

Tridimensional Approach to Assess Brand Loyalty for Cafes

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Recommended Citation

Singh, N. & Keltz, O. M. (2020). Tridimensional Approach to Assess Brand Loyalty for Cafes. *Events and Tourism Review*, 3(1), 13-25.

Events and Tourism Review Vol. 3 No. 1 (Spring 2020), 13-25, DOI: 10.18060/23236

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Abstract

The purpose of this study was to identify the factors that influence brand loyalty among youth for local cafes in a small town. A descriptive research design with a survey method was used to collect data using the online Qualtrics platform. Three hundred and one (301) usable responses using a stratified sampling technique were collected on a 5-point Likert scale as recommended for analysis. Tri-dimensional approach was used to assess behavioral, attitudinal, and cognitive loyalty. Structural Equation Modelling (SEM) using SPSS AMOS was utilized to test the model fit and assess the validity and reliability of the results. The study is unique as it focuses on brand loyalty towards local cafes as compared to national brands such as Starbucks.

Keywords: Youth Behavior, Brand Loyalty, Attitudinal Loyalty, Tri-dimensional Approach

Introduction

The success of organizations depends largely on how well it attracts consumers towards their brands. Loyalty towards brands can save millions of dollars; an estimate from Serafin and Horton (1994) suggested that every percentage of loyalty for the Ford Company was worth \$100 million in profits. Thus, brand loyalty is an important factor that determines why consumers prefer one brand over the other and greatly benefits a company. Recently, brand loyalty has been considered a sustainable competitive advantage that is extremely valuable to businesses, which cannot be easily imitated by competitors (Ehsan, Warraich, & Sehibanoglu, 2016). Most studies on brand loyalty have focused on big brands, but this concept is equally important for local brands in a small town such as Clarion, PA.

Clarion is a small town in the northwest region of Pennsylvania. It is considered a college town, as it is home to Clarion University and its 5,200 students. The small town of Clarion is a great example of an area with competitive surroundings for café business. In Clarion specifically, there is a local café, Michelle's Café, amid many global franchises, such as Starbucks and McDonald's. In this situation, brand loyalty has an important role in the local café. Thus, the purpose of this study is to understand brand loyalty towards café in a small college town. The outcome from the study will help cafés to develop marketing strategies based on results from the survey method and constructs including repurchase intention, switching intentions, willingness to recommend, brand preference, price tolerance, and brand identification.

Literature Review

In order for a business to succeed to its highest potential, the business should obtain consumers who are loyal to the brand name. In other words, a business must maintain a pool of consumers who consistently patronize their stores. Brand loyalty is defined as a market-based resource that provides a sustainable competitive advantage as it cannot be easily imitated (Ehsan et al., 2016). It is ideal for a business to have a distinct attribute that stands out to consumers that

makes consumers want to stay loyal to the brand name because they feel confident that they will receive consistency with the service/products of the company. Generating new consumers is important for company growth but maintaining consistent value from loyal consumers is a factor, which drives companies to success.

Measuring Brand Loyalty- Tri-Dimensional Approach

Brand loyalty is defined by Oliver (1999) as “a deeply held commitment to rebuy or continuously patronize a preferred product/service consistently in the future thereby causing repetitive same brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.” By this definition, brand loyalty is a matter of repurchasing only. Initially in the 1970s, brand loyalty was measured in one dimension by behavior (Jacoby & Kyner, 1973). However, brand loyalty can be categorized and measured through more than just behavioral tendencies. A newer model can explain brand loyalty through three different aspects- behavioral, attitudinal, and cognitive. The original three-dimensional model was used to measure loyalty only in the service sector by Jones and Taylor, (2007) and Worthington, Russel-Bennett & Hartel, (2009). The model is validated for product brands by Ehsan et al. (2016) with their test on brand loyalty in the cola market in Pakistan.

The behavioral category is associated with the frequency of purchases of a particular brand. Behavioral loyalty can be expressed as a brand preference (measured as expenditure on a particular brand as a proportion of product category) or as brand allegiance (measured as expenditure on a brand over time) (Worthington et al., 2010). Attitudinal loyalty can be referred to as commitment towards a brand in terms of psychological and emotional attachments towards it. Attitudes toward a certain brand can result in recommendations or preference for a certain brand due to reputation or quality. Cognitive loyalty is the commitment to stay with a brand on the basis of switching costs and brand attributes evaluations (Ehsan et al., 2016). Cognitive loyalty, on the other hand, refers to a psychological preference towards a brand and having positive beliefs about purchasing it on the next occasion (Worthington et al., 2010). This third approach will show how and why students are loyal to specific brands using the three categories: cognitive responses (I think), emotive responses (I feel), and behavioral responses (I do).

Willingness to Recommend

Willingness to recommend, as a part of attitudinal loyalty, is whether a consumer is willing to recommend a product, service, or brand to another consumer (Jones & Taylor, 2007). A consumer’s willingness to endorse a company or product to friends, family, and colleagues is an indicator of brand loyalty because of the risk to a person’s reputation when they make a recommendation. They will risk their reputations only if they feel “intense loyalty”, and positive recommendations can lead to company growth, and the significance of this factor as a growth stimulator should not be overlooked (Reichfield, 2003). Recommendations and reviews are a way for people to risk their reputations every day online to benefit a business.

Brand Preference

As defined by Worthington et al. (2010), cognitive commitment is the decision to stay with a brand, based on switching costs and brand attributes. Affective commitment refers to the positive feelings that come from purchasing the brand and emotional connection with the brand. Brand

preference is the personal ranking of brands when given the choice between two similar products or services of different brands. Brand preference is especially strong when a person is willing to sacrifice features such as convenience or price for a specific brand.

Repurchase Intention

Brand behavioral loyalty can be measured through actual purchase action, and the continuance of purchasing the same brand (Ehsan et al., 2016). A study by Porral, Fernandez (2015), has shown that brand awareness, perceived quality, and brand loyalty are all valid factors that affect purchase intention. It was found that perception of a brand to be equal or greater to competitors or creating customer loyalty programs will increase repurchase intention. Repurchase intention will occur when a person feels that they like the brand well enough to patronize that business again in the future. Repurchase intention can be caused by a preference for the brand, the quality, comfort, or any other factor that the customer values.

Switching Intentions

Consumers may intend to continue patronizing a company or service they currently use, or they may decide to end a relationship with a service provider and patronize a different business in the same category (Jones & Taylor, 2007). Because switching intentions is the probability of a customer switching to a competitor, brand switching and switching intention imply negative outcomes for companies. Businesses need to pay careful attention to switching intentions because it decreases profitability, lowers market share, and raises marketing costs (Seong & Kyung, 2018). Usually, customers do not tend to switch loyalty to other stores unless some negative experience happens to them while at the main store.

Price Tolerance

Retailers develop strategies, which emphasize the value of the money in whatever choice the consumers make. Studies have shown that consumers often actively search for a brand that will result in savings and the need to save money is a reason to stick with a brand, however, Porral et al., (2015) showed that low prices are not sufficient to bring value and develop a long-term relationship with customers. These contradicting studies can be due to the difference in ages. Young adults are those who are born between the years 1980 and 1994 and are notoriously brand disloyal (Lazarevic, 2012). Anderson (1996) postulated that young adults have a greater price tolerance and willingness to pay extra when they feel more brand loyal, identify themselves with the brand, or feel satisfied.

Brand Identification

Customer brand identification is defined as customers identifying with a brand and feeling an affinity toward it (Kim, Kim, & Holland, 2018). Customers believe that a brand is either “me” when they feel it embodies them, or “not me” when they cannot relate. It is based on social identity theory. In other words, customers who buy a certain brand feel that they belong to a group of people who also buy that brand. A person who frequents Starbucks, for example, has strong brand identification if they connect with other Starbucks customers, buy merchandise, and consider themselves a true Starbucks person. Therefore, brands can embody characteristics that consumers connect with.

Based on the above discussion, the broad research question that this study will answer is: Which attributes toward a café are more important to predict brand loyalty, using a tri-dimensional approach? .

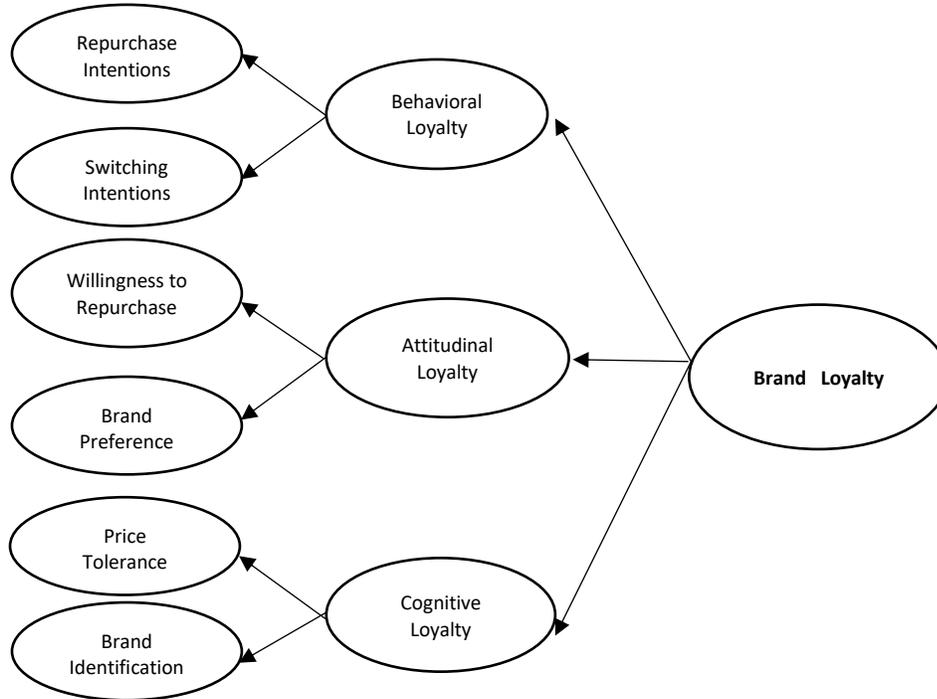


Figure 1. Tri-dimensional approach to test brand loyalty

Figure 1 shows the tri-dimensional approach for brand loyalty. The three dimensions include behavioral, attitudinal, and cognitive loyalty. The behavioral loyalty category consists of two factors for repurchase intention and switching intentions. Each factor included three questionnaire statements. Attitudinal loyalty consisted of willingness to recommend and brand preference with three and four questionnaire statements, respectively. Cognitive loyalty includes price tolerance and brand identification factors with three questionnaire statements each.

Methodology

The survey method was used to collect the data for analysis. The survey instrument was designed using existing scales from Ehsan et al. (2016). The responses were collected on a 5-point Likert scale using an online Qualtrics platform. More than 300 young adults were targeted as respondents using the convenience-sampling technique in a rural college town in Pennsylvania. An anonymous survey link was sent to the college students in a state university belonging to the Pennsylvania State System of Higher Education (PASSHE) in the United States using a university-wide e-mailing list-serve. Finally, the questionnaire used in this study had six attributes under three

dimensions to capture the elements of brand loyalty (see appendix for the questionnaire). A pilot study on a sample of 50 respondents was conducted and based on the reliability analysis. Once the pilot study was confirmed to be reliable and valid, the questionnaire was used to collect the final data in this study. Structural equation modeling (SEM) was used to assess the hypothesized model using model fit indices using SPSS and AMOS software. Confirmatory factor analysis was used to test the validity and reliability of the data.

Results and Discussion

Finally, 385 survey responses were collected using the Qualtrics online survey platform. Eighty-two surveys were incomplete, and two surveys did not pass the serious participation question. Therefore, there were 301 usable survey responses for data analysis. Table 1 includes all 301 survey responses. The sociodemographic characteristics of respondents (Table 1) indicated that respondents were predominantly female (70.43%), between the ages of 18 and 22 (58.47%), and of white ethnicity (89.37%).

Table 1: Respondents Characteristics

Respondents Characteristics			
Characteristics		N	Percent
Gender	Male	83	27.6
	Female	212	70.4
Age	18 - 22 years	176	58.5
	23 - 38 years	54	17.9
	39 years or older	71	23.6
Race	African American	7	2.3
	Asian	10	3.3
	White	269	89.4
	Hispanic/Latino	12	4.0
Frequency of Visit	Once a week	163	54.2
	2 - 3 times a week	90	29.9
	4 or more times a week	29	9.6
	Once a day	14	4.7
	2 or more times a day	5	1.7

Table 2 shows the results from the reliability test (Cronbach's α) on the collected responses to determine if the items in the survey accurately represented the factors. Each factor had acceptable reliability (Kline, 2016). Reliability scores (Cronbach's $\alpha = .897$) were high and acceptable. Figure 2 shows the hypothesized model, which is followed by the results from the model fit indices. The indices in Figure 2 furthest to the left show the corresponding questionnaire statements to the three dimensions of brand loyalty. As the data fit the model reasonably well, and the sizes of parameter estimates were found to be adequate, the measurement model was considered statistically valid.

Table 2. Reliability Testing

Constructs	M	Cronbach's α
Repurchase Intention	3.98	0.673
Switching Intention	3.35	0.680
Willingness to Recommend	4.19	0.791
Brand Preference	3.99	0.785
Price Tolerance	3.53	0.580
Brand Identification	2.78	0.791

Results from the hypothesized measurement model as shown in Figure 2, support the tri-dimensional approach, as the model fit indices fits the data well. The model fit indices with re-specifications done based the modification indices are as follows: $\chi^2 / df = 2.585$, RMSEA= 0.73, GFI= .889, CFI= .918, TLI= .897, and NFI= .874.

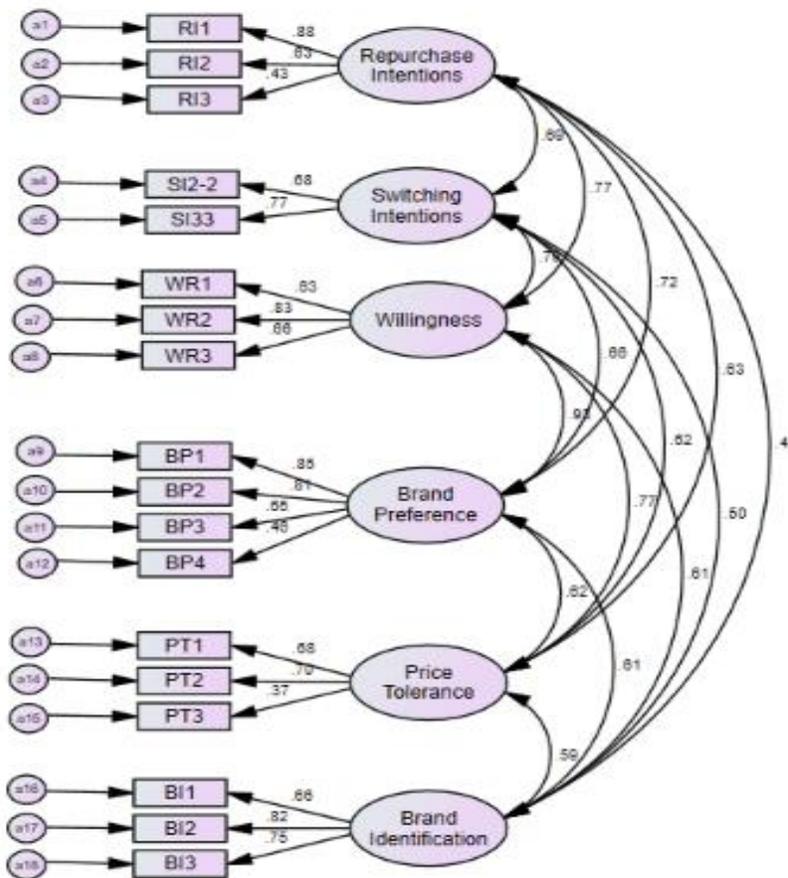


Figure 2. Measurement Model

The next step after the confirmatory factor analysis was to test the hypothesized model for reliability and validity. Fornell and Larcker (1981) suggest using construct validity was determined through convergent and discriminant validity. As seen in Table 3, results from composite reliability (CR), average variance extracted (AVE), and inter-correlation factors with AVE, which should be less than the square root of AVE to prove discriminant validity. As per Singh (2018), because of self-reported data, shared method variance generally shows inflated relationships among latent variables. Therefore, discriminant validity is acceptable (Brooke, Russell, & Price, 1988; Singh, 2018). Thus, the model was accepted to have construct validity.

Table 3. Reliability and Validity Results

	CR	AVE	Brand_ Preference	Repurchase_ Intentions	Switching_ Intentions	Willingness	Price_ Tolerance	Brand_ Identification
Brand_ Preference	0.791	0.497	0.705					
Repurchase_ Intentions	0.695	0.450	0.721	0.671				
Switching_ Intentions	0.690	0.529	0.664	0.684	0.727			
Willingness	0.728	0.476	0.963	0.801	0.801	0.690		
Price_ Tolerance	0.692	0.435	0.620	0.581	0.543	0.706	0.659	
Brand_ Identification	0.792	0.561	0.622	0.457	0.504	0.624	0.557	0.749

The next step is to assess the structural model. As this model is a non-unidimensional higher-order model (lower-order measures capture different latent variables), it is considered a second-order factor model (Figure 3 and 4). The six factors under the three dimensions and brand loyalty are latent factors as they were indirectly derived from the questions asked in the first order (Figure 1), as discussed before in the methodology section.

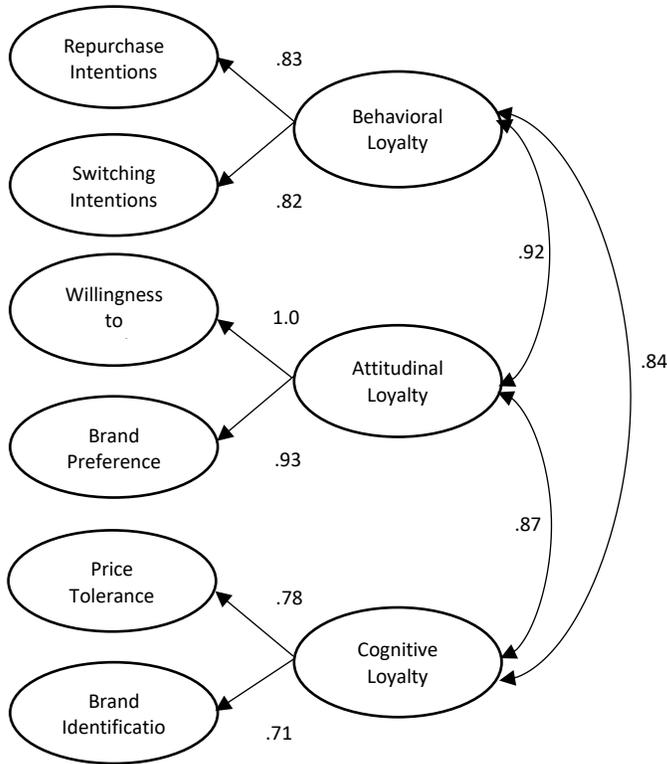


Figure 3. Second (2nd) Order Factor Model

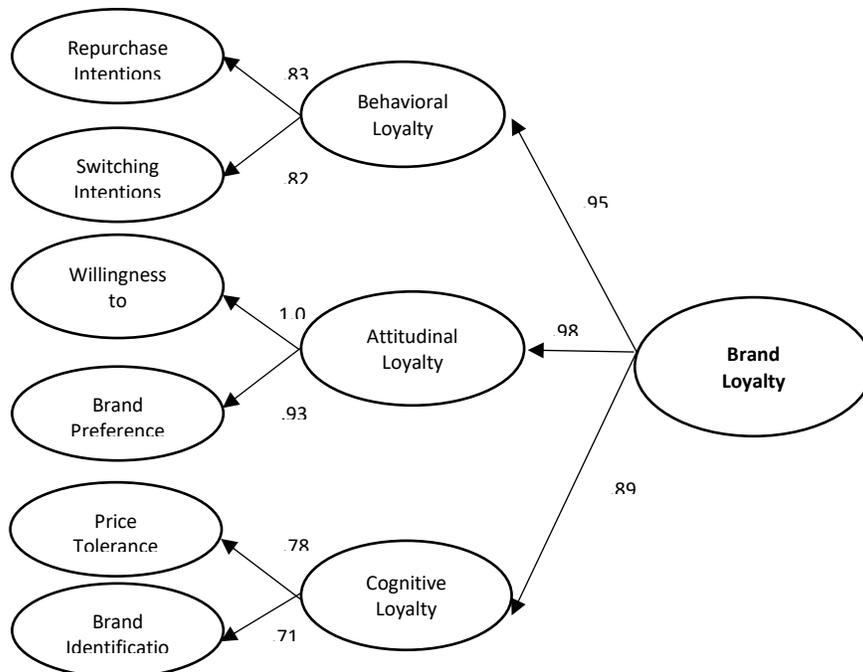


Figure 4. Third (3rd) Order Factor Model

The second- and third-order factor models, as shown in Figures 5 and 6, possess the same model fit indices as in the first-order or measurement model (Table 4). The same model fit indices show that the proposed model is acceptable as it fits the data well. Additionally, this provides evidence that all the items and the six factors explain the three dimensions of brand loyalty in explaining overall brand loyalty. Thus, the proposed model with the six factors under the three categories is sufficient to measure brand loyalty towards local cafes in a small college town. This validates that the tri-dimensional approach works well to explain brand loyalty for cafes and applicable in small towns too.

Table 4. Model Fit Indices in the 2nd and 3rd Order Factor Models

Model Fit Indices	Recommended value	2 nd Order Factor Model	3 rd Order Factor Model
Chi-square (χ^2 or CMIN)	non-significant p-value	315.423	315.423
Df	-	122	122
χ^2 / df	< 5	2.585	2.585
RMSEA	< .08	.073	.073
GFI	close to 1	.889	.889
CFI	> .9	.918	.918
TLI	> .9	.897	.897
NFI	close to 1	.874	.874

As per the results using structural equation modeling, it is evident that the model is highly acceptable and considered valid for assessing cafés' brand loyalty.

Conclusion, Limitations, and Recommendations

This study investigated how and why young adults exhibit brand loyalty toward local cafés in small college towns in three dimensions. This was unlike past studies that applied only behavioral loyalty factors in only the service sector. A key takeaway from these findings is that the three dimensions of behavioral loyalty, attitudinal loyalty, and cognitive loyalty together represent overall brand loyalty. These findings are in line with the findings from previous literature such as Ehsan et al. (2016). Thus, this study validates that the three dimensions explain brand loyalty well, as suggested in the tri-dimensional theory.

Findings suggest that consumers (young adults in this case) exhibit more than just behavioral loyalty, including attitudinal and cognitive dimensions. This study shows that attitudinal loyalty is strongest in young adults. An interesting finding is reflected from the

squared multiple correlations [SMC or R^2] of the three dimensions. SMC indicates the relationship between an indicator and its underlying construct. In other words, it explains the percent of variance explained by the predictor variable. A small size indicates a weak relationship as it indicates a high measurement error (Fornell & Larcker, 1981). Behavioral loyalty was found to have $SMC = .89$, Attitudinal loyalty was $.95$, and Cognitive loyalty was $.79$. In other words, attitudinal loyalty construct can explain 95% of the variance and is the strongest predictor variable of brand loyalty with a loading of 0.98. This finding suggests that young adults exhibit strong attitudinal loyalty out of the three loyalty dimensions. This is important for managers or owners of local cafés because they can then capitalize on the strong loyalty factors. For example, with these results, it is established that attitudinal loyalty has a higher influence on young adults' decision-making. As attitudinal loyalty consists mainly of willingness to recommend and brand preference, it is recommended that managers implement rewards programs for customers (especially students) for referring friends and family to the café.

Like all research studies, this study also has limitations. The first limitation is the small sample size specific to a student population in a small town in Pennsylvania; therefore, future research may include a large sample size from the entire United States. Secondly, the data was skewed with white undergraduate females. On a larger sample, data may be more evenly distributed. Thirdly, resources for this study were very limited and the authors could only use the free trial version of Qualtrics. This allowed the authors to see 100 responses at a time, meaning the survey had to be constructed multiple times, and the anonymous link was distributed through exhausted resources at the university campus. Recommendations include using a platform that allows for viewing of more responses in a single attempt.

In the case of a rural college town in Pennsylvania, young adults in the area exhibit attitudinal loyalty the strongest, then behavioral, then cognitive. While there are many limitations, this study can be useful in the case of a local café who must compete with franchises. A local café has more leniency and freedom due to the shorter chain of command to implement marketing strategies based on the results of the study. Strong attitudinal loyalty suggests that referrals and recommendation programs would benefit a café to increase brand loyalty.

Appendix: Statements (Scale) Used for Survey

STATEMENTS

Behavioral Loyalty:

Repurchase Intentions

I prefer "My Favorite Cafe" to other coffee shops

I intend to repurchase coffee from "My Favorite Cafe" again in the future.

Compared to "My Favorite Cafe", there are few alternatives with whom I am likely to be satisfied.

Switching Intentions

When purchasing coffee, I regularly change coffee shops

Although there are many options of other coffee shops, I will continue to buy coffee from "My Favorite Cafe"

Even if another brand has the same features as “My Favorite Cafe”, I would prefer to buy from “My Favorite Cafe”

Attitudinal Loyalty:

Willingness to Recommend

I would recommend, “My Favorite Cafe” to friends and relatives

I would give positive recommendations to others about “My Favorite Cafe”

I would recommend “My Favorite Cafe” to anyone who asks for my advice

Brand Preference

When I purchase coffee, I prefer “My Favorite Cafe”

When I purchase coffee, “My Favorite Cafe” will be my first choice.

“My Favorite Cafe” has the most excellent quality, so it makes me want to visit often

I choose “My Favorite Cafe” because it has a good reputation

Cognitive Loyalty:

Price Tolerance

I am likely to pay a little bit more to purchase from “My Favorite Cafe”

If “My Favorite Cafe” raised prices by 10 percent, I am likely to remain a customer

The prices of “My Favorite Cafe” are affordable for most consumers

Brand Identification

My choice of going to “My Favorite Cafe” says a lot about who I am.

I think of “My Favorite Cafe” as “my” coffee shop

When someone praises “My Favorite Cafe”, it feels like a personal compliment

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