

# **Building Brand Attitudes in Retail**

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## **Abstract**

The ability of companies to provide an exceptional purchasing experience has always been considered important, especially in the retail segment. Because of this, many retailers spend a lot of their time and resources on improving the customer experience through loyalty programs, product selection, and service quality. The outdoor retailer studied in this research is Cabela's, a popular provider of outdoor fishing, hunting, camping, and shooting gear. While loyalty programs, product selection, and service quality are important factors in any business' strategy, it was found that there are other factors that likely have a larger influence on brand attitudes. Although this research was conducted using the Cabela's brand, it applies to many other outdoor retailers such as Bass Pro Shops, Gander Mountain, Academy Sports, and others.

One of the most popular ways that consumers purchase goods is through retail stores. Although retail stores are currently being rivaled by online stores like Amazon, retail is here to stay. This is due to the customer's wants and needs to examine a good firsthand and in person before making a purchase. There is some truth to the old adage "try it before you buy it." With the wide range of choices available in nearly any product segment, it becomes tougher and tougher for a consumer to make a decision on what brand, size, or model they should purchase.

Retail stores serve as a venue for prospective customers to get their hands on products and evaluate them or themselves, rather than rely on online reviews from strangers.

Although retail stores give consumers a chance to look at products, they must give consumers a reason to spend their dollars there and return to do so again in the future. This study focuses on how retail stores offer consumers high value, which leads to positive attitudes towards the brand, through service quality, loyalty programs, and product selection. Service quality is a huge influencer of brand attitudes, as it includes any element of service that the customer may be touched by, and this study will attempt to define the most important elements of service quality (Ismail and Yunan, 2016). Loyalty programs are another way in which stores offer customers added value and incentive to become return customers, this research will define which loyalty program factors and incentives have the largest impact on customer brand attitudes. Also large part of how customers view specific retail stores depends on that store's product selection, and whether it meets the customer's desired product selection.

Retail stores offer more than just a building full of products for consumers to look at, as they strive to provide a full shopping experience for all of the prospective customers. It is important that they not only offer the products, but also a high level of service to their customers. In particular, this study focuses on Cabela's. Cabela's is an outdoor retailer, whose slogan is: "The World's Foremost Outfitter." They specialize in providing an extensive array of hunting, fishing, shooting, and camping products. They also have developed their own outdoor clothing line. Instead of their store brand being the cheaper and lower quality option, as in many retail stores, they have established their store brand as some of the best in the business when it comes to fishing and hunting clothing. While they do still carry big name brands like The North Face, Under Armour, and Carhartt, the majority of the clothing that they carry has the Cabela's name

on it. Along with clothing, they also carry many different fishing rods, reels, lures, hunting rifles, target rifles, shotguns, and various other items.

Using the Cabela's brand as an avenue, this study will examine the link between loyalty program benefits such as rewards points and member's nights, and attitudes towards the Cabela's brand. Additionally, it will study how product selection and service quality are related. Finally, this study aims to discover how loyalty programs, service quality, and product selection combine to develop a customer's attitude towards retail stores like Cabela's. It is widely accepted that positive attitudes towards a brand do not have a negative impact on customer patronage, and in most instances, it has a positive impact on patronage. The focus of this study is not on that relationship. Instead it will look at the independent variables of: loyalty programs, product selection, and service quality. Loyalty programs may be set up in a variety of different ways. Cabela's program focuses on a "rewards points" system common in many retail stores and with many credit card companies. They offer this through two options, the Cabela's Club Credit Card and the Club Rewards Card, which nearly anyone can sign up for. Service quality can include many elements, probably too many to list, but a few of the important ones include interaction with store employees, knowledge of employees, and one of the previously mentioned variables, product selection. Product selection is intrinsic to service quality because no matter how helpful and kind a retail employee can be, the customer's outlook on their experience at the store will likely be diminished if they cannot ultimately purchase the products that they desire there. Understandably, stores may be out of stock of some products, but if a product is not carried at a store, it can obviously not be purchased there, leading the customer to look elsewhere for the product.

### **Research Model**



Loyalty Programs



## Literature Review

### Customer Patronage and Brand Attitudes

Customer patronage is something of incredible importance to any and all businesses. Patronage is what businesses strive for, as patronage is the way that businesses continue to bring in revenues. It is based on the idea that customers have a choice of how they spend their dollars, and they can “patronize” any business that they choose. Since the choice is really up to the customer, it is important for businesses to give customers a long list of reasons of why they should choose to purchase from their company. Instrumental in driving such customer patronage is the ability of a brand to develop positive brand attitudes. It is in our nature as human beings to involve emotions and attitudes in many of our purchase decisions. Because of this, brands have to establish and position themselves positively in the mind of the consumer, since customers with a negative association with a brand are highly unlikely to purchase from the same store again. This is of especially high importance in “high-involvement” purchases. While Cabela’s has its fair share of customers taking part in low-involvement decisions, they also have many customers involved in high-involvement decisions. This is due to the importance placed on past experience

in the outdoor segment. For instance, a customer looking to buy a high dollar insulated hunting suit would like to know if that hunting gear will hold up and perform as promised while they are on an expensive hunt where they have paid for a guide.

The link between brand attitudes and customer patronage is widely accepted. Just as positive brand attitudes have a positive impact on customer patronage, negative brand attitudes have a negative impact on customer patronage. So rather than have this study focus on that link, it will focus on a few of the determining factors that affect brand attitudes, in turn affecting customer patronage. The three independent variables this study focuses on are loyalty programs, product selection/variety, and service quality. This study will look at the ways in which the three variables link to and affect customer brand attitudes.

### Loyalty Programs

Loyalty programs are a common way that many companies try to develop positive customer attitudes for their brand. Loyalty programs began with trading stamps in the 1950's. The programs were designed so that for every 10 cents that a customer spent, they received a trading stamp, which could be redeemed for merchandise at redemption centers (Liu and Brock 2010). Additionally, in the 1980's many airlines began their frequent flier programs, where customers accumulated on the basis of miles flown (Liu and Brock 2010). Continuing into present time, rewards programs are available in nearly every industry and in nearly every corner of the world. Along with airlines and credit card companies, retailers provide some of the most popular loyalty programs in use. In most instances, loyalty programs provide incentives that are based on cumulative purchases, which build up over time (Liu and Brock 2010). A program designed to build up over time offers customers real incentives, as built up points can be used to book a whole flight or purchase a big ticket item at a retailer.

A study by Shugan 2005 brought attention to the fact that loyalty programs must be extremely well thought out and meticulously designed to truly develop positive brand attitudes and true customer loyalty. He noted that loyalty programs are often designed with customer loyalty in mind, but often fall short and only generate short term benefits for the business. Additionally, he addresses the idea of customers as assets. To establish customers as assets, the business must create lifetime brand loyalty, as the very idea of an asset is something that provides future benefit. Shugan comments that the basic goal of a loyalty program must involve more than increasing the probability of repurchase. Often times businesses fall under the idea that they are creating customer loyalty, while in fact they just offer the best deal through their loyalty program. This reinforces the idea that creating positive brand attitudes and customer loyalty must include more than just a great loyalty program. Finally, Shugan concludes that competition can destroy the business side benefits of many loyalty programs. Since many loyalty programs focus on only their most loyal customers, many customers may shop elsewhere. Since there is a large number of customers who chase low prices, it is important to have a solid business plan to back up a good loyalty program. All of this information about how difficult it is to create a viable loyalty program may leave some wondering if loyalty programs are really worth the trouble. This is an important question for businesses to ask, as offering a rewards program can cause a loss for a business if not well designed and properly implemented. Some research has shown that a competing firm can undercut prices while not offering a loyalty program and still steal customers from a firm who is offering a loyalty program. But more recent research has studied the idea of an asymmetrical equilibrium. This begs the question: can an equilibrium exist where one firm finds it profitable to refrain from offering the loyalty program even though its competitor offers one, and is the opposite true? Both questions can be answered

with a “yes,” it is possible that both firms could find their strategy profitable and could exist in the same market (Singh, Jain, and Krishnan 2008). With that in mind, it’s then a business’s decision whether to pursue a low cost strategy or implement a loyalty program, and if they cannot pursue the low cost strategy, then a loyalty program may be the best option.

While on the topic of competition, it is important to consider not only low cost competitors, but also competitors with loyalty programs. An important aspect in analyzing competition in loyalty programs is the idea of “switching costs.” Many customers are reluctant to switch brands because this leads to lost points when the customer leaves their current program, additionally, it takes time to accumulate points or rewards in a new program (Liu and Yang 2009). Also instead of completely switching loyalty programs, many customers choose to just become part of a competing loyalty program in addition to the one that they are already a part of. While they may feel that they are preventing any missed opportunities by being a part of both programs, they often actually dilute the benefits of each competing program, for themselves and the businesses. A final, yet important consideration of loyalty programs is the long term impact of the program. Programs can be broken down into two stages, the stage of gaining points and the stage of redeeming those points (Liu 2007). Liu argues that the gaining points stage has benefits to the consumer and business, although no “real” benefit is gained. Instead it offers a psychological benefit to the consumers, with the idea that consumers view the purchase value and utility to be increased because of the points earned during the transaction (Liu 2007). The redeeming stage offers an obvious benefit to the consumer, as they get free or discounted merchandise, but the business also benefits because the act of a customer redeeming points encourages future purchasing with the business (Liu 2007). Results found by Liu suggested that light and moderate buyers purchasing frequency could be nearly doubled with the addition of a

loyalty program, while heavy buyers' frequency remained relatively the same. This offers some interesting information, since many programs reward the top consumers of their brand. If rewards were somehow aimed at rewarding the light to moderate consumers, a business may see an even greater impact with their program. Additionally, Liu's research reveals that a rewards program can nearly double the dollar amount spent in each transaction for light and moderate consumers.

### Product Selection and Availability

As mentioned earlier, loyalty programs are not the only key to successfully building positive brand attitudes. Product selection and availability are another key component to generating positive brand attitudes. There may be a few ways to consider or define product selection, but this study will focus on a certain aspect of product selection. This research defined product selection as such: how a business meets the needs of customers by preventing out of stock situations, creating a selection of products that meets the customer's needs, and updating the selection to include new products. A study by Berger, Draganska, and Simonson in 2007 includes information about how the number of offerings a brand has can influence brand attitudes and purchasing behavior. A high level of product selection/variety in a brand gives the customer the perception of higher quality, so in one sense more variety is better. In another sense though, previous studies have shown that consumers are more likely to purchase when they have less choices to choose from. Thirdly, and most importantly when two brand lineups are compared side-by-side, the brand with more product variety is likely to be chosen when they both offer what the customer desires (Berger et al. 2007). While this study focuses mainly on the brands within the store, it should apply to the retail brands themselves. For instance, a small retailer like the dollar general probably has a low perceived quality when compared to a large



retailer with greater selection like Wal-Mart. A study by Kelvin Lancaster in 2001 provided some interesting insight into how markets can affect the need for product variety. His results showed that not just the consumers, but also the other businesses in the market can cause firms to alter their level of product variety, with the idea that the more competitors in the market, the greater the need for increased product variety. This idea may circle back around to the idea that increased product variety gives the illusion of higher quality, so a firm offering higher product variety may be seen as a higher quality firm. Destination XL (a clothing retailer aimed at providing clothes for “big and tall” men) has embraced the idea of increased product selection. It has consolidated some of its sub-brand stores (Casual Male XL, Rochester Clothing, and Shoes XL) and opted to rename them all “Destination XL.” This will allow every store to carry as many of their products as possible (Slack 2013). There is also some evidence showing that stocking less can be more profitable. This has to do with the idea of being out of stock of a particular item, not the number of products to select from. Some studies have shown that the reason to limit product availability is to reduce price competition (Balachander and Farquhar 2001). The idea is that the more often that a firm stocks out, a competing firm sees this as an opportunity to raise their prices, which in turn will drive the customer to return to the firm experiencing the stock outs because of their lower price. But this situation only exists in certain circumstances when customers are more interested in price than they are availability. With the presence of readily available products from competing firms, this phenomenon diminishes. Additionally, distribution can affect availability, in turn affecting sales, because if a store cannot get the products, they cannot sell them (Bruno and Vilcassim 2008). It is important for a retailer to keep good records of what has been sold and how many, so they know when to reorder. So, while stock outs may happen, they should try to make them as short lasting as possible.

## Service Quality

Both loyalty programs and product selection/availability can be standalone factors in how they affect brand attitudes, but they also both have an effect on one of the most important factors of brand attitudes: service quality. Service quality is of huge importance to nearly all businesses, as it encompasses nearly everything about interactions between businesses and their customers. Terms surrounding service quality often include customer service and customer satisfaction, but service quality is a bit more inclusive than those two terms. Service quality includes the whole process from start to finish of a customer doing business with a company. Service quality and the level that a customer experiences is the result of many different functions within an organization (Schneider 2017). It includes the output of marketing, operations, facilities, human resources, and almost all other business functions (Schneider 2017). Although some of the impact may be behind the scenes, it all affects how the customer perceives the quality of the service they received. For instance, employees likely have a large impact on service quality in most businesses. It is commonly held belief that satisfied employees create happy and satisfied customers (Karl and Peluchette 2006). So it would be rational to believe that creating an exciting and fun environment for employees would be beneficial to service quality, and that responsibility falls mostly on the human resources department. So, while human resources may not have a direct interaction with the customer, they can definitely have an impact on service quality. With the recent increase in online purchases by consumers, businesses may wonder how they can still maintain a high level of service quality in the online sector. One approach to service quality online includes following the steps of: greeting (initial view of website), interaction (contact forms, offering content), feedback (responding to questions), and invitation for co-operation (keeping in touch through email) (Kozel et al. 2017). Having a consistent level of service quality

in all channels of customer interactions is important, so that a brand can create and maintain a reputation for service quality. Although many consumers believe they make purchasing decisions based on price, and many do, often times one of the biggest deciding factors of where to purchase is service quality (Minh and Huu 2016). Even though many consumers actively seek the lowest price there are some who seek highest service quality and others who subconsciously seek service quality. Finally, although it was mentioned earlier that service quality is impacted by loyalty programs and product selection, service quality can also impact those factors as well. It has been shown that while service quality and customer loyalty are each their own distinct factors, they are strongly interrelated (Ismail and Yunan 2016). It is this relationship that shows customers who experience high levels of service quality are more likely to be loyal and loyal customers are more likely to engage in loyalty programs because they are the ones who will see the most benefit. Additionally, businesses who provide great service quality are likely to listen to customer suggestion about what products they would like to see in the store and if they have had issues with stock outs in the past.

### **Research Method**

For this study, 42 respondents was surveyed. They consisted mainly of college aged students in the 18 to 22 age range, with a few participants being older and a few being younger. There was no specific method for choosing age, gender, or race, as while these statistics are important to gather, they were not of utmost importance to this study, but the study was evenly spread with 47.6% of the respondents being male and 51.4% being female. The majority of individuals surveyed were Caucasian at 90.5%, African-American at 4.7%, Hispanic-American at 2.4%, and other races at 2.4%. Surveying took place at McKendree University, and was conducted in one of the student lounge areas over the course of a few days. This seemed to give a

good mix of respondents with varying levels of involvement with the Cabela's brand. This is important because if the survey only included respondents highly involved with Cabela's, the results may have been skewed. The data that was collected was then analyzed through the use of SPSS. Reliability values (Cronbach's Alpha) for each variable were assessed and led to the following values: loyalty programs (.765), product selection (.263), service quality (.771), Brand attitudes (.898), and customer patronage (.929). This showed that all variables were found to be reliable, except for product selection with a value of (.263). Further analysis provided the following results concerning the relationship between the dependent variables: loyalty programs, product selection, service quality, and the dependent variable: brand attitudes.

### **Results and Conclusions**

The analysis of the data revealed that there was no finding of significance in the relationship between loyalty programs and brand attitudes. It is important to note that this study was conducted in a small subset of the market, with the main focus on Cabela's. So while these findings may be important, they may not apply to the larger retail segment. The significance value of 0.693 shows that there is little to no significance of the relationship between loyalty programs and brand attitudes. There may be a few explanations for this finding. First, nearly all major retailers currently have a rewards program, especially outdoor retailers like Cabela's. Since it is such a common feature, the effect on brand attitudes may be diluted to the point that it is barely noticeable. Second, the majority of customers may gain little from membership to a loyalty program. In the survey, 42.9% of the respondents answered that they spent less than \$10 per month at Cabela's, and another 26.2% answered that they spent between \$11 and \$25 per month. This means that 69.1% of the respondents spend \$25 or less each month at Cabela's. Typically the rewards card offers 1% back to the customer, so it would take nearly 70 percent of

the respondents 40 months (over 3 years) to accumulate just \$10 in rewards points. On the other end of the spectrum, 7% of respondents spent more than \$100 per month at Cabela's. If they were to spend exactly \$100 per month, they would have \$12 at the end of each year, but many of those who answered \$100 or more also make large purchases such as \$300 fishing rods or \$800 rifles multiple times a year. These few customers are the ones who see the real benefit from the rewards programs.

Product selection was also found to have no significant impact on brand attitudes with a value of 0.856. This may be due to the fact that there are limited choices in the outdoor retail segment. Cabela's and Bass Pro Shops are the two major and most well-known outdoor retailers, but Gander Mountain and Academy Sports also fall into the outdoor segment. The issue is that they are often so spread out across the country that customers in certain geographic locations may only have one outdoor retailer to choose from (of course there is the option of online, but that is not the focus of this study). This differs from other markets like grocery stores or clothing retailers, where each town may have two or three stores, with big cities having countless options. Since the common response to insufficient product selection is to shop elsewhere, there needs to be competition in order for product selection to be a deciding factor in where customers decide to shop.

Service quality was also found to have no significant impact on brand attitudes, with a value of 0.403. This may in part be to the reasoning mentioned above about the availability of competition to consumers. Although a customer may not be pleased with the level of service quality they have received at an outdoor retailer, they often have few other options to shop elsewhere. This could also be due to the fact that many stores attempt to offer a high level of service quality and that a higher or lower level of service quality may be tough to find, except for

isolated incidents. It seems that many retailers have adopted very similar strategies, making service quality a nearly indistinguishable variable among outdoor retailers, and where there is little differentiation in a variable, it is tough to measure the effect of it on customers. If there were varying levels of service quality available to the customer in this segment, the finding may be different.

Brand attitudes were found to have a significant impact on customer patronage, with a significance value of 0.000. This has been found to be true in many different studies, and the findings are no different in this study. While the other variables affecting brand attitudes were found to have no significance, mostly due to the limited number of alternatives available in the outdoor retail segment, brand attitudes seem to be enough of a reason for a customer to take their business elsewhere. While the previously mentioned variables (loyalty programs, product selection, and service quality) may have not been reason enough to affect brand attitudes, which in turn affects customer patronage, harboring a positive or negative brand attitude must be enough to affect customer patronage. This is most likely due to the vast number of factors that are included in brand attitudes. If a customer has developed a negative brand attitude, they may disregard the limited options in the outdoor retail segment and instead choose to drive a longer distance to a store that they have a better brand attitude towards, or enter a different segment and purchase online.

### **Implications**

Although this study may not be useful to retailers as a whole, it still is of importance to outdoor retailers like Cabela's and also possibly retailers with similar characteristics (little competition in geographic area, similar loyalty programs, and sector wide levels of service quality). In such retailers, this research can help them decide whether or not investing in

improvements in loyalty programs, product selection, and service quality is truly worth it. With that being said it should not be a reason to cut loyalty programs, product selection, or service quality below current levels or the levels that competitors hold, unless this cutting leads to a new benefit to customers. It is interesting to find that there was no significance in the link between loyalty programs, product selection, service quality, and brand attitudes. It is important to remember though, that this study was conducted with a specific retailer in mind, and a broader study would need to be done to apply these findings to the retail segment as a whole. These findings seem a little unconventional, but it could be said that in Cabela's case, the findings are quite true. This should lead them to focus their funding and resources on another aspect that affects brand attitudes, and another study would have to be conducted in order to find what that aspect is. They may instead need to focus on price reductions, discount sales, or even increased marketing efforts. It is important to maintain the current loyalty programs, product selection, and level of service quality, but when Cabela's is looking to invest new funds into some business area, investing in those areas may not be the best use of their money. Instead, they should go out and try to develop more positive and stronger brand attitudes in another way such as a new marketing initiative aimed at a new or existing target market, or search out a way to offer their customers a lower price than that of their competitors.

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