Does the Brand Equity of a Retail Store Mediate the Relationship between Store Choice and Store Loyalty?

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Abstract

The retail industry is changing worldwide, especially in developing nations. This retail transformation is a result of changing lifestyles, increased disposable income, growing brand consciousness and changing consumption patterns of consumers. In the process of meeting these growing expectations of consumers, there are noteworthy initiatives adopted by retail organizations. Brand equity of a retail store is seen as a major factor influencing buying decisions and repurchases intent of consumers’ world over.

The present study has analyzed the consumers’ store choice decisions and its influence on consumer loyalty, with brand equity of retail store as a mediator. The findings of the study have established a positive link among factors influencing store choice, the brand equity of a retail store and loyalty towards the retail store. The study further has proposed and validated a model determining the mediating relationship of brand equity of a retail store with store choice decision and store loyalty.

Key Words: Brand Equity, Store Choice, Store Image, Product Attributes and Store Attributes.

Introduction
The retail industry is changing worldwide, especially in developing nations such as India. This retail transformation is attributed to changing lifestyle, changing consumption pattern, growing brand consciousness and increased disposable income (Deepika, 2012). Mullik, (2013), opines that Metros are witnessing a complete change in the shopping habits of the consumers due to the advent of shopping malls and other large sized retail outlets. As a consequence, grocery shopping has become high-interest shopping where men's participation in a hypermarket scenario has increased.

A retail store's brand equity is seen as a major factor affecting store choice decision and buying intent worldwide in the retail industry. A retail store's brand popularity, name, fame and reputation, largely influence the loyalty towards the store.

Consumer allegiance is a complicated issue in the retail industry. (Bansal M.,2016). Customers’ satisfaction and the repeat purchase intent is a clear indicator of customers’ loyalty towards store. In addition, Raju et al. (1990) and Parasuraman et al., (1996) stressed that, variables such as brand attributes and store features play a crucial role in a retail store preferences, loyalty and desire to buy back. The changing lifestyle of consumers due higher spending power and urban growth, has transformed the retail sector (Technovaglobal Report, 2014). Hemali, (2014) opines that, with the ever changing behavioural pattern of consumers, the overall consumer spending in India is expected to increase 2.5 times by the year 2025.

**Literature Review**

Since retailing is a service based activity, retail store brands differ from manufacturer’s brands (Barry, 2003). As retail brands are connected to a genuine store, their image ought to incorporate relationship with the store image (Ailawadi et al, 2001, Burt, 2000, Collins-Dodd and Lindley, 2002, Fullerton, 2005). Hence in the light of these facts the brand equity of a retail store relates to the store image perceived by the consumers. The value offered to retailers by the brand image is called brand equity.

The importance of retail store brand has risen over the past decades and has a role to play in altering consumer purchasing and consumer behavior around the world (Bansal M. 2016). Store brands are the most effective brands in the market with a stable operation. A powerful brand name can affect customer decision-making, encourage repurchases and create loyalty (Levy M., et al., 2010).
The Shoppers' store selection behavior is found to be quite comparable to the consumer's brand selection behaviour, with a distinction being the incorporation of the spatial dimension in retail store selection (Sinha and Banergee, 2004). Thiruvenkadam and Panchanathan, (2015), states that the functional elements like store location, layout, assortment and store image elements like brand image, sales promotion, advertising and reputation strongly influence store choice and store patronage. Shoppers' store preference is not based on one attribute but, a set of attributes. These attributes comprise of the store's image.

Keeping the existing customers happy through appropriate customer retention strategies is the major goal of retail organizations. Customer retention has become the top concern for businesses today, as it costs five times more to acquire a new customers than to maintain current customers (Payne, 2002) (Erinle & Bharathi, 2012). Customer retention is viewed as the most important facet for every business. Because of its significance in today's marketing, a number of studies are underway to know what customer retention means for companies and the measures that can be taken to guarantee customer retention.

Convenient location, after sales services, proper parking facility, effective marketing communication, personalized services etc. are thrust areas of retail service quality. Attending to these service offerings by retail organizations can enhance the customer satisfaction and help in building customer loyalty (Anthony & Rajendra, 2014).

The retailer should identify the parameters which act as obstacles, which if not taken seriously would dampen the prospects of the marketers. Customer service is one such parameter (Havaldar, Jacob, & Dash, 2012). Harris, (2000), has described customer service as everything that retailers undertake to make the customers happy and content.

In retailing one needs to identify the customers’ expectations and position its offerings accordingly. This can have long-lasting, completely satisfied memories of their experience. Frequent shopping programmes, Loyalty Cards, Reward points are some of the sales promotional strategies adopted by retailers for customer retention and customer engagement (Sathish and Rajendra, 2017).

**Identification of the Research Problem**

The literature review reveals that, there are several studies carried out to identify the factors influencing the store choice, store image and loyalty towards store. There are research studies analyzing the linkage between customer satisfaction and customer loyalty towards retail
store. However there is limited research examining the link among the brand equity of retail, factors influencing the store choice and the loyalty towards store. Further there is no significant research carried out to analyse the mediating relationship of brand equity of a retail store mediating between choice of retail store and loyalty. In this context, the specific issue which is given special attention is:

1. Does the consumers’ decision with reference to store choice, contribute towards consumer loyalty with brand equity of retail store as a mediator?

Objective of the study
The key purpose of the research study is to analyse the link among the store choice, brand equity of retail and the loyalty towards retail store. However, the specific objective is as under:

1. To analyse the brand equity of a retail store mediating the affiliation between retail store preference and loyalty towards retail organisation.

Hypothesis of the study
The following hypothesis is formulated and tested by applying appropriate statistical tools.

\[ H_0: \text{There is no positive mediating relationship of Brand equity of a retail store with factors influencing store choice and loyalty towards retail store.} \]

Methodology Adopted
The methodology adopted to analyse the research objective is as follows:

Universe, Sample Size and Period of Study
The State of Goa (India) was chosen as the study area. Hence the State of Goa is the universe of the study. A sample size of 1000 respondents (482 Males and 518 Females) from across the State of Goa, were selected and studied using non probability convenience sampling technique. The study was conducted over a period from October 2016 to January 2017.

Data processing and Framework of analysis
The primary data is procured by using Structured Questionnaire with seven point scale and is processed by using EFA and SEM. The executives of retail organizations and academicians were consulted for establishing the face validity of the instrument. The alpha values were used to assess the reliability of the instrument and the content validity.
Results and Discussions

Analysis of Store Choice Behaviour

The scale for analyzing the factors influencing the choice of retail format for buying fast moving consumer goods consisted of 25 items out of which 12 items relate to product attributes and 13 items relate to store factors which influence the retail format choice. The product attributes consisted of: accessibility to good quality merchandise, reasonable price, availability of variety of brands, availability of wider choice of commodities, bundling offers, availability of products, good display of goods, warranty, proper and attractive packaging, return and exchange facilities, and discounts, value for money and availability of products on demand.

The store attributes consisted of pleasant ambience (store atmosphere), convenient store location, fast checkout lines and prompt service, nice in-store promotions, store design and layout, cleanliness of store, good parking facility, convenient shopping hours, recreational facilities like theatre, games etc., trained sales personnel/ helpful staff, store image and store reputation, personalized services and one stop shopping convenience. The above scales are developed by relying on the scales developed by Herpen, E. V., Pieters, R. (2000), Jackson et al. (2006), Deepika (2012) and the researcher’s own contribution.

This analysis is carried out in two stages. In the first stage the 12 items consisting of product attributes and 13 items consisting of store attributes are reduced to smaller number of factors by using dimension reduction under exploratory factor analysis. The reliability is tested based on $\alpha$. The 12 items consisting of product attributes has $\alpha$ of 0.869, and the 13 items relating to store attributes has $\alpha$ of 0.889. $\alpha$ of 0.90 is considered excellent. If it is between 0.70 and 0.90 it is considered to be good (Nunally, 1978). Hence the scale used for the analysis indicates a good fit.

The EFA results relating to product attributes influencing choice of retail format for buying fast moving consumer goods revealed the KMO is 0.869, $X^2$ is 4536.490, DF is 66 and P-value is < 0.001, which signifies the internal consistency of the instrument used for analyzing the product attributes.
With regards to EFA results relating to store attributes, the KMO is 0.891, \( \chi^2 \) is 5699.903, DF is 78 and P-value is < 0.001 which signifies the internal consistency of the instrument used for analyzing the store attributes.

The communalities for all the variables are range from 0.515 to 0.728 and the item to total correlations in respect of all the variables is above 0.40, which are above the threshold limit of 0.30. The item to total correlations tests the construct validity (Kerlinger, 1986) and (Anderson & Gerbing, 1984). Average inter-item correlations of above 0.30 indicate the stability and consistency of the instrument (Kerlinger, 1986).

The following table 1 describes the results of EFA relating to product attributes and store attributes influencing the choice of retail format for buying FMCGs. The factors are derived based on eigen values > 1 and factor loading of 0.50 and above.

| Table No. 1 EFA Results of Product Attributes and Store Attributes Influencing Choice of Retail Format for Buying Fast Moving Consumer Goods (FMCGs) |
|-----------------------------------------------|---------------|--------------|--------------|-----------------|-----------------|
| **Product Attributes**                        | **Factor Loading** | **Eigen values** | **% of Variance** | **Cumulative %** | **Cronbach's Alpha** | **Inter-Item Correlations** |
| **Primary Product Attributes**                |               |               |                  |                  |                  |                          |
| Good Quality Merchandise                      | .813          |               | 2.781            | 23.175           | 23.175           | .781                      | .471                      |
| Merchandise for reasonable price              | .772          |               | 2.397            | 19.976           | 43.151           | .770                      | .455                      |
| Proper and attractive Packaging               | .709          |               | 2.329            | 19.409           | 62.560           | .783                      | .474                      |
| Easy Availability of Products                 | .598          |               | 3.070            | 23.619           | 23.619           | .806                      | .510                      |
| **Secondary Product Attributes**              |               |               |                  |                  |                  |                          |
| Wider Choice of Merchandise                   | .840          |               | 3.070            | 23.619           | 23.619           | .806                      | .510                      |
| Warranty on Products                          | .805          |               | 2.397            | 19.976           | 43.151           | .770                      | .455                      |
| Variety of Brands                             | .573          |               | 2.329            | 19.409           | 62.560           | .783                      | .474                      |
| Proper Display of Products                    | .560          |               | 3.070            | 23.619           | 23.619           | .806                      | .510                      |
| **Ancillary Product Attributes**              |               |               |                  |                  |                  |                          |
| Bundling Offers and Discounts                 | .786          |               | 3.070            | 23.619           | 23.619           | .806                      | .510                      |
| Availability of Products on Demand            | .746          |               | 2.397            | 19.976           | 43.151           | .770                      | .455                      |
| Value for Money                               | .693          |               | 2.329            | 19.409           | 62.560           | .783                      | .474                      |
| **Store Attributes**                          |               |               |                  |                  |                  |                          |
| One Stop Shopping Convenience                 | .832          |               | 3.070            | 23.619           | 23.619           | .806                      | .510                      |
| Cleanliness of Store                          | .730          |               | 2.397            | 19.976           | 43.151           | .770                      | .455                      |
| Good Parking Facility                         | .719          |               | 2.329            | 19.409           | 62.560           | .783                      | .474                      |
| Convenient Shopping Hours                     | .688          |               | 3.070            | 23.619           | 23.619           | .806                      | .510                      |
| **Secondary Store Attributes**                |               |               |                  |                  |                  |                          |
Table No. 1 relates to EFA results of product attributes and store attributes influencing the choice of retail format for buying FMCGs. With reference to product attributes, the EFA has revealed three factors labeled as primary product attributes, secondary product attributes and ancillary product attributes. With reference to store attributes, the three factors are labeled as, primary store attributes, secondary store attributes and ancillary store attributes. The factor loadings with respect to all the variables used in the analysis ranges from 0.556 to 0.840. As per the cumulative variance extracted, the model relating to product attributes explains 62.56% of the variance and the model relating to store attributes explain 63.36% of the variance. The inter item correlations are > 0.30 which indicate the internal consistency and reliability of the constructs. These factors influencing choice of retail format are used in the analysis of mediating effect of brand equity of retail with choice of retail format and store loyalty.

Figure 1. SEM Model Analyzing Brand Equity of Retail Store Mediating the relationship between Factors Influencing Choice of Retail Store and Loyalty towards Retail Store with respect to FMCGs’
Source: Drawn from primary data

In the figure 1, the six factors influencing choice of retail store identified through EFA i.e. primary product attributes (PA1), secondary product attributes (PA2), ancillary product attributes (PA3), primary store attributes (SA1) secondary store attributes (SA2) ancillary store attributes (SA3) positively load on to the latent construct Choice of Retail Format (CRF).

The endogenous construct brand equity of retail store consists of four variables - expectation fulfillment (BE1), product quality and store ambiance (BE2), store promotion and age of the store (BE3) and shop front, layout and floor area (BE4). The variance with respect to these variables is 0.47, 0.58, 0.35 and 0.28. The constructs brand equity of a retail store and loyalty towards retail store each explains 19% of the variance.

Table No. 2 Model Fit Summary of the SEM Model analyzing relationship of Brand Equity of a Retail Store as a Mediator between Factors Influencing Choice of Retail Store and Loyalty towards Retail Store

<table>
<thead>
<tr>
<th>χ2</th>
<th>D. F.</th>
<th>P Value</th>
<th>Normed χ²</th>
<th>GFI</th>
<th>AGFI</th>
<th>RMSEA</th>
<th>CFI</th>
<th>TLI</th>
</tr>
</thead>
<tbody>
<tr>
<td>178.785</td>
<td>40</td>
<td>0.000</td>
<td>4.470</td>
<td>0.969</td>
<td>0.948</td>
<td>0.059</td>
<td>0.963</td>
<td>0.949</td>
</tr>
</tbody>
</table>

Source: Computed from Primary Data

Table No. 2 represents the model fit summary of the model determining the mediating relationship of brand equity of a retail store with factors influencing store choice and customers’ loyalty towards retail store. As per the results of goodness of fit test shown in Table No. 2, χ² is 178.785, D. F. is 40, P-value is 0.000, Normed χ² (CMIN/DF) is 4.470, GFI is 0.969, AGFI is 0.948, RMSEA is 0.059, CFI is 0.963 and TLI is 0.949. Since all the indices are within the threshold limit, the model is a good fit.

Table No. 3 Regression Weights of the SEM Model analyzing relationship of Brand Equity of a Retail Store as a Mediator between Factors Influencing Choice of Retail Store and Loyalty towards Retail Store

<table>
<thead>
<tr>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>BE</td>
<td>---</td>
<td>CRF</td>
<td>.441</td>
</tr>
<tr>
<td>BE1</td>
<td>---</td>
<td>BE</td>
<td>.683</td>
</tr>
</tbody>
</table>

Source: Computed from Primary Data
Table No. 3 relates to the regression weights of the model determining the mediating relationship of brand equity of a retail store with factors influencing store choice and customers’ loyalty towards retail store. The observed variables: PA1 to PA3 and SA1 to SA3, representing factors influencing choice of retail store significantly loads on to the latent construct, choice of retail store with regression weights ranging from 0.659 to 0.791, C. R. range from 18.348 to 20.983 and P-values < 0.001. The observed variables BE1 to BE4 representing factors influencing brand equity of retail store significantly loads on to the latent construct, brand equity of retail with regression weights ranging from 0.528 to 0.759, C. R. range from 13.346 to 16.904 and P-values < 0.001.

The construct choice of retail store is significantly loading on to the construct brand equity of retail with regression weight of 0.441, C.R. is 10.074 and P-value is < 0.001. Choice of retail store is also significantly loading on to the construct customers’ loyalty towards retail store with regression weight of 0.082, C.R. is 2.194 and P-value is < 0.001. The brand equity of retail as a mediator is significantly loading on to loyalty towards retail store with regression weight of 0.395, C. R. is 9.278 and P-value is < 0.001.

Hence, based on the above results the Ho - There is no positive mediating relationship of Brand equity of a retail store with factors influencing store choice and loyalty towards retail store, stands rejected.

Conclusions

The research study proposed and validated a structural model linking Consumers’ Store Choice decision, brand equity of retail and customers loyalty towards retail store. The study
validated that, there is an affirmative mediating relationship of Brand equity of a retail store with factors influencing store choice and loyalty towards retail store.

The study further validates that; the consumers store choice decision is influenced by two sets of factors namely, Product Attributes and Store Attributes. The Product Attributes further consists of Primary Product Attributes, Secondary Product Attributes and Ancillary Product Attributes. While the Store Attributes further consists of Primary Store Attributes, Secondary Store Attributes and Ancillary Store Attributes.

The SEM results validated a statistically significant relationship between the factors influencing store choice and the store choice decision. Based on the regression weights it can be concluded that, the Primary Product Attributes, Ancillary Product Attributes, Primary Store Attributes and Secondary Store Attributes strongly load on to latent construct choice of retail store.

The model also established that, variables like expectation fulfillment, product quality, store ambiance, store promotion, age of the store, shop front, layout and floor area of the store positively influences the brand equity of a retail store.

In conclusion it can be stated that, attracting and holding on to the retail customers has become a real challenge for retailers in the modern times. The Product attributes such as Good quality merchandise, reasonable price, bundling offers, value for money, availability of product on demand, proper packaging etc, together with the store attributes such as one stop shopping convenience, ambient environment, cleanliness, convenient location, fast checkout lines and nice in-store promotion etc. are the factors attracting the modern consumers towards retail store.

These product and store attributes together with brand equity of a retail store can help the retail organizations in attracting and retaining the consumers and building a bonding and long lasting relationship.

**Limitations of the Study and Scope for Further Research**

This study is limited to analysis of brand equity of retail store mediating the association among factors influencing store choice and loyalty towards retail store. Study is carried out across the state of Goa (India), in the perspective of the consumers. The retailer’s views are not considered in the study. Further the study has limitations with regards to sampling and hence the model cannot be generalized across the globe. However, the findings of the study
shall have great significance for retail organizations in the Indian context. The future research therefore may extend the size of the sample and cover a wider geographic region to validate the findings. The future studies can also analyse the influence of cultural values of consumers and their lifestyles on store choice, brand equity of a retail store and store loyalty.

References


