural style is attractive	3.530	0.722		
9. The boutique is in a location that suits your wishes	3.390	0.745		
10. The boutique has adequate parking facilities	2.900	0.746		
Interior	3.933		0.933	0.582
1. Boutique flooring directs movement in a way that makes sense	3.680	0.684		
2. The boutique floor looks visually appealing	3.840	0.717		
3. The boutique has fun color combinations	3.940	0.791		
4. The boutique lighting creates a pleasant atmosphere	4.160	0.809		
5. The background music in the boutique is acceptable	3.920	0.750		
6. The aroma in the boutique is pleasant	4.010	0.736		
7. Neat boutique layout	3.890	0.781		
8. Visually appealing boutique walls	4.070	0.786		
9. Clothes sold in boutiques are well displayed	3.830	0.742		
10. The temperature in the boutique is comfortable	3.990	0.821		
11. Clean boutique interior		0.202 ^a		
Layout and Design	3.899		0.938	0.628
1. All spaces in the boutique are put to the creative use	4.080	0.806		
2. The layout of the boutique is well designed	3.990	0.753		
3. I can find what I am looking for in boutiques easily	3.990	0.751		
4. Clothes sold in boutiques are well organized	4.030	0.796		
5. The cashier's place and service in the boutique are well organized	4.060	0.789		
6. Seating/ waiting in the boutique is comfortable	3.800	0.785		
7. Fitting rooms in boutiques are in line with expectations	3.660	0.776		
8. Clothes racks and storefronts in boutiques are neatly arranged	3.640	0.828		
9. The boutique is not too full	3.810	0.842		
10. The furniture in the boutique is attractive		0.299 ^a		
Merchandise Quality	3.992		0.931	0.691
1. The boutique offers very high-quality clothing	3.880	0.822		
2. The quality of clothing in boutiques is higher than similar items in other stores/boutiques	3.850	0.791		
3. Clothes bought from boutiques last well for a long period	3.940	0.887		
4. All clothes purchased from quality boutiques	4.050	0.883		
5. All clothes available in the boutique meet the desired quality standards	3.990	0.817		
6. The quality of clothing in boutiques always meets customer expectations consistently	4.200	0.783		
Service Quality	4.074		0.941	0.763
1. Boutique employees have the skills needed to assist in choosing clothes	4.040	0.839		
2. I received prompt service while shopping at this boutique	4.010	0.868		
3. Boutique employees serve me wholeheartedly	4.080	0.864		
4. Boutique employees willingly came to help me at a time when I needed their help	4.060	0.895		
5. Boutique employees are always friendly and polite	4.180	0.899		
Satisfaction	4.046		0.908	0.663
1. I am satisfied with my decision to shop at this boutique	4.030	0.789		
2. I feel that I have done the right thing by shopping at this boutique	3.950	0.873		
3. My choice to shop at this boutique was a wise decision	4.000	0.814		
4. I feel confident shopping at this boutique	4.110	0.785		
5. Shopping at this boutique is enjoyable for me	4.140	0.808		
Loyalty	4.108		0.908	0.727
1. I am a loyal customer of this boutique	3.600	0.865		
2. I will shop at this boutique in the future	4.040	0.850		
3. I would recommend this boutique to my friends and family who want to buy clothes	4.330	0.826		

Latent Variables dan Items	Mean	Outer Loading	Composite Reliability	AVE
4. I would say positive things about this boutique to others	4.370	0.832		

Source: SmartPLS Output

Note: AVE: Average Variance Construct; *: not valid and removed

Table 2. Discriminant Validity

Variable	AVE	Sqrt AVE	Correlation (FornellLacker Criterion)			
			Store Atmosphere	Perceived Quality	Satisfaction	Loyalty
Store Atmosphere	0.502	0.709	1.000			
Perceived Quality	0.576	0.759	0.665	1.000		
Kepuasan	0.663	0.814	0.663	0.605	1.000	
Loyalitas	0.727	0.853	0.602	0.632	0.602	1.000

Source: SmartPLS Output

Table 3. Collinearity Statistic (VIF)

	Perceived Quality	Satisfaction	Loyalty
Store Atmosphere	1.000	1.795	2.217
Perceived Quality	-	1.795	1.966
Kepuasan	-	-	1.952

Source: SmartPLS Output

Table 4. R² dan Q²

	R ²	Q ²
Perceived Quality	0.442	0.229
Satisfaction	0.487	0.298
Loyalty	0.494	0.318

Source: SmartPLS Output

Table 5. Hypotheses Test Result

Path Estimate (Reflective Factors)	Std. Estimate	t-value	p-value
Store Atmosphere → Exterior	0.893	35.539	0.000
Store Atmosphere → Interior	0.926	61.005	0.000
Store Atmosphere → Layout and Design	0.933	79.197	0.000
Perceived Quality → Merchandise Quality	0.913	54.598	0.000
Perceived Quality → Service Quality	0.871	34.302	0.000

Source: SmartPLS output

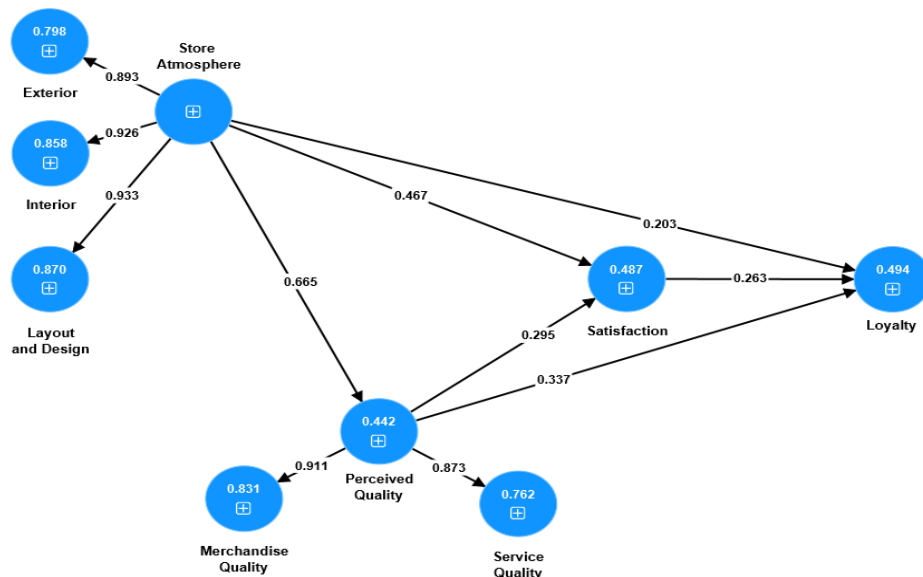


Figure 2. Structural Model – Second-Order Reflective Factors

Source: SmartPLS output

Table 6. Direct, Indirect, and Total Effect

Jalur	Direct Effect			Indirect Effect			Total Effect			VAF
	β	T	P	β	T	P	β	T	P	
Store Atmosphere → Satisfaction	0.466	4.751	0.000	0.197	3.047	0.000	0.662	9.909	0.000	70.39%
Store Atmosphere → Loyalty	0.204	1.979	0.048	0.402	5.678	0.000	0.598	9.677	0.000	32.78%
Perceived Quality → Loyalty	0.337	2.655	0.000	0.082	1.879	0.061	0.411	3.704	0.000	-

Source: SmartPLS Output

Note: β = path coefficient; T = T-Statistics; P = p-Value; VAF = Variance Accounted For

Figure 2 and Table 5 show that all pathways developed in this research model have positively marked coefficients. For example, the direct line to *perceived quality* has a coefficient of $\beta=0.665$; $p=0.000$, *store atmosphere* to satisfaction with the coefficient of $\beta=0.466$; $p=0.000$, *store atmosphere* to the loyalty of $\beta=0.204$; $p=0.000$, *perceived quality* to the satisfaction of $\beta=0.295$; $p=0.000$, *perceived quality* to the loyalty of $\beta=0.337$; $p=0.000$, and satisfaction to the loyalty of $\beta=0.263$; $p=0.000$. Furthermore, the value of R^2 for each endogenous variable can be categorized as high because it is greater than 0.20 (Hair et al., 2014) and evaluation based on the value of Q^2 also indicates that the exogenous construct has predictive *relevance* to the endogenous construct because it is greater than 0.

Testing the mediating role of perceived quality and satisfaction in the model can be continued if the indirect influence of store atmosphere on satisfaction, the indirect effect of *store atmosphere* on loyalty, and the indirect influence of *perceived quality* on loyalty have a significant influence. In this case, the VAF (the variance accounted for) value will be used to determine the scale of the indirect effect related to its total effect. The value of VAF value is obtained by dividing the value of the direct effect coefficient by the value of the total effect coefficient or $VAF = (p_{12} \cdot p_{23}) / (p_{12} \cdot p_{23} + p_{13})$. If the VAF value is less than 20%, there is (almost) no mediation role. Conversely, when the VAF has a substantial result or above 80%, it can be concluded that there is a full *mediation role*. In a VAF situation, greater than 20% and less than 80% mean that there is *partial mediation* (Hair et al., 2014). Table 6 shows the value of the indirect effect coefficient of the store atmosphere on satisfaction is 0.197 and is significant at $p < 0.000$. The value of the *indirect* effect coefficient of the *store atmosphere* variable on loyalty is 0.402 and significant at $p < 0.000$, the value of the perceived variable's *indirect effect* coefficient *Quality* to loyalty is 0.082 and is insignificant because $p = 0.061 > 0.000$. With VAF values of 70.39% and 32.78%, it can be concluded that the effect of store atmosphere on satisfaction is

mediated partially by *perceived quality*, and the influence of *store atmosphere* on loyalty is partially mediated by satisfaction.

5. Discussion

The relationship between variables developed in this study aims to examine the direct influence of store atmosphere on perceived quality, the direct influence and indirect influence of store atmosphere on satisfaction, the direct influence and indirect influence of store atmosphere on loyalty, the direct influence of perceived quality on satisfaction, direct influence and indirect influence of perceived quality on loyalty, and direct influence of perceived quality on loyalty, and direct influence satisfaction with customer loyalty. Direct influences and indirect influences between research variables are built on the postulates: Stimulus-Organism-Response Model (Merrabian & Russell, 1974), Four-Stage Loyalty Model (Oliver, 2015), and Attitude Component Consistency (Mothersbaugh and Hawkins, 2016), resulting in a pattern: "Stimulus (Store Atmosphere) → Cognitive (Perceived Quality) → Affective (Satisfaction) → Conative (Loyalty)."

5.1. The Direct Effect of Store Atmosphere on Perceived Quality, Satisfaction, and Loyalty

The results of this study show that the store atmosphere has a positive and significant effect on perceived quality. These findings support Chen and Hsieh (2011), who state that the atmosphere can affect cognitive components, although they have not been able to show empirical evidence. The result indicated that the higher the customer's assessment of the atmosphere, the higher the quality of the boutique that the customer perceives, and vice versa. Store atmosphere can be managed through the exterior, interior, layout, and design (van Niekerk, 2015). The arrangement of the outside, entrance, windows, building colors, attractive architectural style, and the placement of boutiques in strategic locations with adequate parking facilities are indicators used by

customers to assess and distinguish each boutique from the exterior dimensions. To create a store atmosphere from the interior dimensions, boutique managers need to pay attention to the combination of floor attractiveness, comfortable coloring, lighting, music background, layout, walls, and boutiques offered is well-displayed. In addition, the space temperature is a comfortable room and clean interior. The next dimension that needs to be managed to improve the store atmosphere boutique is layout and design. This dimension can be managed through the creative use of boutique space, good merchandise location to make it easier for customers to find the item they are looking for, making payments, and providing good service, available comfortable seating/ waiting room, fitting room, clothes rack, and storefront neatly arranged, the boutique is not too full of goods, as well as furnishing in an attractive boutique.

The second hypothesis proposed in this study, namely that store atmosphere has a positive and significant effect on customer satisfaction supported by the data received. In this case, a well-managed store atmosphere will increase customer satisfaction. The findings of this study are in line with the findings of previous studies that revealed that store atmosphere has a positive and significant effect on satisfaction (Lee et al., 2015; Diawan et al., 2016; Miswanto & Angelia, 2017; Sijinjak, 2019; Furoida & Maftukhah, 2018).

The third hypothesis that the store atmosphere positively and significantly affects customer loyalty is supported by the data received. In other words, the higher the value of the store atmosphere that customers perceive, the higher the customer's loyalty to the boutique. The findings of this study are in line with the findings of previous empirical studies (Lee et al., 2015; Hussain & Ali, 2015; Diawan et al., 2016; Wu & Chung, 2016; Githiri, 2017; Sijinjak, 2019).

5.2. Direct Effect of Perceived Quality on Satisfaction and Loyalty

The results of the fourth hypothesis test, namely perceived quality, have a positive and significant effect on satisfaction supported by data so that it is proven and received. In other words, the higher the perceived quality of the boutique, the higher the satisfaction level of boutique customers. This study's findings align with the results of the research of Andreassen & Lindestad (1998) and the postulate of the Four-Stage Loyalty Model (Oliver, 2015), namely that the cognitive component is an antecedent of the affective component.

The fifth hypothesis formulated that perceived quality has a positive and significant effect on loyalty is supported by data received. These findings show that

the higher the perceived quality, the higher the level of loyalty of boutique customers. The results of this study support the results of the research of Misnalwati (2014). The results of testing the indirect influence of perceived quality on loyalty revealed that the role of satisfaction in mediating the influence of perceived quality on loyalty is partially mediated by satisfaction. Thus, the postulate of the Four-Stage Loyalty Model (Oliver, 2015) states that the influence of cognitive components on the conative components mediated by affective components is supported by the results of this study.

As a key antecedent in increasing customer satisfaction and loyalty, the boutique casualty can be managed through two dimensions: merchandise quality and service quality (Reddy et al., 2011). Customer perception of the dimensions of merchandise quality can be improved by offering merchandise (clothing) that is of very high quality and durable or lasts well for a long period of time. As a retail business, a boutique may offer the same goods as its competitors. For this reason, the second dimension that needs to be managed to improve customer perception of boutique quality is service quality. This dimension can be improved by enhancing employee skills to provide services to customers, such as choosing the desired clothes, serving customers quickly and wholeheartedly, helping when customers need it, and always being friendly and polite in serving their customers.

5.3. Direct Effect of Satisfaction on Loyalty

The sixth hypothesis, namely that satisfaction has a positive and significant effect on proven and accepted loyalty. In other words, the higher the level of customer satisfaction, the higher the loyalty to the boutique. This study's findings align with previous studies' results that found that satisfaction has a positive effect and significantly affects loyalty (Reddy et al., 2011; Tulipa et al., 2014). But on the contrary, the results of this study contradict the findings of Jere et al. (2014) revealed that the direct effect of satisfaction on customer loyalty is not significant.

5.4. Indirect Effect of Store Atmosphere on Satisfaction and Loyalty

Based on the results of indirect influence testing, this study shows that the influence of store atmosphere on satisfaction is mediated partially by the perceived quality, the influence of store atmosphere on loyalty is mediated partially by satisfaction, and the influence of store atmosphere on loyalty is not mediated by service quality. Relationships between concepts in the theory of buyer behavior (Howard & Sheth, 1969) and the

Consumer Decision Process (Blackwell et al., 2006) show that consumers' purchasing decisions can be influenced by marketing stimulus. A marketing stimulus that can be used to formulate store marketing strategies is the atmosphere (Berman et al., 2018). The store atmosphere influences consumer attitudes in terms of three components: cognitive, affective, and behavioral or conative (Oliver, 2015; Mothersbaugh & Hawkins, 2016). Meanwhile, from the perspective of the Stimulus-Organism-Response (S-O-R) Model (Mehrabian & Russell 1974), research has suggested that the store atmosphere is likely to affect consumer emotions (Donovan & Rossiter 1982). But implicitly, the Four-Stage Loyalty Model (Oliver, 2015) shows that emotion or feeling is a concept that belongs to the affection component and will occur after the formation of the cognition component first. Next, the affection component will directly predict the conative component. Thus, the effect of store atmosphere on satisfaction is partially mediated by perceived quality. The effect of store atmosphere on loyalty mediated partially by satisfaction revealed the results of this study are one of the empirical evidence that needs to be further tested to test the relationship patterns between concepts hypothesized in the Four-Stage Loyalty Model (Oliver, 2015) and S-O-R Model (Mehrabian & Russell 1974). This result indicates that retaining boutique customers can be initiated by managing the store atmosphere through the exterior, interior, layout, and design dimensions. The right atmosphere will have an impact on increasing perceived quality, satisfaction, and customer loyalty. In addition, the store atmosphere can serve as a strategy to differentiate from competitors to serve customers chosen as the target market.

6. Conclusions

As previously proposed, the boutique customer loyalty model pattern is based on the findings of this study: "store atmosphere → perceived quality → customer satisfaction → customer loyalty." Theoretically, the findings of this study can be categorized as a combination of the Stimulus-Organism-Response (S-O-R) Model (Mehrabian & Russell, 1974) and the Four-Stage Loyalty Model (Oliver, 2015). Due to increasingly competitive competition, boutique marketing managers must be able to design an attractive store atmosphere. An irradiated store atmosphere can be formed through three dimensions: exterior, interior, layout, and design. The more attractive the store atmosphere of a boutique, the higher the quality of the boutique that customers perceive. Boutique quality can be formed through two dimensions: Merchandise Quality and Service Quality. The perceived quality of the boutique will have an impact on customer

satisfaction. In the end, satisfied customers will be loyal to the boutique. Thus, more loyal boutique customers will make it easier for a boutique to dominate the market because loyal customers will shop at the same boutique, recommend the boutique, and say positive things about it to friends and family.

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