The Effect of Store Image on Store Satisfaction and Store Loyalty: A Lesson from Korean-Skincare Sector in Indonesia

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Abstract		Original Research Article

Most Indonesian female consumers still choose to shop at official outlets as a place to buy beauty products that are needed by users, even though they are living in an era of technological development and e-commerce which has now advanced with a fairly high level of connectivity. So that the official outlets are still a favorite place for them to shop beauty products. The purpose of this study was to examine the effect of store image on store satisfaction and store loyalty of Korean Skincare sector in Indonesia from consumers' perspective. This research was designed with quantitative and survey methods. The sampling method used was incidental nonprobability-sampling and the data were analyzed by SEM-PLS using the help of WarpPLS 6.0. Data were collected by giving self-administered questionnaires to 235 respondents. Samples are consumers who buy K-Skincare products at official outlets directly. Result showed that store image had positive and significant effect on store satisfaction, and store satisfaction had positive and significant effect on store loyalty. Moreover, store image sigficantly give positive effect on store loyalty. So, store image had a positive and significant effect on store loyalty directly and indirectly through the mediation of store satisfaction.
Keywords: Store image, Store satisaction, Store loyalty, Beauty Store, Korean Skincare.

INTRODUCTION

The trend in the use of beauty products is no longer oriented to products originating from the West and has begun to shift to Asian products, especially South Korea. After successfully invading the international entertainment world with K-Pop, this country is now expanding into its beauty industry known as K-Beauty. South Korea as one of the countries that is rising because of its various innovations in skin care products is trying to continue to spread the positive benefits that arise in using skin care [1, 2].

Mitel market research institute notes mention the growth of Korean cosmetics and skincare reached 5.8 percent year-on-year since 2013. This growth beat the United States which is only 3.9 percent and the United Kingdom with growth of 2.1 percent. In fact, according to Euromonitor's research, the achievement of K-Beauty globally passed 6.3 billion US dollars. Moreover, economist Tim Harcourt, also said South Korea was ranked fifth in the world in the beauty industry [2].

That trend also applies in Indonesia. According to Jajakpendapat.net data, there are at least six Korean brands that are known and in demand by Indonesian women and men aged 16-35 years. The results of an online survey of 497 respondents revealed that 55.13% of respondents claimed to have used a Korean cosmetic brand. Furthermore, there are three Korean cosmetics brands that dominate the cosmetics market in Indonesia. Referring to the survey results, including the Etude House brand (71.17%), followed by The Face Shop (39.05%), and Nature Republic (14.96%). Whereas for other brands are Missha (12.77%), Innisfree (9.12%), and Aritaum (12.9%) [3].

According to data from Zap Clinic (2018), 52.9% of Indonesian female consumers still choose to shop at official outlets as a place to buy beauty products needed by users, even though they are living in an era of technological and e-commerce development that has now going forward with a fairly high level of connectivity. So that the official outlets are still a favorite place for them to shop beauty products, including buying Korean skincare products at the official store. Therefore, it is important to increase store satisfaction that has an impact on increasing store

loyalty among customers, so that customers will often visit the store and repurchase K-skincare products and recommend them to others to try visiting shop and buy the product too.

In the last period, several marketing studies have discussed the issue of store loyalty in retail sector [4]; Australian health and beauty sector [5]; pharmacy retail [6]; Portugal retailing market [7]; furniture store in Turkey [8]; Norwegian petrol retailing [9]; Grocery store [10-12]; supermarket [13]; Pakistani small and medium store [14]; food and grocery shopping in Thailand [15]; food retail in Istanbul –Turkey [16]; Korea discount retail store [17]; departement store [18]; grocery retailing and perfumery [19]; shopping malls and outlets in Klang Valley [20]; Indian retail store [21]; and Malaysian hypermarket [22]. However, there are still very few studies about store loyalty in the beauty retailing industry, especially the Korean skincare stores in developing countries. Therefore, this study aims to determine the factors that influence store loyalty in Korean skincare store customers in Indonesia. this study examines the effect of store image on store satisfaction leading to store loyalty.

LITERATURE REVIEW
Store Image
Image has become one of the most important factors of stores' survival and development [23]. According to Bloemer and Ruyter [24], image is communicated as an element of the salient attributes of a specific store that are assessed and weighted against one another, and store image was characterized as the complex of a customers' view of a store on various (salient) attributes. Then, Bloemer & Schroder [25] develop store image as the sum of all its attributes, in light of shoppers' impression of their experiences with the store. Some previous research on store images has been carried out at shoe store [26]; e-tail (internet retailing) [27]; retail stores [28]; clothing industry [29], and many more.

Many studies have been conducted to find out what are the attributes included in the store image. Research conducted by Yun and Good [27] found internet retailing (e-tail) store image is derived from e-merchandise, e-service, and e-shopping atmosphere attributes which support the way consumers shop. According to Prokopis K. Theodoridis and Kalliopi C. Chatzipanagiotou [30], store image attributes in supermarket sector in Greece consist of (1) products; (2) pricing; (3) atmosphere; (4) personnel; (5) merchandising; and (6) in-store convenience. While Gundala [30] in his research about clothing industry used 8 store attributes consisting of (1) Internal layout and design, (2) Merchandise fashion and style, (3) Merchandise price, (4) Merchandise quality, (5). Merchandise selection, (6) Professional and friendly staff, (7) Refund, and (8) Reputation.

Store Satisfaction
Satisfaction has become a central concept in marketing theory and practice, and one of the important objectives of business activities [31]. Satisfaction (satisfaction) is a feeling of pleasure or disappointment someone who arises because of comparing the performance of perceived products (or results) against their expectations. If performance fails to meet expectations, the customer will be dissatisfied. If the performance is in line with expectations, the customer will be satisfied. If performance exceeds expectations, the customer will be very satisfied or happy [32]. To develop in a highly competitive market, customer satisfaction plays a key role in retaining existing customers and gaining new customers [33].

Store Loyalty
Customer loyalty greatly affects the business progress of a company because the cost required to attract a single customer is much greater than the cost incurred to maintain one loyal customer. Furthermore, continuous customer loss will cause a company to become bankrupt [34]. Loyalty comprises of two measurements: both attitudinal and behavioral. Aspect of behavioral measure the proportion of purchase of a specific brand, while attitudinal loyalty dimension is measured by psychological commitment to the target object [35]. The critical part of the definition of store loyalty is store commitment [24, 36]. Osman [37] said that "a customer who is loyal to a certain retail establishment will give this store his or her priority visit in any shopping event" So that, store loyalty is not only re-patronizing but also about degree of preference and dedication among their customer [5]. According to Francioni, Savelli, and Cioppi [38], to measure behavioral store loyalty at store level, authors can use various variables, such as repetition of purchases in the store, repeat patronage, switching frequency, customers' frequency of visiting a store, and consumption expenditure in a store.

Hyphothesis Development
From studies that have been conducted, store image is known to be an antecedent of customer satisfaction [10, 17, 26, 39, 40] and store loyalty [24, 23, 9, 10]. Watanabe et al., [40] found store image positively affects consumer satisfaction and purchase intention at supermarket. In other hand, Wang [41] found store image affect store loyalty of Carefour and Starbucks stores in Taiwan. Besides that, in various studies store satisfaction is known to increase store loyalty [24, 9, 17, 11]. Martenson and Dennis [11] in her research found that the satisfied customers are loyal. Based on the literature, the following hypothesis was proposed:
H1: Store image positively affects store satisfaction
H2: Store satisfaction positively affects store loyalty

H3: Store image positively affects store loyalty

Based on the literature review, a conceptual framework is showed in Figure-1.

Fig-1: Conceptual Framework

RESEARCH METHODS

This research used a quantitative approach, in which the research design used is cross-sectional. The sampel of the study was K-skincare customers who buy products directly at K-skincare official stores in Indonesia. The K-skincare official stores include Innesfree, Nature Republic, The Face Shop, Holika Holika, Tony Moly, The Saem, Etude House, Laneige, and other K-skincare brands that already have official stores in Indonesia. In total, the research samples obtained were 235 respondents. The sampling method used was non-probability, accidental sampling. In order to test the conceptual model, a questionnaire was developed using constructs and items from literature. Data collection is done by self-administered questionnaire, where respondents answer questions that have been arranged in the form of choices and scale questions using a Likert scale (1-5), ranging from 1="strongly disagree" to 5="strongly agree". In order to eliminate possible ambiguities in the questionnaire, it was previously reviewed, as a pre-test, by one expert in the industry and two volunteer customers. The data analysis method in this research is SEM-PLS using software of WarpPLS 6.0.

FINDINGS AND DISCUSSION
Model Fit and Quality Indiced

First of all, it is necessary to do a model fit test to see the suitability of the model built in the study. Thus, the suitability of the relationship between variables in research can be seen if the research model is said to be good. In this study, the use of WarpPLS 6.0 has provided calculation results that indicate the criteria used to assess whether the model is appropriate. From the test results, it is known that each value meets the ideal criteria, so it can be concluded that the overall research model is good and appropriate. For more information, fit model test results can be seen in Table-1.

Table-1: Research Model Fit Test

	Value	Ideal
Average path coefficient (APC)	P<0,001	<= 0.05
Average R-squared (ARS)	P<0,001	<= 0.05
Average adjusted R-squared (Borgen & Aarset) [42]	P<0,001	<= 0.05
Average block VIF (AVIF)	2.445	<= 3.3
Average full collinearity VIF (AFVIF)	2.657	<= 3.3
Sympson's paradox ratio (SPR)	1	1
R-squared contribution ratio (RSCR)	1	1
Statistical suppression ratio (SSR)	1	>= 0.7
Nonlinear bivariate causality direction ratio (NLBCDR)	1	>= 0.7

Convergent Validity and Reliability

Average Variance Extracted (AVE) value shows that all reflective constructs have AVE values ≥ 0.50, where successively AVE Store Image (SI) is 0.528; Store Satisfaction (SS) 0.795; and Store Loyalty (SL) 0.805. The AVE results show that all indicators have met the specified value standards, so the convergence of indicators is valid or acceptable and it can be stated that all indicators that measure constructs have met the conditions of convergent validity. In addition, the results of the Composite Reliability (CR) data show that all values were above 0.8 meaning high reliability, such as Composite Reliability of SI, SS, and SL are 0.939, 0.959, and 0.954. In addition to CR, the reliability test was strengthened with Cronbach's Alpha (CA), where the results showed high reliability, namely SI 0.930; SS 0.948; and SL 0.940. The data can be seen in Table-2.

Table-2: *Convergent Validity and Reliability*

	AVE	CR	CA
Store Image (SI)	0.528	0.939	0.930
Store Satisfaction (SS)	0.795	0.959	0.948
Store Loyalty (SL)	0.805	0.954	0.940

AVE Average Variance Extracted; CR Composite Reliability; CA Cronbach's Alpha

Discriminant Validity

The next test is the discriminant validity or Fornell Lacker Criterium test. This test is done by looking at the cross loading value and the root square value of Average Variance Extracted / AVE. If every indicator that measures a construct has a greater cross-load value to the construct, it can be said to be valid.

The results of this test indicate that the Root Square Value of AVE obtained by each construct is greater than the correlation value between the construct and other constructs in the same column. Therefore, discriminant validity requirements are also met. Data can be seen in the following Table-3.

Table-3: Discriminant Validity (Fornell Lacker Criterium)

	SI	SS	SL
Store Image (SI)	**0.825**		
Store Satisfaction (SS)	0.817	**0.892**	
Store Loyalty (SL)	0.562	0.601	**0.897**

Hypothesis Test Results

Hypothesis testing is done by SEM-PLS. In this study, the significance level used was 5%. The hypothesis will be accepted if the p-value <0.05. The path coefficient is used to determine the direction of the correlation coefficient. The results of positive correlation coefficient indicate that there is a positive relationship between constructs and likewise if the results of the negative correlation coefficient indicate a

negative relationship. The research model will also be tested by looking at the coefficient of determination (R^2) which is between zero and one. This value explains the variation of the dependent variable. If it is zero then it cannot explain variation on the dependent variable, whereas if it is one, the independent variable explains one hundred percent variation on the dependent variable.
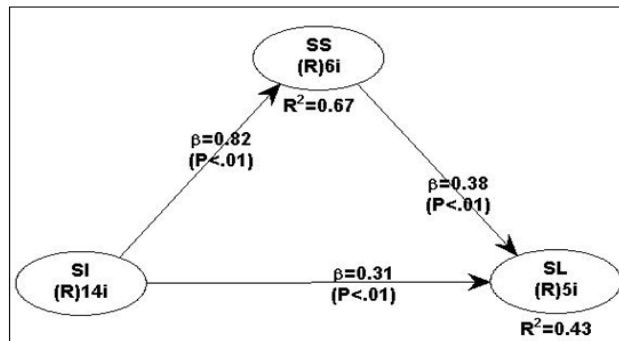

Fig-2: Hypothesis Test Result

Hypothesis test results indicate that there is a significant influence between store image and store satisfaction which p-value is <0.01 so that H1 is supported. Furthermore, the relationship between store satisfaction and store loyalty has a p-value of <0.01, so it can be stated that H2 is supported too. A significant influence is also found on store image on store loyalty (p-value <0.01), so that H3 is also supported. Other results note that the R-squared Coefficient on store

satisfaction and store loyalty are 0.67 and 0.43, which means 67% of store satisfaction can be made by the variable of store image and 43% of store loyalty can be made by the variables of store image and store satisfaction. From the result, it is also known that store image and store loyalty partially mediated by store satisfaction. The results of the hypotheses test are summarized in Table-4.

Table-4: Summary Structural Model

Hypothesis	Description	Coefficient	P-value	Result
H1	SI → SS	0.820	<0.01	*Supported*
H2	SS → SL	0.380	<0.01	*Supported*
H3	SI → SL	0.310	<0.01	*Supported*

Based on empirical findings in this study, it is known that store image had a positive and significant effect on store satisfaction. These results are in line with previous studies that found store image enhancing store satisfaction [28, 24, 11, 41, 30, 40]. Other results, store satisfaction significantly influence store loyalty. This confirms some previous research such as Biscaia *et al.*, [4] who found that satisfaction positively influences consumer loyalty. Satisfaction is, incidentally, the dimension that contributes the most to consumer loyalty at a large retail sector; and Abrudan *et al.*, [28] who found that satisfaction directly and positively influence conative loyalty andleading to behavioural one at shopping centers. On the other hand, this study shows that store image significantly influence store loyalty. This is also in line with Wang [41] who found store image affect store loyalty at Carefour and Starbucks stores in Taiwan.

The findings of this study have both theoretical and practical implications. For academics, the findings of this study will help to understand the relationship between store image, store satisfaction and store loyalty in beauty sector, especially on Korean skincare official store in Indonesia. For practitioners, this research can be an input to retail CEO and management to understand the important role of store image to achieve store satisfaction and store loyalty among customers. Therefore, they need to build store image attributes like store location, merchandise, store atmosphere, customer service, personal selling, price and marketing attractiveness more seriously, by using advance marketing strategy and tactics.

CONCLUSION

This study was to identify the effect of store image on store satisfaction and store loyalty of Korean Skincare sector in Indonesia from consumers' perspective. The findings of the study revealed that the model was able to explain 67% of the variance in store satisfaction and 43% of the variance in store loyalty. Result showed that store image had positive and significant effect on store satisfaction, and store satisfaction had positive and significant effect on store loyalty. Moreover, store image sigficantly give positive effect on store loyalty. So, store image had a positive and significant effect on store loyalty directly and indirectly through the mediation of store satisfaction.

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