

The Role of the Store Brands in the Creation of Consumer Loyalty and Trust in the Retailer Within the Context of Consumer Product Distribution

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Abstract Within the current economic context, store brands play an important role in differentiation strategies based on assortment and positioning in terms of distributor prices. To begin with, this study identifies three determining aspects of retail loyalty and trust: satisfaction with price levels, the perceived image of the assortment and loyalty to the store brands (SB). Secondly, this study will propose a theoretical relational model among the aforementioned aspects. Our research shows how satisfaction with the price levels is the most important antecedent for a retailer to achieve customer loyalty while the perceived image of the assortment exercises a more significant influence in the creation of trust. Faithfulness to the store brands is built, to a greater extent, upon the satisfaction with price rather than perceived image of the assortment, while its effect on loyalty to the retailer chain is moderated and its effect on trust is not very significant. These results have important implications for management.

Keywords Store brands • Loyalty to the store brand • Loyalty to the retailer • Trust in the retailer

1 Introduction

The economic recession in Europe, and more specifically in Spain, has aided in intensifying in the use of store brands. The favorable consequences that store brands have for distributors motivate greater study of this matter. For example, there is empiric evidence that loyalty to store brands increase the brand equity of the establishment marketing it (Bigné, Borredá, & Miquel, 2013), and the positive attitude towards store brands expands within the scope of store brands with

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different positions within the establishment (Palmeira & Thomas, 2011) as well as among the various product categories (Erdem & Chang, 2012). Among the favorable consequences of store brand presence, retailer loyalty is noteworthy, which has also been studied in depth (González-Benito & Martos-Partal, 2012). However, studying the effect of store brands on retailer trust has been approached to a lesser degree, despite being an extremely relevant variable within the framework of relationship marketing. Therefore, this current study, together the retailer loyalty, incorporates trust in retailer as a variable to be explained. Moreover, in addition to loyalty to store brands, two variables are integrated to explain the characteristics of the retailer offer: assortment and price level.

The objective of this current work is to develop an explicative model for customer loyalty and trust towards the commercial chain based on the perception of assortment and the price levels that the distributor offers, as well as the attitude towards store brands. This objective represents an advance in retail strategy research and its consequences to supply practical implications for distributors.

2 Theoretic Framework and Proposed Hypothesis

This study proposes a model that explains the creation of trust and loyalty towards the retailer. Trust is defined as belief in retailer reliability (technical competence) and in intentionality (honesty and benevolence). Loyalty is defined as the tendency of a consumer to be loyal to a commercial chain. Although trust has been used as an antecedent for loyalty (Sirdeshmukh & Singh, 2002), for the present paper we consider that both variables are correlated and build different dimensions of the consumer's affective state towards the organization, being able to be constructed simultaneously as a result of the strategies developed by the retailers.

Within the context of this study, three relevant background aspects are taken into consideration when it comes to building loyalty and trust: price levels, product assortment and the store brands' strategy. First of all, the establishment's price level for the products offered improves the attitude towards store brands. This increases loyalty towards these brands, as customers who are faithful to the store brands are characterized by being more aware of value (Beristain & Zorrilla, 2011). Moreover, in the case of frequently purchased products, satisfaction with the various aspects of the products sold, such as price levels, are particularly relevant to attain loyalty to the commercial chain (Sirohi, McLaughlin, & Wittink, 1998) and build trust (Chiou & Droge, 2006; Sirdeshmukh & Singh, 2002). Based on these arguments, the following hypothesis is proposed:

H1a: Satisfaction with the price levels exercises a positive and direct effect on loyalty towards the store brands.

H1b: Satisfaction with the price levels exercises a positive and direct effect on loyalty towards the retailer.

H1c: Satisfaction with the price levels exercises a positive and direct effect on trust in the retailer.

Secondly, assortment, in terms of image, refers to the quality and available of products sold by the retailer. Consumers base themselves on extrinsic attributes, such as the image of retailer's selection, in order to shape their perceptions about store brands (Beristain & Zorrilla, 2011; Diallo, 2012). Therefore, a positive image of a retailer's assortment helps to improve the attitude of the clients towards the retailer's own brands, taking into consideration that store brands are considered as a brand extension of a retailer's brand portfolio (Collins-Dodd & Lindley, 2003). Thus, the following hypotheses have been established.

H2a: The perceived image of assortment has a direct and positive effect on loyalty to the store brands.

As in the case of prices, the image of the products sold strengthens loyalty towards a retailer (Sirohi et al., 1998) and increases trust (Chiou & Droge, 2006; Sirdeshmukh & Singh, 2002). Based on this, the following hypotheses have been established:

H2b: The perceived image of the assortment has a direct and positive effect on loyalty towards the retailer.

H2c: The perceived image of the assortment has a direct and positive effect on trust in the retailer.

We consider loyalty towards store brands as a consumer's tendency to be loyal to store brands, something that is being demonstrated with the intention to purchase store brands as a first choice. Although there exist works defending the loyalty to the retailer favors attitude and loyalty towards the commercialized store brands (De Wulf et al., 2005), another research stream, the present paper among them, indicates a relationship in the opposite direction (Bigné et al., 2013; Collins-Dodd & Lindley, 2003; González-Benito & Martos-Partal, 2012). Therefore, we propose:

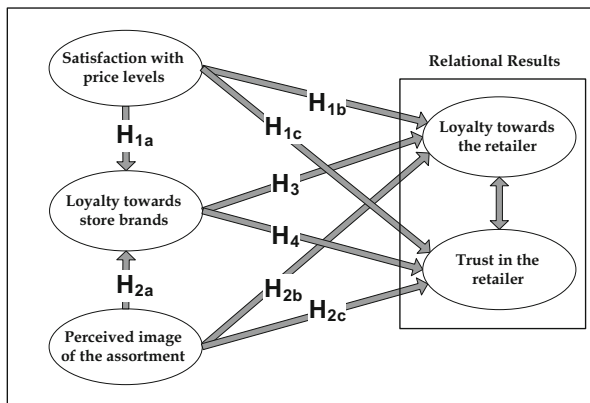
H3: Loyalty to store brands exercises a direct and positive effect on the loyalty towards the retailer.

One might think that loyalty towards store brands implies greater consumer knowledge about these brands. This greater knowledge increases the perceived knowledge of these brands and reduces the perceived risk (González, Diaz, & Trespalacios, 2006), while at the same time increases consumer trust in these brands (Guerrero, Colomer, & Guardia, 2000). Trust in store brands is one of the factors that contribute to increasing trust in the retailer (Guenzi, Johnson, & Castaldo, 2009). These arguments lead us to present the following hypothesis:

H4: Loyalty to store brands has a direct and positive effect on the trust in the retailer.

Figure 1 shows the theoretical model for this research.

Fig. 1 Theoretical model



3 Methodology

To verify the proposed model and hypotheses, an empiric study was carried out. The study is based upon information compiled from those who are responsible for purchasing household consumer products.

The items used to measure the concepts proposed stem from the adaptation of previously used and validated scales found in the academic literature. Specifically, to measure the perceived image of the assortment, the items used were taken from the work by Calvo-Porrá, Martínez-Fernández, Juanatey-Boga, and Levy (2013), Diallo (2012) and Dabholkar (1996). Satisfaction with the price levels was measured using three items adapted from Anselmsson and Johansson (2009), while loyalty towards store brands was measured by adapting the items established in the work by Yoo, Donthu and Lee (2000). Lastly, for trust in the chain, the scale by Sirdeshmukh and Singh (2002) was adapted; for attitudinal loyalty towards the chain, the items from the work by Zeithaml, Berry and Parasuraman (1996) were adapted. All of the variables were measured with an 11-point Likert scale, from 0 (totally disagree) to 10 (totally agree). Table 1 describes the variables used with the corresponding items.

4 Results

4.1 Measurement Model

First of all, the quality of the measurement scales was verified ($X^2/df = 1.96$; CFI = 0.990; AGFI = 0.959; RMSEA = 0.037). Table 1 shows the reliability and validity results.

Table 1 Reliability and validity analysis of the measurement scales

Variables	Reliability				Validity	
	Li	Ei	Cronbach's Alpha	Composite reliability (CR)	Average variance extracted (AVE)	Convergent validity
Perceived image of the assortment						
v1: The retailer always has available the variety and brands I need	0.84	0.28				t = 23.88***
v2: The retailer offers high quality packaged goods	0.64	0.51	0.82	0.84	0.65	t = 17.30***
v3: The retailer offers the variety and brands I need	0.86	0.26				
Intentions of loyalty to store brands						
V4: Considered to be a consumer who is loyal to the store brands	0.87	0.24				
V5: It is the first option in the shopping cart	0.90	0.19	0.90	0.90	0.75	t = 30.42***
V6: Consumers recommend store brands to friends and/or relatives	0.82	0.33				t = 26.92***
Satisfaction with price level						
V7: The retailer has a generally satisfactory price level	0.84	0.29				
V8: The general price level shows no abusive increases over time	0.73	0.47	0.85	0.86	0.67	t = 21.16***
V9: Fills the shopping cart at a reasonable price	0.87	0.24				t = 25.45***
Trust in the retailer						
v10: The chain has not disappointed the consumers	0.84	0.29				t = 29.33***
v11: The chain is honest	0.94	0.12	0.91	0.91	0.78	t = 35.06***
v12: The consumers trust in the chain	0.87	0.24				
Intention of loyalty towards the retailer						
V13: If I had to purchase large amounts of the products I buy, I would buy them at this chain	0.81	0.34				
V14: Should I decide to spend more money on my shopping, I would do so at this chain store	0.82	0.33	0.85	0.84	0.64	t = 19.10***

(continued)

Table 1 (continued)

Variables			Reliability		Validity	
	Li	Ei	Cronbach's Alpha	Composite reliability (CR)	Average variance extracted (AVE)	Convergent validity
v15: No doubt, I would fill my next shopping cart at an establishment of this chain	0.76	0.42				t = 15.56***

The discriminate validity was verified

Significance level: ***p < 0.01

4.2 Causal Relationship Model

The adjustment obtained for the model in Fig. 1 was satisfactory ($\chi^2 = 149.85$; d. f = 74; $\chi^2/df = 2.03$; CFI = 0.989; NFI = 0.978; IFI = 0.989; GFI = 0.974; AGFI = 0.957; RMSEA = 0.037) and it confirms all of the hypotheses proposed. Table 2 shows the parameters obtained.

Finally, it is good to note that the proportion of explained variance for the various dependent constructs was reasonable. Specifically, the explained variance for loyalty to the chain was $R^2 = 0.50$ and the explained variance for trust in the chain was $R^2 = 0.42$.

5 Conclusions and Recommendations

The results obtained in this research have allowed us to substantiate the hypotheses proposed and in this sense, confirm the correct functioning of the model proposed. It is important to note that loyalty and trust in retailers could increase thanks to the backgrounds research. However, these backgrounds influence the dependent variables studied with varied intensity. In other words, to generate chain loyalty, satisfaction with the price levels is an essential mechanism, followed by perceived image of the assortment and lastly, the loyalty to store brands. Nevertheless, when the pretension is to increase trust in the chain, the perceived image of the assortment is the most important factor, followed by satisfaction with the price level and to a lesser degree, loyalty to store brands.

Of the results obtained for the modeling proposed, important strategic implications can be established for retailers. First of all, within the current economic context, retailers must consolidate their positions by establishing competitive price levels because the perception of customer prices determines their loyalty and contributes to generating trust in the chain.

Furthermore, for retailers to boost customer trust, they must pay special attention to aspects linked to quality and diversity of product assortment. These aspects include sufficient presence of brands, greater emphasis on building a positive and

Table 2 Estimate of the relationship model

Relationships for the models	Standardized coefficient	t-value
H1a: Satisfaction with price level → Loyalty towards store brands	0.32	7.08***
H1b: Satisfaction with price level → Loyalty to the retailer	0.38	8.68***
H1c: Satisfaction with price level → Trust in the retailer	0.32	7.80***
H2a: Perceived image of the assortment → Loyalty towards store brands	0.10	2.31**
H2b: Perceived image of the assortment → Loyalty towards the retailer	0.28	6.69***
H2c: Perceived image of the assortment → Trust in the retailer	0.38	8.99***
H3: Loyalty towards store brands → Loyalty towards the retailer	0.29	7.75***
H4: Loyalty towards store brands → Trust in the retailer	0.16	4.37***

p < 0.05; *p < 0.01

strong image of the brands they manage, and the correct presentation of products in the establishment, among other aspects. Lastly, by caring for the image of their assortment, distributors increase loyalty towards their store brands, thus differentiating them from their competitors, and achieving loyalty and trust. But, in the present economic context, loyalty towards store brands is sustained by attractive prices more than by the image of the assortment.

This study has its limits, which could be taken into account for future research. It would be convenient to consider other countries, other sectors and even differences between customer groups. On the other hand, it would be interesting to investigate other possible consequences of retail strategies, as well as considering other antecedents that help provide a more complete explanation of loyalty and trust in retailers.

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