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The influence of national culture and industry structure on grocery retail customer loyalty

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ABSTRACT

This study examines, for the first time, the influence of national culture and industry structure on customer loyalty in grocery retailing. Grocery retailers have a long and continued history of international expansion and it is vital to understand how loyalty can be nurtured in different contexts. Thematic analysis of focus groups conducted in the culturally and structurally disparate countries of the United Kingdom and Sri Lanka provide unique insights. Key differences have been identified around consumer preferences and perceptions of loyalty programmes and the key drivers of different loyalty types. Theoretical and managerial implications are discussed.

1. Introduction

This study investigates the influence of national culture and industry structure on customer loyalty towards grocery retailers. The importance of customer loyalty to the performance, profitability and perhaps even survival of retailers is well known (Maggioni, 2016). This stands true for grocery retailing, the largest retail sector across the world. Scholarly research has focused on various antecedents and influences on customer loyalty towards grocery retailers. There is, however, a paucity of research examining how national culture and industry structure influence these phenomena.

The limited existing literature (see Table 1) provides contradictory and inconclusive evidence which is concerning for a number of reasons. Firstly, it is widely accepted that national culture influences many aspects of consumer behaviour (de Mooij, 2017). Therefore, it is important for retailers continuing or planning their international expansion efforts to be mindful of cultural differences between markets (Pederzoli and Kuppelwieser, 2015). Secondly, many retailers, including the world's largest retailer Walmart, have struggled in international markets, with the lack of cultural understanding being identified as a key reason (Hunt et al., 2018).

Retailers moving into new markets also need to contend with structural conditions different to their home market (Laaksonen, 1993; Pederzoli and Kuppelwieser, 2015) and their performance depends on these conditions (Chan et al., 2011). It is therefore important to have strong knowledge of local market conditions if retailers are to be successful (Schu and Morschett, 2017). Structural conditions in Western countries, for example, tend to be more advanced compared to developing markets; resulting in different retailer assortments, varied retailer focus and industry concentration levels (Reardon et al., 2012).

Despite the influence of disparate cultural and structural conditions, how such conditions influence grocery retail customer loyalty is not currently understood (Chan et al., 2011; Khare et al., 2014). This knowledge gap is critical for internationalising grocery retailers as well as those seeking to serve increasingly diverse consumers in their home markets and motivates the research objective of this study; namely to understand the influence of national culture and industry structure on grocery retail customer loyalty. Through the achievement of this objective valuable new insights are provided that make not only clear theoretical contributions but also, practical propositions to guide grocery retailers.

The UK and Sri Lanka were selected as the setting for this study as they demonstrate acutely contrasting national cultures according to Hofstede et al.'s (2010) dimensions of national culture and domestic retail structures. The UK has a highly advanced grocery retail structure and has spawned several successful international retailers. Further, given the UK's decision to leave the European Union, South Asia has been identified as an alternative region for expansion due to economic growth and increasing consumer spending power (Financial Times, 2017). Despite its developing structure, the recent growth of modern retailing has made Sri Lanka a country of interest to international retailers as a 'Regional Market of Destination' (Alexander and Doherty,

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Table 1
Existing literature on cross-cultural retail customer loyalty.

Study	Context	Findings
Diallo et al. (2018)	Shopping malls Morocco, Senegal & Tunisia National sample	Customer loyalty is positively influenced by Collectivism
Zhang et al. (2014)	Retail banking and supermarkets China and Netherlands National sample	Greater loyalty tendencies were found in China due to high Uncertainty Avoidance and Long Term Orientation
Ndubisi et al. (2012)	Retail banking Turkey and Malaysia National sample	Greater loyalty was found in Turkey due to higher levels of Uncertainty Avoidance compared to Malaysia
Seock and Lin (2011)	Fashion retailing USA and Taiwan Student sample	Contrary to original scores, findings suggest greater Collectivism in the USA and greater loyalty tendencies compared to Taiwan
Lam (2007)	Brand loyalty Australia Student sample	High Individualism and higher Uncertainty Avoidance were found to positively influence brand loyalty proneness

2009). Sri Lanka is considered a gateway market in South Asia due to its cultural and structural similarities with the large consumer markets of India and Pakistan (Pandey et al., 2015). Previous studies have highlighted the value of comparing the UK with South Asian nations due to considerable differences in cultural traits (Lindridge et al., 2014).

2. Study context

2.1. National culture

Scholarly interest in national culture dates back to the 1950s. Since then, several authors (Hofstede, 1980; Hall, 1981; Trompenaars, 1993; Schwartz, 1999; House et al., 2004) have strived to define and measure national culture. Although their definitions vary, they all identify that people from one culture possess a common yet unique set of behaviours, beliefs, norms or values that differentiate them from people in another country (Triandis, 1994). These shared characteristics are reflected in people's consumption decisions and behaviour (Petersen et al., 2015), resulting in varied consumer behaviour in different cultures (de Mooij, 2017).

The most widely adopted and cited model of national culture is that proposed by Hofstede et al. (2010). Despite criticisms (see, for example, Spector et al., 2001; Yeganeh et al., 2009; Venaik and Brewer, 2013), these dimensions remain the most widely cited in cross-cultural consumer behaviour research (Yoo et al., 2011) and continue to be used today (Litvin, 2019). Hofstede's model is the only model applied in multiple contexts covering consumer behaviour and customer loyalty; providing a comprehensive point of reference for discussion. It is also the only model that provides country scores for both the United Kingdom and Sri Lanka. Similarities and differences between these two countries are based on the six cultural dimensions. Please see Hofstede et al. (2010) for a detailed account of these dimensions. The following assumptions can be made about the two countries against the scores within brackets.

I. Power Distance: It is predicted that there will be greater and more equal distribution of power in the United Kingdom (35) with people expecting equal distribution of power. There will be lower distribution of power in Sri Lanka (80) with people focusing more on status. This dimension focuses on how inequalities amongst people are considered within a society. In countries such as Sri Lanka, people would usually accept a hierarchical order. On the contrary, people in the UK would question such hierarchies and inequalities of power.

II. Individualism/Collectivism: Greater prominence will be given to individual needs and there will be low levels of group integration and collectiveness in the United Kingdom (89). Such cultures usually define self-images as "I" with loose-knit social systems. Collective goals are more likely to be valued in Sri Lanka (35) with emphasis on group integration and cohesion. There will also be closer ties amongst Sri Lankans while people in the United Kingdom will value distance and privacy. Highly collectivist societies would usually define self-image as "we", encouraging close-knit social settings.

III. Masculinity/Femininity: People in the United Kingdom (66) will be more assertive and competitive. Such cultures usually value achievement and material rewards, with less prominence given to building and maintaining relationships. Sri Lankans (10) will focus more on relationship building and value cooperation since such cultures usually value modesty and consensus.

IV. Uncertainty Avoidance: People in the UK (35) as well as Sri Lanka (45) are not likely to be overly risk averse or sceptical of ambiguous situations. Such cultures are likely to be less worried about what the future holds and attempt to control their future. It can be expected that people in the two countries would be relaxed towards ambiguities. However, the slightly greater score in Sri Lanka suggests that people in the country may be slightly more uncertainty avoidant.

V. Long Term Orientation: The intermediate scores in the UK (51) and Sri Lanka (45) suggest that people are likely to have values that are somewhat moderate. As such, it is difficult to suggest whether people in the two countries would focus on immediate reward oriented virtues with less focus on future oriented goals. However, the slightly higher score in the UK would suggest that people may be more long term oriented compared to their Sri Lankan counterparts.

VI. Indulgence: People in the UK (69) are more likely to engage in free gratification of basic human needs and desires. Such cultures would practice less regulation, without much stress on strict social norms. It can be argued that people in the UK are prone to acting impulsively. Indulgence scores are not reported for Sri Lanka, however, given that Sri Lanka shares similarities with India and Bangladesh on many of the other dimensions, a score in the low 20s is likely appropriate to the country. In contrast to the UK, people in Sri Lanka are likely to practice stricter regulation and be less likely to act impulsively.

2.2. Industry structure

Industry structure can be defined as a snapshot of the current nature of competitive rivalry (Akehurst and Alexander, 1995) and disparate development levels are evident in the two countries. Organised grocery retailing in the UK is comprised of retail chains (characterised by central ownership and control, uniformity, standardised policies and procedures, etc.) operating through hypermarkets, supermarkets, convenience stores, discount stores and online. This sector constitutes 94.9% of the industry in the UK (IGD Retail Analysis, 2019). In contrast, traditional retailing comprised of independent grocery retailers and wholesalers as well as wet markets (roadside and farmers' markets) dominates 84% of the sector in Sri Lanka (LMRB, 2016).

Whilst over twenty grocery retail chains operate in the UK (IGD Retail Analysis, 2019), only five chains operate in Sri Lanka. Furthermore, a greater assortment of grocery retail chains is present in the UK with the 'Big Four' of Tesco, Sainsbury's, Asda and Morrisons considered mainstream, whilst Marks & Spencer and Waitrose provide a more premium offering. On the contrary, Aldi and Lidl operate as value retailers through their deep discount approach. Together, these retailers control nearly 90% of the grocery retail market in the UK (IGD Retail Analysis, 2019). In Sri Lanka, the market is led by Cargills (LMRB, 2016) which uses an EDLP (Everyday Low Price) approach. Its closest competitors, Keells and Arpico do not portray a premium image but focus more on product quality and customer service, at higher prices than the market leader Cargills. Keells and Arpico can be considered market challengers. Compared to the UK, discount retail chains do not operate in Sri Lanka. Please see the table presented in Appendix A which summarises the positioning strategies employed by these retailers.

Clear differences in enterprise density are also evident between the countries. While the UK has just 1.3 grocery stores per 1,000 inhabitants on average (IGD Retail Analysis, 2019; The World Factbook, 2018a), Sri Lanka has 10.8 grocery stores per 1,000 inhabitants (LMRB, 2016; The World Factbook, 2018b). The UK market is thus characterised by fewer, larger stores, 66% of which are part of organised chains (IGD Retail Analysis, 2019), while in Sri Lanka, only 6% of the total store count are part of chains (LMRB, 2016).

3. Literature review

3.1. Customer loyalty and loyalty segments

Customer loyalty has received scholarly attention since the 1920s (Copeland, 1923) but early studies (until the late 1960s) viewed customer loyalty as a purely behavioural phenomenon. As research in this area progressed, this approach was criticised (Day, 1969) as purely behavioural measures cannot distinguish between *true* loyalty and *spurious* loyalty. True loyalty is a combination of favourable behaviour and attitudes while spurious loyalty is favourable behaviour such as repeat purchasing without a favourable attitude. Purely behavioural measures do not explain the reasons behind such behaviour (Dick and Basu, 1994) and strong attitudinal loyalty is required for true loyalty (Quach et al., 2016). As opposed to true loyals, spurious loyals lack an attachment to the brand. The importance of securing true loyalty is supported by longitudinal studies (Bove and Johnson, 2009) where truly loyal customers have been reported to be the most stable over time compared to spuriously loyal customers. Given the need to incorporate both behavioural and attitudinal elements; this study treats customer loyalty as a composite phenomenon.

Whilst several well-known customer loyalty segmentation models exist, this study uses the four loyalty segments developed by Dick and Basu (1994). The validity and applicability of these segments have been confirmed through previous research (Jensen, 2011; Ngobo, 2017). Furthermore, this model stands out from others as it incorporates the concept of *Relative Attitude*, which is more indicative of consumer attitudes than an attitude towards an entity taken in isolation (Dick and Basu, 1994). The four segments identified in Dick and Basu's model are; *Loyalty* (High relative attitude and high repeat patronage), *Latent loyalty* (High relative attitude and low repeat patronage), *Spurious Loyalty* (Low relative attitude and high repeat patronage) and *No Loyalty* (Low relative attitude and low repeat patronage). For the purpose of this study, the term *True Loyalty* was used instead of *Loyalty* to ensure clarity of discussion.

3.2. National culture and customer loyalty

A limited number of studies have investigated the influence of national culture on customer loyalty. In a study of banking and supermarkets in China and the Netherlands, Zhang et al. (2014) found that higher Uncertainty Avoidance and Long Term Orientation had a greater positive influence on loyalty intentions in China compared to the Netherlands. These findings support other studies (Ndubisi et al., 2012), where greater loyalty towards banks was reported in Turkey (high Uncertainty Avoidance) compared to Malaysia (low Uncertainty Avoidance). These findings are argued to reflect greater avoidance of ambiguities and the unknown, as well as greater focus on the future in countries with high Uncertainty Avoidance and Long Term Orientation. Being grounded in the theoretical foundations of these two cultural dimensions makes these findings plausible (Hofstede et al., 2010). The use of national samples in both studies ensures that findings can be interpreted at country level, as recommended by Hofstede (2002).

There are however, other studies that offer contradictory findings. Lam (2007) found that high Individualism and Uncertainty Avoidance would lead to greater loyalty proneness. Whilst this study lends support to the notion of high Uncertainty Avoidance positively influencing loyalty, the credibility of the findings can be questioned. Data was collected from a student sample in Australia as a single country, which does not allow country level application (Hofstede, 2002). Seock and Lin (2011) offer further contradictory evidence where a study of college students' loyalty tendencies in the USA and Taiwan are positively influenced by Collectivism. Given the limited scope of these two studies' samples, their findings should be treated with caution. More recently however, Diallo et al. (2018) found a positive influence of Collectivism on customer loyalty in a study of shopping malls in Morocco, Senegal and Tunisia using a national sample. As such, it is arguable that greater customer loyalty could be expected in countries with high Collectivism such as Sri Lanka. The table below summarises the limited and inconsistent nature of the current literature.

Grocery retailers widely use loyalty programmes and their positive impact on revenue and profitability is widely noted (Chaudhuri et al., 2019). However, very little research has focused on how cultural differences influence consumers' perceptions and expectations of loyalty programme attributes. Through a representative study of restaurant loyalty programmes in the US (low Long Term Orientation), Park et al. (2013) found that consumers prefer immediate rewards and focus on short term gains. Mattison Thompson and Chmura (2015) offer parallel evidence where high Uncertainty Avoidance was found to heighten preferences for immediate rewards. They argue that consumers prefer such rewards due to uncertainties regarding their future. However, this study needs to be treated with caution as it only used a student sample which may not be representative of the wider population. Overall, existing literature on cross-cultural loyalty programmes and affiliated consumer behaviour is incomplete and the relationships between national culture and customer loyalty are not well understood (Yang et al., 2019). This study seeks to address this clear research gap.

3.3. Industry structure and customer loyalty

A small number of studies have explored the influence of industry structure on customer loyalty in grocery retailing. These studies found that customers tend to engage in greater divided shopping behaviour following the entry of new retailers (Seiders and Tigert, 1997) and that a customer's patronage set widens as the number of alternatives increases (Luceri and Latusi, 2012). Studies focusing on a particular type of grocery retailing (Vroegrijk et al., 2013) offer similar evidence, where the entry of hard discounters was found to influence patronage behaviour by causing switching. It is arguable that incumbent grocery retailers are generally vulnerable to new entrants (Obeng et al., 2016). These findings suggest that multiple store patronage would be greater in the UK due to the higher number of grocery retail chains in operation and the existence of hard discounters. However, these findings only provide a behavioural perspective of loyalty behaviour and existing studies have not adequately examined whether attitudinal elements are influenced by such structural changes; another research gap that this paper seeks to address.

3.4. Literature summary

Existing literature provides some indication of how customer loyalty may be influenced by national culture and industry structure. However, clear findings have not been established due in part to the limited samples that these studies draw upon. Furthermore, the contradictory findings reported by existing studies hinder the applicability of cultural dimensions to customer loyalty. The quantitative nature of these studies also does not allow nuances within the process to be identified. Despite the widespread application of loyalty programmes, the existing literature provides limited insights into cross-cultural effects.

Similarly, the limited literature on industry structure does not focus on important elements such as retailer positioning and retailer focus. These elements are important due to the varied retailer positioning and focus in the two countries as discussed previously, providing an account of the market dynamics which may impact consumer behaviours. Furthermore, findings only provide behaviour related insights and do not uncover influences on attitudinal elements of customer loyalty. It is important to understand whether changes in patronage behaviour are symptomatic of attitudinal changes.

Finally, the existing literature focuses on customer loyalty as a generic construct. As such, findings do not identify possible effects on different types of loyalty as typified by Dick and Basu (1994) for example. Our study seeks to contribute to the existing literature by providing a more detailed understanding of how national culture and industry structure influence customer loyalty by exploring the nuanced elements within these relationships. The application of the full array of loyalty types enables a clearer and more detailed understanding of such influences.

4. Methodology

An inductive, qualitative approach was adopted due to the limited nature of prior knowledge. This approach enabled the identification of new themes and the generation of new knowledge through data (Patton, 2002) and facilitated the understanding of meanings attributed by people to their intentions and behaviour (Denzin and Lincoln, 2011) that may otherwise be difficult to explore through quantitative methods (Danes et al., 2010). Focus groups were designed to collect data. Interactions created among focus group participants (Papista and Dimitriadis, 2012) were important in this study as these allowed participants to consider and reflect on aspects of their daily lives such as grocery shopping, that are usually taken for granted and as such, may only be realised and revealed through group discussion. Given the rather mundane nature of grocery shopping behaviour (Dholakia, 1999), these interactions were important to ensure that participants fully shared their ideas, thoughts and experiences (Morgan, 1997). The focus group process enabled participants to explore and clarify their opinions in ways that are less easily accessible in individual interviews (Kitzinger, 1995), leading to an increase in information and greater depth of data being obtained (Stokes and Bergin, 2006).

A list of potential participants known to the researchers was drawn up and they were contacted via email and text. An information sheet was emailed to prospects who expressed willingness to take part in the study. Potential participants in both countries were selected on the basis that they were responsible for grocery shopping in their household and Sri Lankan participants conducted their main shop at organised grocery retailers. This purposive approach (Morgan, 1997) ensured that participants engaged with shopping at organised grocery retail stores. Furthermore, care was taken to recruit participants from a range of demographic backgrounds in both countries given the focus on national culture. Whilst acknowledging that qualitative samples cannot be generalised, this was intended to elicit insights from a range of people. Participants represented a broad age range (24–60) and different demographic backgrounds across the six groups; see Appendix B for participant profiles. A minimum of five participants were secured for each group as recommended by Krueger and Casey (2009).

A semi-structured discussion guide was developed to ensure consistency across groups. Open ended questions were used to guide the discussion with prompts to elicit specific information (Wong and Sohal, 2003). The main themes were grocery shopping habits, factors affecting shop choice, loyalty programmes and customer loyalty. The discussion guide was developed as per the guidelines of Krueger and Casey (2009). A pilot study was conducted in each country to ensure the order of discussion was logical for participants and that the language and terms used were grounded in the participants' own vocabulary.

Six focus groups were conducted, 3 in each country, with a total of thirty-two participants. Sample size in qualitative research is contextual and is further determined by data saturation (Boddy, 2016). Saturation occurred after the second group in each country where the moderator was able to anticipate what would be said. The third focus group in each country was conducted to ensure that no new information emerged. One of the researchers moderated all six focus groups. This is recommended by Krueger and Casey (2009) as it allows the moderator to get close to the participants and gain a deeper understanding of the research topic as perceived by the participants. The three discussions in the UK were conducted in English while all three discussions in Sri Lanka were conducted in '*Singlish*'; a mixture of Sinhala and English. This enabled the unhindered sharing of thoughts in a linguistically accessible manner to participants.

Locations for each focus group were chosen to ensure a convenient setting for all participants. The moderator ensured that participants felt comfortable and ensured an inclusive environment. This was done by requesting participants to be respectful of others' opinions and by ensuring participants that there were no right or wrong answers. This helped to avoid participant domination and withdrawal (Churchill and Iacobucci, 2002). Each group discussion lasted approximately 80 min. All discussions were audio recorded and transcribed verbatim in English. The transcription of each discussion was completed by the moderator with limited delay to ensure that details were accurately captured (van Teijlingen and Pitchforth, 2006).

The six-step process of thematic analysis (Braun and Clarke, 2006) was followed to ensure that the analysis was carried out in a systematic manner. Thematic analysis can be defined as a way of seeing, making sense of and analysing that allows qualitative data to be processed, analysed and interpreted (Boyatzis, 1998). This technique also allows the researcher to identify, analyse and report patterns (themes) within the data (Braun and Clarke, 2006). Given the lack of previous knowledge, the findings were treated inductively where the data drove the analysis. Theoretical analysis was then applied to interpret the findings where cultural variables and structural factors identified previously were applied. The themes identified were semantic in nature (Boyatzis, 1998) as they were, at first, taken at surface level after which their broader meanings and implications were interpreted through the application of previous theory (Braun and Clarke, 2006; Ruane and Wallace, 2013). This ensured that key themes emerged from the data, instead of existing theory (Powell and Ennis, 2007). The three researchers analysed the transcripts independently before discussing the codes and key themes identified. Any discrepancies and irregularities were resolved by discussing the data, literature notes and referring to the agreed coding process. This approach of triangulation (Winchester et al., 2015) ensured consistency of the analysis (Patton, 2002).

5. Findings & discussion

Both national culture and industry structure are observed to impact customer loyalty. Specifically, industry structure, in terms of retailer positioning and focus appears to exert clear direct influence on loyalty while aspects of culture appear to influence loyalty more indirectly through intermediary constructs such as customer service. Both industry structure and culture were found to influence expectations and perceptions of loyalty programmes. In the following sections these relationships will be discussed in detail.

5.1. *Retailer positioning and focus*

In the UK, a high overall degree of true loyalty (Dick and Basu, 1994) was expressed towards the eight grocery retailers. However, participants also made clear their greater attitudinal preference towards the two premium retailers. While these favourable attitudes suggest greater attitudinal loyalty towards these retailers, participants admitted their inability to shop at these retailers mainly due to higher prices;

> *That's not where I will shop purely out of choice 'cos you know constraints like time and cost and things like that. If I had absolute choice, I'd probably shop at Waitrose* (P12, Male, 26, UK)

The lack of corresponding purchasing behaviour despite favourable attitudes suggests latent loyalty (Dick and Basu, 1994) towards premium grocery retailers in the UK. This is supported by participants suggesting that they would shop at these retailers if their financial situation allowed them to do so. If favourable attitudes are backed by the ability to spend, such consumers could develop true loyalty (Dick and Basu, 1994). Favourable attitudes towards the two premium grocery retailers could be a result of their superior reputation in terms of product quality and the overall shopping experience. Furthermore, positioning strategies used by these retailers (Mintel, 2018) may have led to them being perceived as premium grocery retailers. This is supported by previous research (Das, 2014) where brand personality has been found to influence store loyalty. The influence of industry structure is evident in the way the retailers position themselves; Marks & Spencer and Waitrose as premium, the Big Four as mid-range and the two discounters as value-led. The effect of this positioning is somewhat reflected in purchasing behaviour; the two premium retailers usually attracting customers from higher socio-economic groups (Mintel, 2018).

Whilst perceiving greater quality of products offered by the premium retailers, participants expressed their satisfaction with the quality of products offered by the Big Four retailers as well as the discounters. This suggests that participants hold positive attitudes towards their main retailers demonstrating overall true loyalty (Dick and Basu, 1994) to the main grocery retailers in the UK whilst the two premium retailers enjoy latent loyalty.

> *Morrisons has a reputation for quality. I think that's through their advertising, you know they're continuously promoting the freshness and the market style* (P4, Female, 53, UK)

> *It's quite a lot cheaper at Aldi for similar sort of quality for me personally anyway* (P16, Female, 26, UK)

Although these eight grocery retailers have differing price positions, participants perceived a common focus on product quality. Such a focus could have been influenced by these retailers understanding the importance of quality alongside price (Ranaweera and Neely, 2003). This is reflected in their recent advertising campaigns which focus on aspects such as provenance, farming, sustainability and overall quality (Mintel, 2018). This finding corroborates previous research (Das, 2014) that highlights the positive impact of retailer perceived quality on store loyalty. The influence of industry structure is again evidenced by the common quality focus across the eight grocery retailers despite their varying pricing and positioning strategies, which appear to influence positive attitudes; resulting in true loyalty to participants' main retailer.

These findings provide new insights by highlighting how structural elements such as retailer positioning and retailer focus influence customer loyalty. Furthermore, these findings demonstrate that loyalty towards one retailer is not exclusive. Whilst consumers may be truly loyal to one retailer, they could still have similar or greater attitudinal preferences towards other retailers. More striking is the overall true loyalty to the main retailer despite the high availability of alternatives. Despite engaging in divided shopping, participants appear to maintain true loyalty towards their main retailer. This finding supports previous literature where greater divided patronage behaviour is in fact, resultant of greater choice (Seiders and Tigert, 1997; Luceri and Latusi, 2012). Whilst behavioural loyalty is affected, the attitudinal component appears to remain unaffected.

The following proposition can be made in line with the above discussion:

> P1: Whilst creating divided patronage behaviour, greater choice does not necessarily result in reduced true loyalty towards the main retailer.

Sri Lankan participants who regularly shopped at the two market challengers identified a preference towards them and a negative attitude towards the market leader. These differences appeared to be due to different levels of product quality and freshness offered by these retailers as well as the level of customer service;

> *Don't go to (Cargills) Food City or Laugfs if you want to buy meat or fish* (P1, Male, 55, Sri Lanka)

Findings in both countries highlight how greater perceived product quality and higher end positioning are key factors in influencing greater true loyalty from existing customers, as well as attracting latent loyalty from other customers. As such, the following proposition can be made:

> P2: Retailers that focus on high levels of perceived product quality and higher end positioning attract greater true loyalty from existing customers. Such retailers also attract latent loyalty from other customers.

Participants' emphasis on quality also appears to be influenced by the familiarity with and the influence of traditional trading formats. With the Sri Lanka's grocery sector dominated by traditional retailing (LMRB, 2016), supermarket shoppers may compare the quality of fresh produce available in supermarkets against those in more traditional markets. Given their knowledge of the quality in more traditional formats, customers may tend to prefer modern grocery retailers who offer similarly high quality. Such behaviour is likely in countries such as Sri Lanka that have developing retail structures where customers would rely heavily on traditional stores and use such stores as a benchmark for quality (Goldman, 1974; Reardon et al., 2012). The need for quality could also be a result of the country's food culture where cooking is mainly done from scratch (Albala, 2011). Overall, these elements of industry structure and food culture appear to strongly influence the importance placed by participants on the quality of products and fresh produce. The reliance on traditional formats as quality benchmarks in countries with developing retail structures enables the following proposition:

> P3: Customers in countries with developing organised grocery retail structures would use traditional formats as benchmarks, resulting in greater preference towards organised retailers that offer similarly high levels of product quality, generating greater true loyalty.

5.2. Customer service

Although not identified as being of great importance in the UK, courteous and respectful customer service was identified to be a key determinant by Sri Lankan participants. Some participants mentioned their preference towards a particular grocery retailer over another due to better standards of such service and also mentioned that poor customer service could result in them avoiding a retailer in the future;

> *I wouldn't go again. Depending on the… what kind of thing happened, I wouldn't* (P9, Male, 24: Sri Lanka)

In contrast, UK participants did not place such importance on these attributes while some participants even mentioned that they would not be affected;

> *That doesn't bother me. That wouldn't stop me from going to a shop. If I need the stuff, I need stuff* (P16, Female, 26, UK)

High levels of importance placed on courtesy and respect in Sri Lanka could be explained by the high Power Distance in the country (Hofstede

Insights, 2019) where consumers may expect such a service approach from staff as a result of their focus on social status (Hofstede et al., 2010). Such behaviour could also be driven by perceived status differences between customers and employees (Mattila, 2000). Further support is provided by previous research (Schmitt and Pan, 1994) where the service-oriented nature of Asian cultures may further fuel such high expectations. Furthermore, these expectations could be influenced by the high Femininity in Sri Lanka where consumers may be more open to relationship building efforts by retailers through such customer service strategies (Laroche et al., 2004), possibly due to Sri Lankan consumers being more open to cooperation and relationship building (Hofstede et al., 2010).

Sri Lankan participants considered the two market challengers as premium retailers compared to the market leader due to their perceptions of greater product quality and customer service. Participants who shop at these two retailers appear to be truly loyal due to their favourable attitudes as well as purchasing behaviour (Dick and Basu, 1994). Negative attitudes towards the market leader suggest spurious loyalty; despite repeat patronage, participants lack attitudinal preferences towards this retailer (Dick and Basu, 1994). It is also likely that these participants may have latent loyalty towards the two challengers. Such preferences may not be complemented by purchasing due to these two retailers being more expensive and thus less affordable, as identified by one participant;

> *I would love to go to Arpico but because of the price…* (P5, Female, 26, Sri Lanka)

From a structural standpoint, retailer focus appears to influence perceptions of quality and customer service. Whilst not positioned as premium chains, the two challengers focus on quality and customer service where employees are more courteous and respectful. On the contrary, the market leader focuses on an EDLP approach with its focus primarily on price.

The following proposition can be made due to the greater focus on courteous and respectful customer service in Sri Lanka:

P4: Customers in countries with high Power Distance such as Sri Lanka would expect more courteous and respectful customer service from store employees.

Taken together, these findings highlight that national culture and industry structure have an influence on customer loyalty in both countries. However, it is clear that industry structure and market dynamics exert greater influence in both countries through aspects such as retailer positioning and retailer focus on product quality and freshness. With regard to national culture, the influence is more evident in Sri Lanka where greater Power Distance appears to result in high customer expectations of courteous and respectful customer service from retailer employees. Furthermore, these findings show that loyalty to one retailer is not exclusive because customers appear to hold different loyalties to various retailers as identified in both countries. These findings highlight that customer loyalty should be treated as a combination of both behaviour and attitudes. Furthermore, differences in behavioural and attitudinal loyalty are influenced by cultural, as well as structural elements.

5.3. Loyalty programmes

Differences between the two countries are apparent in respect of expectations and perceptions of loyalty programmes. However, these differences can be argued to be largely influenced by differences in national culture, more so than industry structure. Such differences in perceptions between the two countries are related to aspects such as tracking behaviour and loyalty programme rewards.

UK participants shared concerns around their behaviour being tracked by loyalty programmes, mentioning feelings of discomfort as a result of this. Participants highlighted feeling manipulated by grocery retailers;

> *But it makes me feel a little bit uncomfortable and I'm aware of it, I'm aware I'm being manipulated to buy* (P2, Female, 37, UK)

Participants appeared to consider such actions as intrusive of their privacy. They shared concerns about the way their data are used by retailers and asserted that retailers need to be more transparent in their use of purchasing data. In contrast, Sri Lankan participants mentioned the need for grocery retailers to track their behaviour so that more customised offers could be provided. Participants also identified that although grocery retailers track their behaviour, nothing was being done using their data. These thoughts are typified by the following comments;

> *I think they should, you know, track us down, and you know, do a research on our patterns and then you know come up with offers* (P10, Male, 27, Sri Lanka)

> *I know that they track us already but it's like just tracking us... give us the benefit of that tracking. We don't see that.* (P8, Male, 31, Sri Lanka)

These differences appear to be influenced by elements of national culture and industry structure. The pervasiveness of loyalty programmes and general regulations in the UK may have led to participants being more aware of data collection practices and holding negative attitudes. On the contrary, the absence of tracking and the lack of regulations in Sri Lanka may have led to participants identifying the need for their behaviour to be tracked. Such initiatives therefore, may be more welcomed as they provide a novel experience to Sri Lankan customers.

Aversion to tracking in the UK could also be a result of the high Individualism in the country (Hofstede Insights, 2019) where privacy and personal space are valued (Hofstede et al., 2010). This finding corroborates previous research where customers with high privacy concerns have been found to be averse to loyalty programme tracking and targeting (Mauri, 2003). Sri Lankan customers may therefore be open to such initiatives due to their lack of emphasis on privacy and personal space due to their high Collectivism (Hofstede et al., 2010). They may also seek to maintain relationships and be persuaded by a retailer's relationship building initiatives (Laroche et al., 2004). This emphasis on relationship building can be attributed to the low Masculinity in the country (Hofstede Insights, 2019) where relationships and cooperation are valued (Hofstede et al., 2010). Conversely, UK participants' aversion to be tracked could be linked to high Masculinity which does not value relationship building and cooperation (Hofstede et al., 2010). This finding provides the first focused insight into how perceptions of tracking are influenced by cultural and structural differences. Accordingly, the following proposition can be made:

> P5: Customers in countries with high Individualism and advanced loyalty programme development would be more averse to being tracked by loyalty programmes.

Sri Lankan participants expressed greater expectations of soft loyalty programme benefits, preferential treatment and tiered schemes (see Appendix C for a brief description of loyalty programme rewards). UK participants appeared to be less open to such benefits. However, both countries' participants expressed a greater preference for instant rewards.

The greater openness to soft benefits in Sri Lanka is highlighted by participants welcoming the idea of being greeted or receiving a gift on a special occasion;

> *If they're very loyal; track the birthday, anniversaries, yeah* (P1, Male, 55, Sri Lanka)

The need for preferential treatment and tiered schemes in Sri Lanka was typified by the following comment;

But if the Privilege card or the loyalty card scheme would get me ahead of in the line, I would… I'll shop more in that particular shop to build up the points if that be the case (P8, Male, 31, Sri Lanka)

The preference for instant rewards in both countries could be due to low Long Term Orientation (Hofstede Insights, 2019), where focus is more on short term gains (Hofstede et al., 2010). Similarly, customers from low Long Term Orientated cultures are known to expect instant gratification of their material, social and emotional needs (Hofstede et al., 2010). This finding chimes with previous research (Park et al., 2013) where less Long Term Oriented customers were found to expect immediate rewards. Therefore, this finding contributes to existing knowledge by reaffirming existing literature. These findings can also be interpreted through the lens of Indulgence where the UK has a relatively high score (69) compared to Sri Lanka which is estimated to be around 20 (Hofstede Insights, 2019). Given the focus on free gratification of human needs, it is arguable that consumers in the UK may opt to receive rewards instantly. However, Sri Lanka's low score for this dimension provides an opposing view where Sri Lankan consumers are less likely to prefer instant rewards as they practice greater regulation of gratification. As such, the relevance of this dimension requires further exploration. Uncertainty Avoidance can also be used to interpret these findings. Given the moderate scores in both countries, it is possible that customers tend to avoid uncertainties in the future by opting for more instant returns from their loyalty programmes. Therefore, the following proposition can be made:

P6: Customers in countries with low/moderate Long Term Orientation and Uncertainty Avoidance would prefer instant rewards from loyalty programmes.

Openness to soft benefits in Sri Lanka could be a result of the Collectivist and Feminine cultural orientations in the country (Hofstede Insights, 2019). Sri Lankan customers may not be as concerned about their privacy if retailers attempt to offer soft benefits due to their Collectivist orientations. The high Femininity also appears to play a part where customers may be open to such initiatives due to their emphasis on relationship building and cooperation (Hofstede et al., 2010). This supports previous research (Laroche et al., 2004) where high Femininity has been found to positively influence customer openness to retailers' relationship building efforts. This finding provides a novel insight as previous studies on cross-cultural loyalty programmes have not focused on soft benefits.

The need for preferential treatment and tiered schemes in Sri Lanka could be a result of high Power Distance (Hofstede Insights, 2019) and greater focus on status (Hofstede et al., 2010) where customers would compare their rewards against those received by others (Arbore and Estes, 2013). Such behaviour is driven by prestige and envy caused by preferential treatment and status (Steinhoff and Palmatier, 2016). This finding provides support to previous propositions, where consumers in high Power Distance countries are argued to prefer exclusivity and status-based treatment (Beck et al., 2015). In so doing, this finding contributes to existing knowledge by offering empirical support to previous propositions.

The above discussion of the findings enables the presentation of the final proposition:

P7: Customers in countries with high Collectivism, Femininity and Power Distance are more open to soft benefits, preferential treatment and tiered rewards from loyalty programmes.

Guided by the seven propositions, our theoretical framework is presented in Fig. 1.

6. Theoretical contributions

National culture has been found to exert a more moderating influence on customer loyalty in Sri Lanka. Whilst culture was not found to have an influence in the UK, its influence was identified in Sri Lanka via customer emphasis on courteous and respectful customer service. These findings question the linear effects identified in the existing literature. For example, Diallo et al. (2018) found that high Collectivism would lead to greater customer loyalty. However, findings from our study show high levels of true loyalty in the UK, a country characterised by high Individualism. Furthermore, despite high Collectivism, Sri Lankan participants demonstrate spurious loyalty to their main retailer if it is the

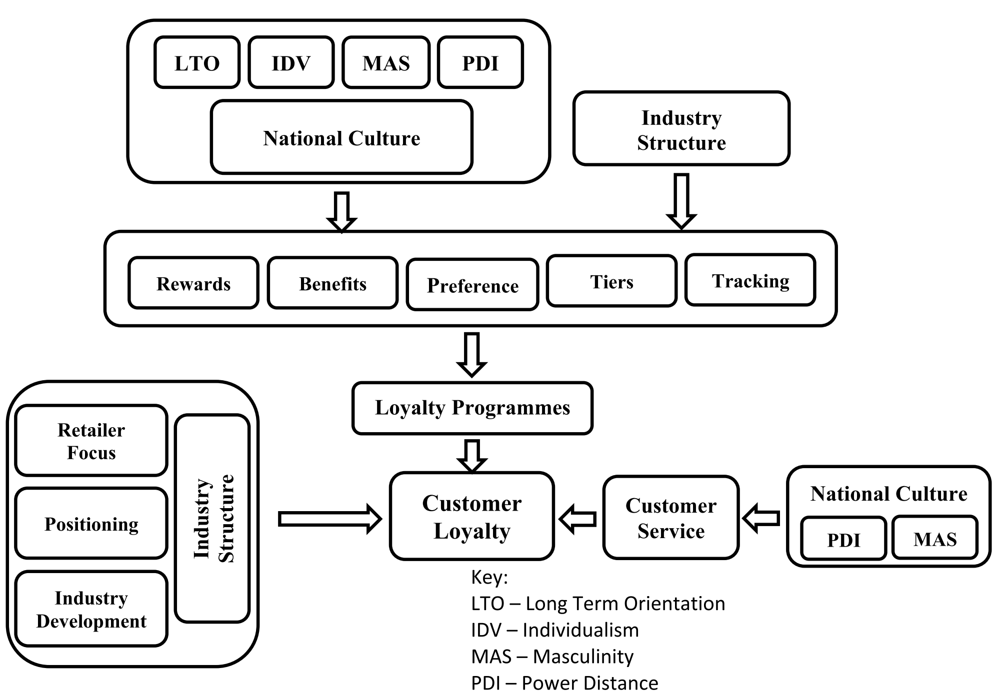

Fig. 1. Theoretical framework.

market leader, with attitudinal preferences towards the two market challengers.

Findings in both countries show that structural elements such as retailer focus and positioning exert a considerable degree of influence on customer loyalty, resulting in different loyalties (Dick and Basu, 1994). Our findings further enhance the existing knowledge in the area by showing that despite divided patronage as a result of greater choice (Siders and Tigert, 1997; Luceri and Latusi, 2012; Obeng et al., 2016), customers maintain true loyalty towards their main retailer. Consequently, these findings address previous scholarly requests to investigate the influence of varied structural conditions on customer loyalty (Laaksonen, 1993; Chan et al., 2011).

Finally, given the lack of adequate knowledge in cross-cultural loyalty programme research (Yang et al., 2019), our findings uniquely highlight how elements such as monetary versus nonmonetary rewards, timing of rewards, loyalty tiering, preferential treatment and tracking are influenced by cultural differences and to a lesser extent by structural differences. These findings provide a much broader coverage of these elements whilst adding to the limited existing literature (Park et al., 2013; Mattison Thompson and Chmura, 2015).

7. Managerial implications and future research

The eight main grocery retailers in the UK need to continue to offer high levels of product quality to customers so that their attitudinal loyalty will remain high. Premium retailers may be able to sustain their position as the preferred retailers by maintaining focus on premium quality and customer service; sustaining an overall premium image. The Big Four and the two discounters could be content with high levels of true loyalty reported towards them but need to ensure that they continue to offer high levels of product quality to customers.

For domestic as well as international retailers focusing on Sri Lanka, it is likely that premium grocery retailers may be well received by customers due to positive perceptions towards the two market challengers. Most importantly, grocery retailers need to focus on product quality if they are to enjoy true loyalty in the country. This is due to consumers using traditional formats to gauge the level of quality in organised grocery retailers. Furthermore, retailers also need to ensure that store employees offer courteous and respectful service to customers due to their status seeking tendencies. Loyalty programme attributes should also be designed to reflect cultural traits within the country with privacy highlighted as being far less a concern in Sri Lanka than in the UK with personalised rewards favoured.

This study has focused on one key country that Western grocery retailers may choose to explore for international expansion, namely Sri Lanka. Research should be conducted in other South Asian countries to further explore the wider regional applicability of the findings of this study. In addition, other countries that have attracted attention from international grocery retailers should also be studied. The previously presented propositions can guide this future research that may use larger generalisable samples.

Appendix A. Positioning Strategies

Country: United Kingdom		
Retailer	Positioning Strategy	Comments
Tesco	Price and Value	Collectively known as the "Big Four"
Sainsbury's	Value	
Asda	Everyday Low Price (EDLP)	
Morrisons	Price and Value	
Marks & Spencer	Premium positioning	Collectively known as Premium Retailers
Waitrose	Premium positioning	
Aldi	Deep discount	Collectively known as Discounters
Lidl	Deep discount	
Country: Sri Lanka		
Retailer	**Positioning Strategy**	**Comments**
Cargills	Every Day Low Price (EDLP)	Market Leader
Keells	Higher price and better quality	Collectively known as Market Challengers
Arpico	Higher price and better quality	
Other Retailers	Predominant focus on price	Low market shares

Appendix B. Participant Profiles

	United Kingdom				Sri Lanka		
	Gender	Age	Occupation		Gender	Age	Occupation
Group 1	Male	35	Employed	Group 1	Male	55	Academic
	Female	37	Manager		Female	53	Housewife
	Male	48	Senior Manager		Female	53	Director
	Female	53	Administrator		Female	57	Housewife
	Female	27	Student		Female	26	Junior Manager
Group 2	Female	55	Retired		Male	26	Manager
	Male	60	Director	Group 2	Female	29	Housewife
	Male	31	Unemployed		Male	31	Senior Manager
	Female	24	Student		Male	24	Junior Executive
	Female	52	Academic		Male	26	Manager
Group 3	Male	38	Accountant		Male	27	Manager
	Female	25	Student	Group 3	Female	33	Lawyer
	Female	50	Administrator		Male	34	Administrator
	Male	44	Senior Academic		Male	28	Student
	Male	32	Academic		Male	28	Administrator
	Male	26	Student		Female	23	Student

Appendix C. Types of Loyalty Programme Rewards

Type of Reward	Description
Hard versus Soft	Hard benefits are more economic in nature such as discounts, coupons, points and rebates. These are easily evaluated by customers but can also be easily imitated by competitors. Soft benefits such as a bouquet on an anniversary or special invitations do not generally carry any monetary value but are highly valued by customers. Such rewards are harder to implement but are not easily imitated by competitors. These benefits create an emotional bond between the customer and the loyalty programme because they are more experiential in nature.
Timing	Immediate rewards are offered for every store visit and delayed rewards are offered for every nth visit. While immediate rewards can be used to induce customer switching from competitors, delayed rewards could be used to reward customers' future purchases.
Direct versus Indirect	Direct rewards are directly related to the product purchased while indirect rewards are not linked to the product purchased.
Aggregated versus Segregated	Aggregated rewards carry greater value as they are integrated and are offered together. Segregated rewards are less valuable as they are offered in separate parts. However, customers have been found to have different preferences towards these rewards.
Tiered Schemes and Preferential Treatment	Tiered schemes offer customers differential benefits and rewards based on their status as defined by various predetermined tiers. While such programmes are more pervasive in high involvement contexts such as airlines, their suitability in low involvement contexts such as grocery retailing has been questioned.

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