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Faculty of Business Economics

Master of Management

Masterthesis

A Comparison of Customer Relationships between Large Chain Stores and Small Local Stores in the Fashion Industry

Biljana Krstevska

Thesis presented in fulfillment of the requirements for the degree of Master of Management, specialization International Marketing Strategy

SUPERVISOR :

prof. dr. Sara LEROI-WERELDS

MENTOR :

De heer Martijn PEETERS



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Preface

This thesis seeks to generate a broad understanding of customer relationships in the fashion industry. It was the final step in obtaining my Master of Management degree with a specialisation in International Marketing Strategy at Hasselt University.

First, I would like to thank my supervisor, Prof. dr. Sara Leroi-Werelds, for her close guidance throughout the whole process, her helpful advice and excellent feedback. I would also like to acknowledge the professors and teaching assistants for their great contributions and expertise in every lecture.

Second, I am grateful for all participants for taking part in my survey. Without them, I would not have been able to conduct this research.

Third, I wish to express my gratitude to my family and friends for their great support throughout the course of writing my master's thesis.

Biljana Krstevska

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Executive Summary

Relationship marketing has experienced enormous attention in recent decades, not least due to the fact that firms and organisations have recognised that maintaining existing customers is less costly than attracting new ones. Moreover, the importance of building and maintaining relationships has grown due to technological advances. This allows companies to communicate and keep in touch with a large number of customers and more importantly companies can capture all of the necessary information about their customers (Palmer, 2002). Nowadays, it is easier for firms to engage and manage relationships with customers, but also for customers to inform themselves about products and services (Peppers & Rogers, 2017).

The retail industry especially profits from opportunities to build customer relationships due to the strong personal interaction and direct communication with customers (Marzo-Navarro, Pedraja-Iglesias, & Pilar Rivera-Torres, 2004). Therefore, this master's thesis investigates customer relationships in two distinct formats in the fashion industry, namely small local stores and large chain stores. The framework of De Wulf et al. (2001) was used and adapted to the purpose of this study to detect differences in customer relationships regarding the two store formats. To investigate the differences between the two formats, I empirically tested whether perceived relationship investment, perceived relationship quality and store loyalty are higher for small local stores than for large chain stores. In addition, it was examined whether the level of interest in clothing and the level of relationship proneness are higher for small local stores than for large chain stores. Data was collected through a self-administered online questionnaire among individuals who buy clothes in Würzburg, Germany. SPSS was used to conduct the statistical test to gain the empirical results.

Analysing the results gives full support to the notion of customer relationships being stronger for small local stores than for large chain stores, aside from store loyalty, which is only partially supported. Furthermore, customers of small local stores are

more involved in the product category apparel than those of large chain stores and local store shoppers are more willing to engage in customer relationships with a store. Additionally, customers listed all criteria why they prefer their favourite store compared to other stores. This gives additional support to the notion that small local stores have greater possibilities to create and maintain customer relationships and thus differentiate themselves from large chain stores. To summarise, the model from De Wulf et al. provides good appliance to investigate customer relationships in the fashion industry.

The remainder of this thesis is structured as follows. Chapter 1 introduces the problem statement, before chapter 2 presents the literature review and the conceptual framework and chapter 3 reports the empirical study with the findings. Finally, chapter 4 provides conclusions, offers managerial implications and directions for future research.

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1 Introduction

The fast-paced society in which consumers live and their broad number of options they have regarding their everyday purchases lead to many challenges for firms to maintain their customers and build long-term relationships with them. Firms operate in a globalised, technology-driven and consumer-focused economy (Gummesson, 2002). Therefore, it becomes important for firms to acknowledge the profitability of relationship marketing rather than focusing on product development and efficiency (Grönroos, 1994).

According to Grönroos (1994), there has been already a shift from the traditional thought of marketing – where the 4Ps (product, promotion, placement, price) played a dominant role – to a more customer-centred relationship marketing. Srinivasan and Moorman (2005) state that relationship marketing “has experienced explosive growth” and more recently Bhardwaj (2007) stresses the importance of relationship marketing due to advanced technology, because consumers nowadays are more informed about products and services and can easily switch to competitors.

At its core, relationship marketing means that the firm interacts with the customer and creates value in a collaborative way, where both the company and the consumer win. On the one hand, the company has the benefit of building long-term customer relationships, which are considered more profitable and cost-effective than one short-term interactions with a customer (Gummesson, 2002). Moreover, it might lead to increased sales, positive word-of-mouth and customer loyalty (Reynolds & Beatty, 1999) On the other hand, the customer is in the focus and wins through the possibility of co-creating value, whereby his/her specific needs will be fulfilled. There are many definitions in the literature regarding relationship marketing. Morgan and Hunt (1994, p. 22) offer a clear and broad definition by stating that “relationship marketing refers to all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges”.

Nevertheless, existing literature on relationship marketing predominantly provides insights from a perspective of a company rather than the consumers' (Bendapudi & Berry, 1997; Odekerken-Schröder, De Wulf, & Schumacher, 2003; Sheth & Parvatlyar, 1995; Singh & Sirdeshmukh, 2000). Nonetheless, relationships are two-sided and in the words of Buttle (1996), the "voice of the customer is absent from much relationship marketing". Moreover, there has been little research about building and maintaining relationships in the consumer market, especially in the retail industry (Beatty, Mayer, Coleman, Reynolds, & Lee, 1996; Singh & Sirdeshmukh, 2000; Too, Souchon, & Thirkell, 2001). In this industry, stores used to have the advantage of building strong relationships with their customers through face-to-face interactions with them (Sweeney, Soutar, & Johnson, 1999). However, this advantage becomes weaker due to new technologies and the opportunity for customers to purchase online (Taher, Leigh, & French, 1996).

This assumes that stores need to highlight the benefits that customers gain from the relationship with the store. This can be achieved by increasing relationship marketing efforts to increase customers' perceptions of these efforts. Previous research indicates that there is a positive relationship between relationship marketing tactics (i.e. the firm's efforts to enhance its relationship with customers) and the customers' perception of this investment (Wulf, Odekerken-Schröder, & Iacobucci, 2001). Nevertheless, Too et al. (2001) claim that a store's efforts and the real implementation of the relationship marketing tactics are not as crucial in terms of developing customer loyalty as the perceived relationship investment that the customer experiences from the store's efforts. In other words, the perception of a retailer's marketing activities is more important than the actual marketing activities.

In light of the above, the focus of this thesis is on customers' perceived relationship investments rather than the different tactics. Another crucial element within relationship marketing is customers' perceived relationship quality. A precondition for high relationship quality is that the product or service meets the expectations of the customer (Hennig - Thurau & Klee, 1997). Moreover, consumers will perceive a high-

quality relationship if the company meets his/her needs associated with this relationship. Nonetheless, it is up to the customer to identify quality (Hansen & Bush, 1999).

As previously stated, few studies have explored relationship marketing in a retail setting (Too et al., 2001). Therefore, this master's thesis aims to investigate customer relationships in large apparel chain stores and small local apparel stores in Würzburg, Germany.

The central research question is: Are there differences between large chain stores and small local stores regarding perceived relationship investment, customer relationship quality and store loyalty?

To answer this question, the following sub-questions will be used:

- How do customers perceive relationship investments from small local stores (large chain stores)?
- How do customers perceive the relationship quality from small local stores (large chain stores)?
- Are customers more loyal to small local stores compared with large chain stores?
- What are the differences regarding customer product category involvement?
- Are customers more prone to engage in a relationship with small local stores or large chain stores?
- What criteria do customers take into account when engaging in a relationship with the store?

It is expected that there will be a difference regarding perceived relationship investment, relationship quality and thus store loyalty between these two types of stores, considering that small local stores indicate strong possibilities to create relationships due to the strong social and personal interactions with customers compared to large apparel chains, which lack in high personal communication and

where a customer is one among a million (Wulf et al., 2001). This is in line with Reynolds and Beatty (1999) and Too et al. (2001), who also state that the perception of relationships and thus store loyalty increases the smaller the size of the store (e.g. the lower the number of sales people).

2 Theoretical Background and Hypotheses

2.1 Relationship Marketing

Relationship marketing has been defined in many ways. Besides Morgan and Hunt (1994), who state that relationship marketing refers to building, growing and retaining a relationship with customers, Sheth and Parvatlyar (1995) stress that it is not only about creating successful relationships with customers, but also integrating them as well as suppliers or other exchange partners into the firm's marketing activities. Berry (1983) states that it is the importance of attracting, maintaining and improving customer relationships and Gronroos (1990) adds that relationship marketing needs to meet the goals on both sides. Hence, if the seller keeps its promises about the product or service, the customer will react accordingly and return to this seller, for instance. Shani and Chalasani (1992, p. 34) claim that relationship marketing involves the "effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network" for a positive outcome for both parties.

The overall aim of relationship marketing is to establish customer loyalty, which is based on mutual profitability and a stable relationship over a long period (Ravald & Grönroos, 1996). Customer loyalty can be shown in the customer's behaviour towards the product/service, brand or store and the number of repeated purchases (Dick & Basu, 1994). Relationship marketing will strengthen the customer's feeling that the relationship is more meaningful than a single transaction (Shani & Chalasani, 1992).

The traditional theory of reciprocity plays a crucial role in examining relationships as it is considered the foundation for social interactions (Kolm, 2008). Reciprocity provokes an attitude – more specifically a duty – towards others based on their previous behaviour (Gouldner, 1960). In other words, a customer shows loyalty as a response to received benefits in the past (Bagozzi, 1995). More recently, Molm

(2010) introduced a type of reciprocity named reciprocal exchange. The focus in reciprocal exchange lies in giving benefits to others without knowing when they will return the benefit and without making binding agreements. This leads to greater trust and commitment from the customer.

Bagozzi (1995) claims that it is difficult to ascertain what role reciprocity plays in consumer markets, owing to its automatic and unrecognisable nature. In order to find this out and take advantage of the reciprocity effect, companies need to interact with each customer one-to-one, which is costly and time-consuming (Moon, 2000).

2.2 General Framework from De Wulf et al. (2001)

Based on the theory of reciprocity, De Wulf et al. (2001) built a conceptual framework for relationship marketing, as shown in Figure 1.

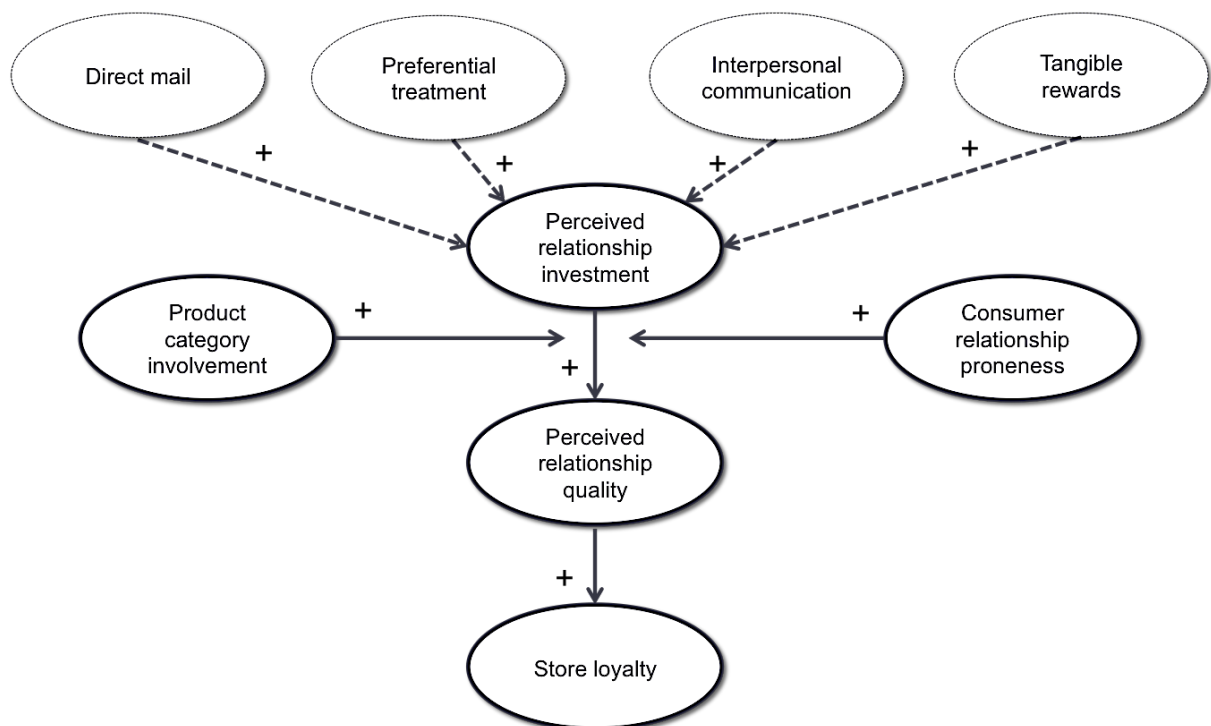


Figure 1: Conceptual framework (excerpted) from De Wulf et al. (2001, p. 34)

Through the invested time, effort and other resources from the seller, he/she is able to build a relation with the customer. The customer will recognise these efforts and from the reciprocity theory it can be derived that receiving gifts, discounts, loyalty programs or other resources that are irretrievable to the seller will lead the customer to return good for good and maintain the relationship (Ganesan, 1994; Wulf et al., 2001). Note that the actual model from De Wulf et al. (2001) investigates these different marketing tactics as antecedents for perceived relationship investment. However, this thesis will not integrate these antecedents due to the limited time and scope.

Looking at the model from De Wulf et al. (2001) in Figure 1, they state that perceived relationship investment positively influences perceived relationship quality. This is in line with Crosby, Evans, and Cowles (1990), who state that if the customer perceives the investment as high, he/she is more likely to retain the relationship and enhance it. Customers evaluate the quality of the relationship as high if they feel that the seller makes investments towards them and thus towards the relationship (Wulf et al., 2001).

Furthermore, the model shows that perceived relationship quality positively influences store loyalty. Note that the actual model from De Wulf et al. (2001) investigates behavioural loyalty. Nevertheless, for the purpose of this study the construct was adapted and changed from behavioural loyalty to store loyalty. Store loyalty will be measured by the repurchase intentions of the customer and his/her eagerness to recommend the store. Hence, if the customer is satisfied with the relationship with the store, he/she will be more likely to repeat purchases and recommend the store to friends or relatives (Reichheld, 2003).

Finally, according to the model from De Wulf et al. (2001), the authors integrate two moderating effects, namely product category involvement and consumer relationship proneness. These constructs positively influence the relationship between perceived relationship investment and perceived relationship quality. In other words, customers

who are strongly interested in the product category and have the tendency to engage in relationships will perceive the seller's efforts to a greater extent than those who are low in product category involvement and relationship proneness.

In this master's thesis, the model from De Wulf et al. (2001) is used and adapted to fit the purpose of this study.

The following section gives a deeper presentation of each construct.

2.3 Perceived Relationship Investment

From a seller's perspective, investing in relationships includes the costs of searching and determining what the customers really want, then subsequently adapting the product or service to these needs and finally the costs of observing and maintaining the relationship relative to what the efforts yield (Bendapudi & Berry, 1997). These investments show the customer that the seller honestly wants to build and maintain a relationship, regardless of the sacrifices that it makes due to these efforts (Ganesan, 1994).

Too et al. (2001) claim that the perception of the efforts engaged by a store is dependent on customers' awareness of these investments. Hence, the more that customers recognise the efforts of the store, the more that they will support it. Customers are also expected to be affected and impressed by investments that they regard as important and supportive (C. W. Hart & Johnson, 1999). This triggers the above-discussed principle of reciprocity. Due to the invested time and resources, the seller is able to build relationships that customers are willing to retain. Moreover, they want to return good for good (Blau, 1964). In other words, relationship investments intend to evoke reciprocal behaviour from the customer due to the relationship efforts engaged by the store (Wulf et al., 2001).

Nevertheless, it is difficult to predict the extent to which customers think that they are in a relationship with a store or a firm. Hence, solely the customers know for

themselves how profitable and successful the relationship efforts of the store are (Too et al., 2001). However, according to the customers' perception of the investments, stores or firms are able to measure the outcome of these investments (Reynolds & Beatty, 1999).

According to Reynolds and Beatty (1999), it is crucial to offer functional (e.g. fashion advice from the sales person) as well as social benefits (e.g. enjoying the atmosphere of the store) to customers to build good relationships. This is in line with Kotler (1973), who states that functional elements such as layout, comfort, privacy within the store environment and social elements like personal interaction and reliability regarding the promises that the store offers and regarding the sales person contribute towards establishing strong relationships.

Smaller stores have greater possibilities to interact on a personal basis with their customers and communicate with the same customers over their repeated visits in the store. This is due to the fact that the stores are smaller in size and fewer sales persons are employed than in large stores (Marzo-Navarro et al., 2004; Reynolds & Beatty, 1999).

Thus, it is expected that:

H₁: The perceived relationship investment will be higher for small local stores than for large chain stores.

2.4 Perceived Relationship Quality

In any kind of relationship (e.g. customer-store, customer-sales person, manufacturer-supplier), customers evaluate interactions between themselves and the other party. This overall interpretation by the customer refers to the construct of perceived relationship quality (Moliner, Sánchez, Rodríguez, & Callarisa, 2007). Hennig - Thureau and Klee (1997, p. 751) define relationship quality "as the degree of appropriateness of a relationship to fulfil the needs of the customer associated with

that relationship". Wong and Sohal (2002) describe relationship quality as a bundle of intangible values that are added to products or services with the aim of meeting the expectations of customers and creating interactions between the seller and customer.

Nonetheless, different researchers focus on different dimensions to measure relationship quality, although they mostly mention satisfaction, trust and commitment as core indicators for relationship quality (Crosby et al., 1990; Garbarino & Johnson, 1999; Wulf et al., 2001). Morgan and Hunt (1994) and Crosby et al. (1990) consider satisfaction and trust as the basic variables for the construct of relationship quality. Hennig - Thureau and Klee (1997) suggest adding commitment as another variable.

Especially the retail setting offers great opportunities to increase the perceived quality of the relationship due to the interactive nature between the sales person and customer. Stores try to use these interactions to present themselves, which in return will have an impact on the perceived relationship quality from the customer regarding the relationship with the sales person and their relationship with the store (Wong & Sohal, 2002).

This study will adopt the conceptualisation of relationship quality based on the core indicators of satisfaction, trust and commitment. A brief description of the indicators satisfaction, trust and commitment is provided below.

Relationship satisfaction

Relationship satisfaction can be defined as the "customer's affective or emotional state toward a relationship" (Palmatier, Dant, Grewal, & Evans, 2006, p. 138).

It describes customer's satisfaction with the relationship and is different from customer's satisfaction with the overall exchange (Palmatier et al., 2006).

Moreover, it can be only assessed after a couple of interactions between the customer and store (Crosby et al., 1990; Odekerken-Schröder et al., 2003; Reynolds & Beatty, 1999). This is in line with De Wulf et al. (2001), who state that relationship

satisfaction is an outcome of several exchanges over time. Thus, it can be seen as an accumulation of past experiences over the relationship duration, whereas satisfaction is regarded as being different with each exchange.

In the retail setting, especially clothing stores tend to reach high customer satisfaction based on their mixed nature of products and services provided (Anderson, Fornell, & Rust, 1997). Customers do not solely evaluate the products of the store; moreover, they also evaluate services provided by the store. To mention only a few, these services could be knowledgeable sales people, the atmosphere in the stores (e.g. welcome drink, friendly), warranties or return policies (Taher et al., 1996).

It is expected that small local stores have greater possibilities to augment their products through these additional services. They can highlight the intangible, social benefits that the customer receives through a high level of face-to-face interaction, which in turn will increase the customer's satisfaction with the relationship (Marzo-Navarro et al., 2004).

Trust

Trust implies that the customer believes that the store is reliable and honest (Morgan & Hunt, 1994). In a retail context, trust can be achieved when the customer has the feeling that the sales person understands the customer and acts on behalf of the customer's needs (Crosby et al., 1990).

Trust-building activities are facilitated in a retail setting due to strong interpersonal interactions and cooperative intentions regarding both the customer and store. The customer needs advice or has a problem and the sales person is there to help and find a solution. However, a precondition for a beneficial mutual relationship is that both parties need to disclose personal and needs-oriented information (Crosby et al., 1990). Moreover, customers who can trust their sales person benefit from an increased shopping experience (Wong & Sohal, 2002).

Relationship commitment

Commitment describes one's willingness to interact with another party. It might describe future objectives and motives and indicate the strength of the relationship between the parties (Storbacka, Strandvik, & Grönroos, 1994).

Morgan and Hunt (1994) characterise relationship commitment as a relationship where the committed party (customer or store) thinks that it is worth investing maximum effort into the relationship to retain it. Referring to the retail setting, De Wulf et al. (2001, p. 37) describe relationship commitment as the "consumers' enduring desire to continue a relationship with a retailer accompanied by the customers' willingness to make efforts at maintaining it". Therefore, commitment is dependent on trust. Customers who do not trust a store would not put themselves in a highly vulnerable position to make efforts to maintain the relationship; rather, they will look for a trustworthy store (Morgan & Hunt, 1994).

Empirical support has been found for the connections between satisfaction, trust and commitment in a retail setting (Crosby et al., 1990; Macintosh & Lockshin, 1997; Odekerken-Schröder et al., 2003; Too et al., 2001). Relationship quality can strengthen the relation between customers and the store by ensuring that their expectations will be met, resulting in satisfaction with the relationship. Customers knowing that the store and the sales people try to understand their needs and interests will foster the belief that the store is acting in a trustworthy manner, whereby trust is a precondition for relationship commitment. Customers will only be committed to a relationship if it is based on trust (Crosby et al., 1990; Morgan & Hunt, 1994).

According to the above discussion, it is expected that:

H₂: The perceived relationship quality will be higher for small local stores than for large chain stores.

2.5 Store Loyalty

According to Reichheld (2003), loyal customers are willing to invest in a relationship to extend and strengthen it, even though this means making sacrifices. Referring to the retail environment, loyal customers of a store desire purchasing in a store or chains of stores over time (Knox & Denison, 2000). A more detailed definition of store loyalty is provided by J. Bloemer and De Ruyter (1998), who state that customers intentionally revisit one store out of a set of stores over a period of time based on decision-making and evaluative processes.

Store loyalty has been measured in various ways. Wulf et al. (2001) use measures such as the amount spent on purchases, the purchase intention and the purchase frequency. On the other hand, Dick and Basu (1994) measure store loyalty according to the relative attitude of customers towards the brand, store or sales person and the repurchase intentions. Macintosh and Lockshin (1997) combine the measures of attitude, purchase intentions and the percentage amount spent for purchases on clothing, food or any other industry.

Based on the literature, the variable of repurchase intention is used by many researchers. However, Reichheld (2003, p. 3) claims that word-of-mouth “is the best indicator of loyalty” and it is insufficient to measure loyalty only according to repurchase intentions, because this might not show the true loyalty due to the immobility of customers or exit barriers created by the store. This is consistent with J. M. Bloemer and Kasper (1995), who claim that the number of repurchases might be due to inertia and not loyalty itself.

Therefore, Reichheld (2003) suggests adding the concept of word-of-mouth. Customers take a huge risk when recommending a store to others, whereby they expose their own reputation. Hence, only if customers have a strong relationship with the store will they give a recommendation to friends (Palmatier et al., 2006; Reichheld, 2003).

In this study, loyalty will be measured according to repurchase intentions and the word-of-mouth of customers. Next, these variables will be briefly explained.

Repurchase intentions

Repurchase intentions refer to the customer's personal judgement to buy a product or service from the same store again (Hellier, Geursen, Carr, & Rickard, 2003).

It depends on the perceived relationship quality (Hennig - Thureau & Klee, 1997).

More precisely, satisfaction is strongly correlated with repeat purchase intentions by customers (Bolton, 1998; Fornell, 1992; Hellier et al., 2003; Macintosh & Lockshin, 1997). Hence, customers who are satisfied with their relationship with the store are more likely to buy a product at the same store again. Nevertheless, some researchers claim that high satisfaction does not necessarily lead to high repurchase intentions, due to its complex measurement. Besides satisfaction, repurchase intentions might depend on characteristics of customers, the effect of time and the product itself (Homburg & Giering, 2001; Rust & Zahorik, 1993).

Regarding the retail setting, it is assumed that small local stores can add more value to strengthen the repurchase behaviour of customers due to the interpersonal contact with the sales person, which might lead to an overall positive shopping experience (Grace & O'Cass, 2005).

Word-of-mouth

Word-of-mouth can be defined as "informal communications directed at other consumers about the ownership, usage, or characteristics of particular goods and services and/or their sellers" (Westbrook, 1987, p. 261). In other words, it is the extent to which customers would recommend the store or firm to other potential customers (Reynolds & Beatty, 1999). As mentioned earlier in this thesis, according to Reichheld (2003), word-of-mouth might be the best measurement of true customer loyalty.

In order to create positive word-of-mouth, a store needs to direct its efforts to the customers' previous experiences with this store to remind the customer of that positive feeling. As mentioned earlier, customers evaluate the overall package of the product (e.g. service, warranties, atmosphere of the store, etc.) and not only the product itself. Therefore, enhancing the experience of the customer through additional value will foster positive word-of-mouth. Only if these efforts truly mirror customers' past experiences at the store will they be more likely to repurchase at that store again and they will tell their friends about it (Taher et al., 1996). When customers recommend the store to others, this increases the repurchase intentions and strengthens store loyalty (Sivadas & Baker-Prewitt, 2000).

According to Grace and O'Cass (2005), a distinction between retail stores can be made based on their focus on either high quality and high customer service or self-service and low prices. This distinction can be applied to small local apparel stores and large apparel chain stores: the former focus on high customer service with high personal interactions and the latter generally focus on self-service. Thus, customers of small local stores might show more loyalty towards the store than those of chain stores. Therefore, it is expected that:

H₃: The store loyalty will be higher for small local stores than for large chain stores.

2.6 Factors Moderating the Effect of Perceived Relationship Investment

The model from De Wulf et al. (2001) considers further two moderating variables, namely product category involvement and customer relationship proneness. This study will also include both variables and investigate the levels of product category involvement and customer relationship proneness for small local stores and large chain stores.

2.6.1 Product Category Involvement

Product category involvement can be described as the degree to which customers consider the product category as important when evaluating a product or service and how they feel about the product. This might be based on the needs, interests and values of customers (Odekerken-Schröder et al., 2003; Wulf et al., 2001). Customers who show a strong interest in a product category are more likely to be loyal than those without an interest in that product (Dick & Basu, 1994).

As a product category, apparel tends to generate strong involvement, owing to its role in society (Goldsmith & Emmert, 1991; Laurent & Kapferer, 1985; O’Cass, 2000). Customers use products such as clothes to express their personal values to others. There have been studies investigating the connection between values and the interest in clothing (Kim, 2005; Sharma, 1980; Sontag & Schlater, 1995). For instance, O’Cass (2000) states that clothing reveals the personality about an individual, namely what kind of status the person has, how important he/she is and what he/she is like. This is consistent with Gurel and Gurel (1979), who claim that a strong interest in clothes is related to someone’s concern about their look, the excitement of how clothes make them feel and the possibility to differentiate themselves from others by unique appearance (Gurel & Gurel, 1979).

Hereto, customers are looking for unique items to differentiate themselves. While they can do so in both store types, small local stores offer a greater possibility by customising their collection of clothes for their exclusive target group. By contrast, large apparel chain stores serve a wider target group and provide only standardised collections and not the unique products (Brennan & Lundsten, 2000). Moreover, customers who are highly involved in apparel find criteria such as expertise in personnel, customer service and brand as important (Shim & Kotsiopoulos, 1993). Therefore, it is expected that:

H₄: The level of product category involvement will be higher for small local stores than for large chain stores.

2.6.2 Customer Relationship Proneness

Customer relationship proneness means that some customers are more willing to engage in relationships than others due to personal characteristics. However, it is insufficient to measure the proneness by a single relationship; rather, there must be a constant tendency and willingness to engage in relationships on the customer's side (Odekerken-Schröder et al., 2003).

Customers engage in relationships because they want someone to facilitate their process of making a decision and breaking down the wide range of choices for them (Sheth & Parvatiyar, 1995). Berry (1995) states that customers intend to have a relationship with a store or firm if they need the product or service on a regular basis, if it is important to them and they are strongly involved with the product or service. Thus, the context of clothing stores provides a useful setting to look for relationship-prone customers, as clothes are needed on a periodical basis, they can be important to some customers and apparel as a product category tends to induce strong involvement.

The retail setting – with its mutual interactions – is regarded as contributing to customer trust and customer commitment and thus customers' willingness to engage in a relationship (Wulf et al., 2001). Moreover, relationship-prone customers evaluate investments made by the retailer as ideal, whereas less relationship-prone customers have a more realistic view of the store's efforts. Therefore, it is crucial for retailers to determine which customers are relationship-prone and invest in those relationships. Otherwise, valuable resources will be wasted (Odekerken-Schröder et al., 2003). Based on the above discussion, small local stores have greater opportunities to facilitate the decision-making process of customers due to personal interaction and a one-to-one communication with each customer (Crosby et al., 1990). Therefore, it is expected that:

H₅: The level of customer relationship proneness will be higher for small local stores than for large chain stores.

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3 Research Methodology

3.1 Setting

The study was conducted in the context of the fashion retail industry. The aim is to compare customer relationships of small local stores and large chain stores. For this purpose, a self-administered online questionnaire was created, focusing on fashion retail. Five local stores and five large chain stores in Würzburg were selected (Table 1).

Würzburg is a city in Germany, located in the region of Franconia in northern Bavaria. It has approximately 124,000 inhabitants and is well known for its local wineries (Stadt Würzburg, 2017). Besides local wines, citizens also show regional bonds towards local restaurants, local food stores and apparel stores. There are both small local stores and large chain stores located in Würzburg. Unique items, higher prices, personal service, better product quality but a restrained product variety characterise small local stores, whereas standardised product items, lower prices and a large assortment of products define large store chains (Brennan & Lundsten, 2000). The differences in product variety can be explained by the size of the stores, whereby a larger store space enables displaying more products.

The selected stores are listed in Table 1. However, in order to increase the participation rate, the respondents were also offered the category of 'other', where they could fill in their favourite store. A brief description of the two store formats and their key characteristics is presented in Table 1. This table compares the store types according to the number of stores, the number of employees, their price range and target group.

Table 1: List of selected stores

Small local Stores

Characteristic Name	Number of Stores	Number of Employees	Price range	Target group
Mainglück	1	9	39,90€ - 599€	Female 20 – 55 years
Stilding	1	NA	29,95€ - 349,90€	Female/ Male 20 – 40 years
Stoffbar	2	7-9	30€ - 200€	Female/ Male 15 – 55 years
Maingold	2	20	24€ - 550€	Female/ Male 16 – 60 years
Frauen- /Männersache	2	9	10€ - 300€	Female/ Male 16 – 70 years

Source: Conversation with employees and store website

Large Chain Stores

Characteristic Name	Number of Stores	Number of Employees	Price range	Target group
Hallhuber	1	7-9	25€ - 150€	Female 20 – 45 years
H&M	2	NA	5€ - 150€	Female/ Male 15 – 40 years
Zara	1	25	10€ - 190€	Female/ Male 20 – 35 years
Only	2	7	8€ - 120€	Female/ Male 13 – 80 years
s.Oliver	1	30-40	6€ - 190€	Female/ Male 20 – 45 years

Source: Conversation with employees and store website

These stores are heterogeneous within the group and thus different types of clothes are offered in the stores. Moreover, the stores are homogeneous between the groups.

This means that almost every small local store has an equivalent large chain store in terms of clothing types. This allows increasing the number of respondents by offering different price ranges and different product assortments, as well as assuring that the stores can be compared. Table 1 was created based on conversations with employees, as well as an investigation of store websites. The findings show that small local stores capture a wider price range compared to large chain stores, varying from 24€ up to 599€. In line with Brennan and Lundsten (2000), large chain stores indeed offer clothes at lower prices, beginning from 5€ up to 190€. The target group also differs between the two store formats, as small local stores mostly serve customers up to a higher age. Both store types mostly target women and men, aside from two stores, 'Mainglück' and 'Hallhuber', which only focus on female customers.

Figure 2 presents the positioning of the stores based on two variables, namely how trendy or classy the clothes are and whether they serve either the exclusive market or the mass market. As with Table 1, the positioning of the stores was estimated through conversations with employees of the stores. All selected small local stores are positioned in the upper-right quadrant, which shows an orientation towards trendy and exclusive clothes. 'Hallhuber' – one of the store chains – also focuses on exclusive and stylish clothes. However, all other store chains are located in the lower quadrants. 's.Oliver' and 'Only' describe their assortments as basic or classy, compared to the stores 'Zara' and 'H&M', which focus on stylish and trendy clothes and both target the mass market. There is no selected store offering exclusive and basic clothes (upper-left quadrant). This information was drawn from the store's websites as well.

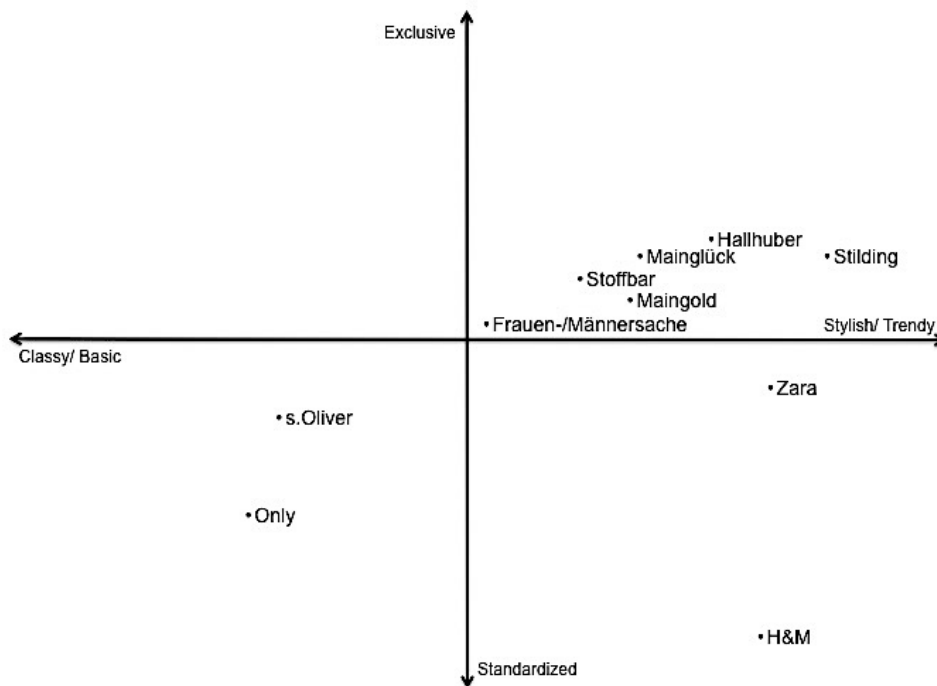


Figure 2: Positioning of the stores in the market environment

3.2 Data collection and Sample

Data collection

The responses were collected through an online questionnaire using a simple random sampling technique. An online questionnaire was chosen because it is easy and fast to collect data. Moreover, participants can complete the survey at their own convenience and at their own pace. Furthermore, it is suitable for comparing the different types of stores in a less time-consuming way (Sekaran & Bougie, 2016). Besides the aforementioned advantages of an online questionnaire, a major disadvantage in this study was distributing the link only via social media. It could not reach respondents beyond social media platforms. Therefore, a flyer with the link to the survey and a QR code was distributed in the stores.

Study participants received no incentives for completing the interview.

Sample

The sample for this study comprises adults aged 17 and older who buy clothes in apparel stores in Würzburg. Overall, 191 respondents filled in the questionnaire. Twenty-two surveys were not usable because the respondents did not shop for clothes in Würzburg and thirteen surveys were incomplete. Hence, a total of 156 usable surveys remained for the analysis. The sample contains 32.7 percent (51) male responses and 67.3 percent (105) female responses (Figure 3). The majority of female respondents can be explained as buying clothes applies more to women than men (Alreck & Settle, 2002).

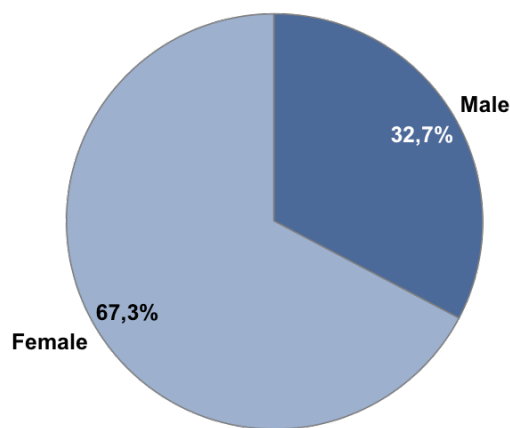


Figure 3: Gender distribution

More specifically, the sample comprises 58.3 percent (91 respondents) who buy clothes in large chain stores and 41.7 percent (65 respondents) who shop in small local stores. Out of the sample of large chain stores, 35.2 percent (32) were male and 64.8 percent (59) were female. For small local stores, the distribution for male and female respondents was 29.2 percent (19) and 70.8 percent (46), respectively. Figure 4 shows the distribution of respondents throughout the store formats and differentiates between male and female respondents.

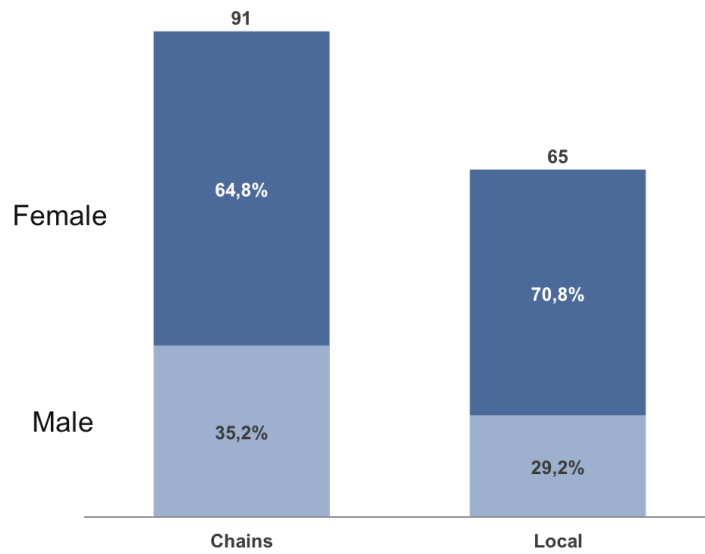


Figure 4: Store format distribution

Next, Table 2 describes the characteristics of respondents, depicted by store format preference, gender and average age. In addition, the table shows the most commonly-mentioned reason why respondents prefer this store to other stores. This allows understanding factors influencing the choice of store type. These factors were most frequently acknowledged in the literature and will be discussed in further detail in chapter 3.5 (Kasulis & Lusch, 1981; Noble, Griffith, & Adjei, 2006; Shim & Kotsiopoulos, 1993; Sinha & Banerjee, 2004; Taher et al., 1996).

Table 2: Descriptive statistics of respondents

Variable	Small local stores	Large chain stores
Average age	31 years	29 years
Gender	Male: 37%	Male: 63%
	Female: 44%	Female: 56%
Most mentioned reason	Atmosphere (36)	Price (51)

On average, respondents of small local stores were slightly older than those from large chain stores, with 31 and 29, respectively. Overall, around 63 percent of male

participants buy their clothes in large chain stores, compared to only 37 percent who chose small local stores. Similar to female participants, about 56 percent shop in large chain stores and 44 percent prefer small local stores. The atmosphere in the store is the main reason why customers shop in small local stores, compared to large chain stores, where the price was the most commonly-mentioned reason. A more detailed investigation of these reasons is provided in chapter 3.5. Figure 5 shows the distribution of age among all participants. The median of the total sample is 27. Approximately, 54 percent of respondents were aged between 17 and 27, almost 36 percent were between 28 and 40 and 10 percent were between 41 and 64.

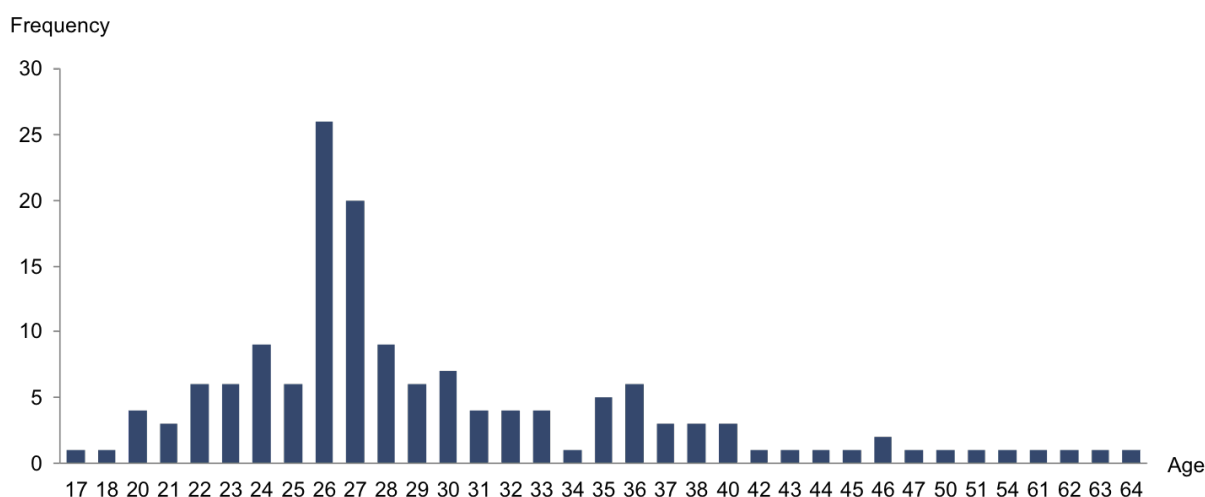


Figure 5: Age distribution

3.3 Questionnaire development

The questionnaire items were mostly adapted from De Wulf et al. (2001), aside from store loyalty, which was taken from Sivadas and Baker-Prewitt (2000) (see Appendix 1). The measures were carefully adapted to fit the retail context. The first question asks participants whether they shop in Würzburg. Participants answering with ‘no’ were automatically directed to the end of the questionnaire. Next, respondents were asked to choose their preferred type of store, namely small local stores or large chain stores. Respondents were then directed to the list of either small local stores or large chain stores depending on their choice. From the list, they had to pick the store at

which they do most of their shopping. Instructions then informed the participants to refer their responses to the chosen store while answering the questions.

All constructs were measured on a seven-point Likert scale. Variables such as perceived relationship investment, perceived relationship quality, product category involvement and customer relationship proneness were measured on a scale ranging from 1=strongly disagree to 7=strongly agree, whereas store loyalty was measured on a scale ranging from 1=very unlikely to 7=very likely.

The questionnaire from De Wulf et al. (2001) was conducted in Dutch and then translated into English. As the study is based on the German market, a native speaker translated the questionnaire into German to reach a larger number of respondents. Prior to the distribution of the questionnaire, a pilot version was sent to a convenience sample of six people to identify errors and misleading questions and to ensure that the questionnaire is clear.

3.4 Hypotheses testing

This study focuses on perceived relationship investment (RI), perceived relationship quality (RQ) and store loyalty (SL). As the model from De Wulf et al. (2001) includes two variables – the product category involvement (PI) and the relationship proneness (RP) – this study also chooses to consider these variables. In order to compare customer relationships of small local stores and large chain stores, a series of independent t-tests was conducted. A list of the theoretical hypotheses discussed in chapter 2 and the related statistical tests are presented in Table 3.

Table 3: Theoretical and statistical hypotheses

	Theoretical hypothesis	Statistical hypothesis	Statistical test
H1	The perceived relationship investment will be higher for small local stores than for large stores.	Ho: Mean (RI local stores) \leq Mean (RI large stores)	Independent samples t-test
		Ha: Mean (RI local stores) $>$ Mean (RI large stores)	
H2	The perceived relationship quality will be higher for small local stores than for large stores.	Ho: Mean (RQ local stores) \leq Mean (RQ large stores)	Independent samples t-test
		Ha: Mean (RQ local stores) $>$ Mean (RQ large stores)	
H3	The store loyalty will be higher for small local stores than for large stores.	Ho: Mean (SL local stores) \leq Mean (SL large stores)	Independent sample t-test
		Ha: Mean (SL local stores) $>$ Mean (SL large stores)	
H4	The level of product category involvement will be higher for small local stores than for large stores.	Ho: Mean (PI local stores) \leq Mean (PI large stores)	Independent samples t-test
		Ha: Mean (PI local stores) $>$ Mean (PI large stores)	
H5	The level of customer relationship proneness will be higher for small local stores than for large stores.	Ho: Mean (RP local stores) \leq Mean (RP large stores)	Independent samples t-test
		Ha: Mean (RP local stores) $>$ Mean (RP large stores)	

3.5 Findings

The goal of this study is to compare customer relationships between small local stores and large chain stores. These relationship constructs were analysed in small local stores and large chain stores. For each relationship construct, the mean was used to compare the store formats. First, I present summary statistics of the constructs by the means and the standard deviation. Second, I used the software SPSS to test if the means of each item did significantly differ. Each construct was calculated through the mean of its items. The resulting means of the constructs will be compared in Table 5. Note that for all analyses the significance level was fixed at $p=0.05$.

Descriptive statistics for all constructs

Table 4 shows the descriptive statistics of all constructs. Regardless of the store format, the results show the highest mean for store loyalty and the lowest mean for relationship proneness. On average, customers of both store types perceive the investments that the stores makes ($\mu=4.53$), they evaluate the quality of their relationship as positive ($\mu=4.37$) and they show a high loyalty ($\mu=5.86$) towards the stores. Furthermore, they are interested in clothes ($\mu=5.00$), yet they do not seem to be eager to engage in a relationship ($\mu=3.57$).

Table 4: Descriptive statistics for all constructs

Construct	μ	SD
RI	4.53	1.40
RQ	4.37	1.15
SL	5.86	1.09
PI	5.00	1.26
RP	3.57	1.52

Differences between store formats with regard to shopping criteria

Respondents were asked the question “What criteria do you take into account when you shop in that store compared to the other stores?” (see Appendix 1) to understand the criteria for the chosen store format. A list of ten criteria was offered to respondents and – as previously stated –these criteria were most acknowledged in literature. Nonetheless, respondents could also indicate their individual reason under the category ‘other’.

In general, customers of both store formats value the price (42.3 percent), the quality of the products (40.4 percent) and the brand (34 percent) the most. However, looking at the two samples separately, the most commonly-mentioned reason why customers shop at small local stores was due to the atmosphere in the store. Overall, 40 respondents (25.6 percent) consider the atmosphere in the store as the reason to shop for clothes there. Thirty-six of our 40 respondents were customers of small local stores. This was followed by the quality of the products, the sales person and the service. Next, respondents named the brand. The location and the price were equally important and finally they mentioned the size of the store and the online presence. Nonetheless, there is a difference between male and female customers of small local stores regarding the attributes: for male customers, the main reason to visit the local store was the brand rather than the atmosphere.

Large chain stores customers did not mention these shopping criteria – which seem to be important to local store customers – as often. For large chain stores, both male and female customers mostly mention the price as the prime reason. The quality of products, the brand, the location of the store and the size of the store were mentioned next. Regarding the service, the atmosphere and the sales person, customers of large chain stores do not evaluate these criteria as crucial. The contrasting importance of criteria between the store types supports the findings of Grace and O’Cass (2005), who state that store formats can be differentiated according to either high customer service or low prices. This is also in line with Brennan and Lundsten (2000) who characterise small local stores by personal

service and large chain stores by lower prices. A comparison of the criteria can be found in Figure 6.

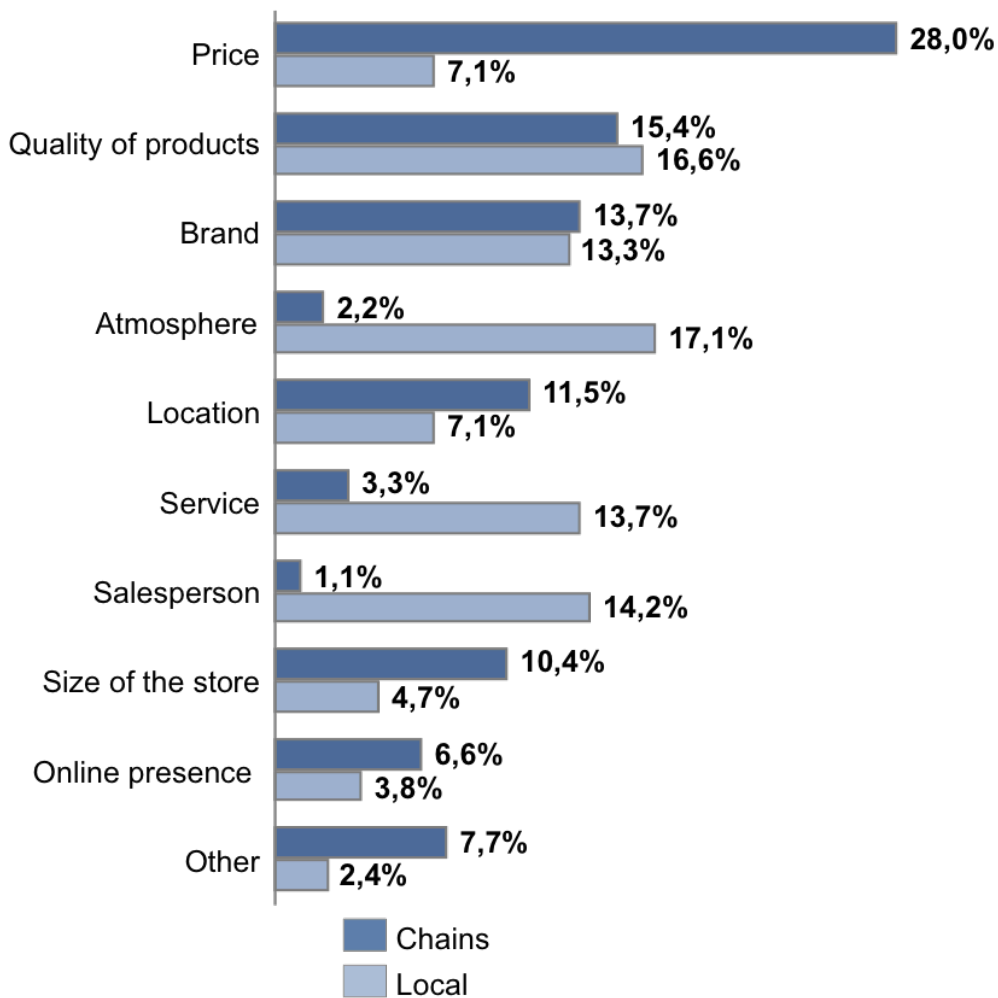


Figure 6: Comparison of shopping criteria

Hypotheses testing

Independent sample t-tests were used to test the hypotheses. Table 5 shows the results for the tests in the form of the construct means (μ), the standard deviation (SD), the number of respondents and the significance (Sig.). Note that non responses and incomplete questionnaires were discarded.

Table 5: Independent sample t-tests

Scale	μ	SD	N	Sig.
RI – local	5.30	1.21	65	0.000
RI - chain	3.97	1.27	91	
RQ – local	5.04	1.10	65	0.000
RQ - chain	3.89	0.93	91	
SL – local	6.11	1.18	65	0.015
SL - chain	5.68	0.98	91	
PI – local	5.49	1.23	65	0.000
PI – chain	4.66	1.16	91	
RP – local	4.28	1.43	65	0.000
RP - chain	3.06	1.37	91	

Note: Coefficient is significant at the 95% level

The mean values for perceived relationship investment, perceived relationship quality, store loyalty, product category involvement and relationship proneness are significantly higher for small local stores compared with large chain stores. Hence, the hypotheses H₁ – H₅ are all supported.

H₁ states that the perceived relationship investment is higher for small local stores than for large chain stores. Customers of small local stores perceive the investments and efforts that the store makes to a greater extent than customers of large chain stores. Indeed, customers of small local stores recognise the efforts more ($\mu=5.30$) than those of large chain stores ($\mu=3.97$). The highest difference in mean values describing perceived relationship investments was found in the item “This store really cares about keeping regular customers.” Accordingly, H₁ is supported.

H₂ hypothesises that the relationship quality is higher for small local stores than for large chain stores. According to customers of small local stores, they perceive the relationship quality as higher ($\mu=5.04$) than those of large chain stores ($\mu=3.89$). The

construct relationship quality was measured by relationship satisfaction, trust and commitment. The items indicative of relationship quality are summarised in Table 6. Relationship satisfaction (RS) shows the latest mean difference between small local stores and large chain stores, at 5.12 and 3.85, respectively. Moreover, small local stores are trusted more than large chain stores. The mean for small local stores is 5.57 and 4.53 for large chain stores. Finally, customers are more committed to small local stores than to large chain stores. Here, the means are 4.43 and 3.30, respectively. Therefore, H₂ is supported.

Table 6: Items indicative of relationship quality

Scale	μ	SD	Sig.
RS – local	5.12	1.32	0.000
RS - chain	3.85	1.09	
Trust – local	5.57	1.04	0.000
Trust - chain	4.53	1.02	
Commitment – local	4.43	1.33	0.000
Commitment - chain	3.30	1.31	

Note: Coefficient is significant at the 95% level

Regarding H₃ – which states that store loyalty is higher for small local stores than for large chain stores – the findings show that customers of small local stores ($\mu=6.11$) are more loyal than those of large chain stores ($\mu=5.68$). Store loyalty was measured by repurchase intentions (Rep.In.) and word-of-mouth (WOM), whereby I also investigate each of these variables separately. It is surprising that the item repurchase intentions was not significant (0.499, $p<0.05$). Hence, there are no differences regarding repurchase intentions for small local stores and large chain stores. However, word-of-mouth was significantly (0.000, $p<0.05$) greater for small local stores than for large chain stores. Taking this into account, there is a difference between small local stores and large chain stores, but only regarding word-of-mouth. H₃ is partially supported and has the highest level of agreement (highest mean)

throughout the constructs for both store formats (see Appendix 3 for more information).

Table 7: Items indicative of store loyalty

Scale	μ	SD	Sig.
Rep.In. – local	6.20	1.38	(0.499)
Rep.In. - chain	6.07	1.08	
WOM – local	6.02	1.22	0.000
WOM - chain	5.30	1.19	

Note: Coefficient is significant at the 95% level

H₄ proposes that the level of product category involvement is higher for small local stores than for large chain stores. Indeed, customers of small local stores are more engaged with apparel products than those of large chain stores. The mean values are 5.49 and 4.66, respectively. As a result, H₄ is supported.

H₅ states that the level of relationship proneness is higher for small local stores than for large chain stores. The results show that customers of small local stores are more willing to engage in relationships than those of large chain stores. The means are 4.28 and 3.06, respectively. The greatest difference in means was found in the item “Generally, I am someone who likes to be a regular customer of an apparel store”. Overall, these are the lowest means when comparing all constructs. The low averages will be discussed in further detail in chapter 4. Nevertheless, H₅ is supported.

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4 Discussions

4.1 Conclusions and Implications

Although this study conducts a preliminary analysis of the data, some useful conclusions and implications can be drawn. This research tests five hypotheses regarding customer relationships in small local stores and large chain stores in the fashion industry. Specifically, the hypotheses were formulated to investigate whether customer relationships are higher for local stores than for large chain stores. The model of De Wulf et al. (2001) was used to conduct this research. In addition, customers were asked about the shopping criteria that they employ when choosing a particular store. These criteria offer a deeper insight for why differences between the two store formats (local stores and chain stores) might exist.

A total of 156 respondents participated in this research. Hereof 41.7 percent are customers of small local stores and 58.3 percent customers of large chain stores. The data were analysed by using independent samples t-tests and frequencies. The results prove that perceived relationship investment, perceived relationship quality and partially store loyalty are higher for small local stores compared with large chain stores. Moreover, the level of product category involvement and the level of relationship proneness are higher for small local stores than for large chain stores. These conclusions lead to some useful managerial implications, which will be discussed for each construct of the model from De Wulf et al. (2001) below.

Perceived relationship investment

The perceived relationship investment is higher for small local stores than for large chain stores. An explanation for this could be that customers of small local stores experience the efforts that the store makes more, due to the personal advice from the same sales person over several visits. From the selected stores in Würzburg, the average number of employees for small local stores is 11, in contrast to large chain stores, where on average 19 sales persons are employed. Conforming with Reynolds

and Beatty (1999) and Too et al. (2001), having less employees leads to a greater opportunity for small local stores to enable communication between the customer and the same sales person over several visits and this in turn will lead to a higher customer perception of relationship investments.

Moreover, small local stores can increase the perceptions of efforts and build and maintain strong customer relationships due to a friendly atmosphere in the store. As for this study, participants mention the atmosphere as a prime reason why they shop in small local stores. The atmosphere is related to the visual appearance of the store and the physical surroundings (C. Hart, Farrell, Stachow, Reed, & Cadogan, 2007).

Thus, an implication for small local stores is to highlight these functional and social benefits to increase the customers' perception of relationship investments. First, the store should always ensure that the sales persons have excellent social skills to interact with the customer and understand their needs and preferences. Hereto they should be knowledgeable about latest trends in the fashion industry to offer good advice, although it should be always based individually on the customer. Second, small local stores need to maintain the atmosphere in the store. Besides the sales person welcoming the customer in a friendly manner they can create a nice atmosphere through a clean appearance in the store and the clothes should be hung up nicely and in the right order. A fashionable seating area might increase customers' shopping experience, because they can take a rest during their stay in the store. Third, due to the small size of the store and thus the low number of customers who can shop at the same time, it can create a greater impression of privacy. This might not be seen as a relationship effort per se, yet it increases the overall experience for the customer.

Perceived relationship quality

As expected, the perceived relationship quality is higher for small local stores than for large chain stores. One reason for this result is that small local stores can augment their products with additional services. This in turn makes customers perceive the

relationship quality as high (Marzo-Navarro et al., 2004). Customers of small local stores are more satisfied with the relationship that they have with the store, they trust the store more and they feel committed to it.

Regarding this study, customers of small local stores mention the service more often as a reason why they chose this store compared to customers of large chain stores. Out of 35 respondents, 29 prefer small local stores due to the services, while only 6 customers of large chain stores regard services as a relevant criterion. Additional services could be in the form of welcome drinks as soon as the customer enters the store, whereby he/she should be offered a drink. An extended time period to return clothes could strengthen the trustworthy image of the store. Moreover, small local stores have the advantage of serving customers more individually and devoting them more attention to ensure that they feel special, owing to the smaller size of the stores (Too et al., 2001). Thus, sales persons should take their time when they serve a customer. A customer database could facilitate knowledge about wishes and preferences of the customer as well as previous purchases. Thus the sales person knows exactly what the customer wants. Such a database needs to be evaluated carefully and should only be implemented if the stores are customer-oriented and have the necessary financial, managerial and supportive resources (Davis, 1997). Small local stores also need to take into account that the longer customers pertain in a relationship the more sensitive they become to wrong advice or failures of the trusted sales person (Marzo-Navarro et al., 2004). Thus, the store should assure high quality of advice and consultancy at all times, helping the customer to make right purchase decisions.

Store loyalty

Store loyalty is higher for small local stores than for large chain stores. This can be explained due to the fact that small local stores can add more value to the shopping experience of their customers. This overall positive shopping experience leads to increased repurchase intentions (Macintosh & Lockshin, 1997). Nonetheless, the results show that there are no significant differences regarding repurchase intentions

between store formats, whereby both store formats present high mean values. Thus, besides added value to increase repurchase intentions, there are other factors that foster the repurchase behaviour of customers.

This supports Homburg and Giering (2001), who state that repurchase intentions are dependent on customer characteristics, the product itself and the duration of the relationship. Therefore, it would be interesting to explore the drivers of this variable. Overall, repurchase intentions show the greatest mean across the constructs. This implies that customers are very likely to shop at their preferred store again regardless of the store type.

A significant difference was found for word-of-mouth. Customers of small local stores are more loyal given that they are more likely to recommend the store to relatives and friends than customers of large chain stores. This implies that small local stores are in favour of building customer relationships with new customers and attracting new ones. In order to strengthen the positive impacts due to word-of-mouth, stores could reward existing customers for their referral or offer lower prices. However, the disadvantage of these two tools that referral rewards are sometimes offered to customers who would have recommended anyway and offering lower prices can lead to a “free-riding” problem where customers profit from the price reductions but do not recommend the store (Biyalogorsky, Gerstner, & Libai, 2001). Therefore, it is crucial for small local stores not to waste their resources and to carefully evaluate the profitability of referral programs, compared to large chain stores, which can spend an enormous amount of money on customers referral reward programs. An appropriate referral program could be to make a social media campaign where customers who recommend the stores to other people have the chance to get invited to an exclusive late-night shopping event, where they are already introduced to the next collection. This will reward the customer not monetary but will make them feel “special”. However, in order to track the source of the referral, customers need to have an identification marker (Garnefeld, Eggert, Helm, & Tax, 2013). Of course, the time and date of the event will not be disclosed at the beginning to ensure that customers do

not abuse the campaign. Moreover, careful calculation of the new potential customer base and the costs for the event needs to be undertaken.

In addition, strategies for building strong customer relationships should be based on the high quality of products and strong customer service, because these criteria differentiate small local stores from large chain stores (Grace & O’Cass, 2005).

Product category involvement

Local store customers are more interested in apparel and the kind of clothes that they wear than large chain store customers. In general, customers of both store formats show a high level of product category involvement. Hence, they are concerned about their looks and they want to differentiate themselves from other people (Gurel & Gurel, 1979). Nevertheless, customers of small local stores care more about apparel. Therefore, it is important for small local stores to highlight their customised collections, including through presenting the new collections on social media platforms. Interestingly, male customers of small local stores mention the brand as the main reason to shop at that store. This indicates that men are looking for unique designs and particular brands compared to women, who ranked the brand in fifth place. This proposes the implication that small local stores should position their clothes for men in such a way that the variety of brands and unique designs is displayed immediately.

However, small local stores should differentiate customers who show a high interest in clothes and invest time and energy in buying clothes from those who occasionally buy clothes (Too et al., 2001).

Relationship proneness

As hypothesised, the findings show that the level of relationship proneness is higher for small local stores than for large chain stores. One reason for this result is that customers who are interested in clothes and to whom clothes are important are likely to engage in a relationship with a store (Berry, 1995). This is the case for customers of small local stores. Even though the results show the lowest means throughout the constructs, this can be partly explained by the fact that customers’ proneness to

engage in relationships can vary across product categories (Odekerken-Schröder et al., 2003). Another explanation could be those customers do not want to disclose their willingness to engage in a relationship with one particular store, as they still want to have the freedom to choose other stores. This implies that shoppers do not seem to find it necessary or important to have someone to facilitate their decision-making process when buying clothes. Nonetheless, as retailers cannot control customers' relationship proneness, they need to be segmented according to their level of proneness (J. Bloemer & Odekerken-Schroder, 2002). Therefore, an important implication for small local stores is to detect customers who show personal characteristics of being relationship-prone and serving them according to their expectations. Hence, this means helping them by giving good advice and simplifying the broad variety of clothes by ascertaining their preferences of clothing styles. Furthermore, small local stores need to be aware not every customer will perceive their relationship investments that the store makes equally (Wulf et al., 2001).

4.2 Limitations and Directions for Further Research

While the findings offer some managerial implications, there are limitations that need to be acknowledged.

First, the results of this study were collected in the fashion industry in one specific city in Germany. The sample used in this research does not represent the whole population of shoppers. This limits the generalizability and thus the external validity of the results to other parts in the retail industry. Moreover, the majority of respondents was female. However, this research can be carried out for other sectors in the retail industry, such as food and grocery or the electronic market (specialty stores vs. discounter).

Second, the survey was mostly distributed on social media platforms. Thus, in order to participate in the study, customers needed to be active on social media platforms. For instance, only 21 percent aged between 50 and 69 years are active on Facebook

(Statista, 2016). This restricts the sample to mostly younger people, as older people barely use social media platforms. This might influence the results, because older people tend to be more loyal to local stores than younger people (Noble et al., 2006).

Third, the study uses a cross-sectional data collection design. A direction for future research could be to use a longitudinal design, because this allows comparing changes in relationships as they evolve and change over time. Customers' trust could increase and their loyalty towards the store could be strengthened (Czepiel, 1990).

Fourth, participants were not asked about their income. It would be interesting to ascertain whether there are any divergences between customers of small local stores and customers of large apparel chain stores. As the prices in small local stores vary from medium-priced to expensive clothes (see Table 1), it can be assumed that the income of these customers is higher than that of customers of large chain stores. Moreover, the main reason that customers of large chain stores mention is the price; thus, it could be assumed that these customers regard the price as important due to their lower income.

Fifth, some researchers claim that especially in a retail setting the customer can have relationships on different levels; for instance, with the store, a specific department or branch, the brand or with the sales person (Beatty et al., 1996; Dodds, Monroe, & Grewal, 1991; Wong & Sohal, 2003). This study chose to measure store loyalty rather than sales person or brand loyalty, because they can be seen as antecedents of store loyalty (Macintosh & Lockshin, 1997). Nonetheless a direction for further research could be to investigate the other levels of customer relationships.

Finally, the results allow further research to delve deeper into the purchase motivation of customers to gain more insights and implications. Hence, the shopping criteria (see Figure 6) concerning why customers chose a particular store format need to be investigated to a greater extent, as well as examining the effects on

customer relationships. Moreover, as advanced technology is progressing further, it might have a disadvantageous impact on small local stores due to their limited resources compared to large chain stores. Further research needs to address this development and take technological aspects into account, such as online shopping and customer databases.

5 Appendices

A1 Introduction

Good day. Thank you for taking part in this survey. I am a Master's student from the Master of Management Program at Hasselt University and I am investigating customer relationships in the fashion industry.

The results of the survey will be kept anonymously and used for academic purpose only. All answers will be kept confidential.

This survey should only take 10 minutes of your time.

A2 Questions

1. Have you been shopping clothes in Würzburg?

Yes

No

(If no, the respondent finishes the survey)

2. Which store-type do you prefer for shopping clothes?

Small local stores

Large chain stores

(Respondent will be directed to either the 5 small stores or the 5 large stores)

2. In which, of the beneath listed stores, do you shop the most? (Choose or add only one)

(Small stores)

(Large stores)

Mainglück

Hallhuber

Stilding

H&M

Stoffbar

Zara

Maingold

Only

Frauen-/ Männersache

s.Oliver

Other (please specify):

Other (please specify):

4. What criteria do you take into account when you shop in that store compared to the other stores?

Salesperson

Location

Brand

Price

Online presence

Size of the store

Quality of products

Service

Atmosphere

Other (pls specify):

Perceived relationship investment

This store makes efforts to increase regular customers' loyalty.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

This store makes various efforts to improve its tie with regular customers.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

This store really cares about keeping regular customers.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

Perceived relationship quality

Relationship satisfaction

As a regular customer, I have a high-quality relationship with this store.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

I am happy with the efforts this store is making towards regular customers like me.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

I am satisfied with the relationship I have with this store.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

Trust

This store gives me a feeling of trust.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

I have trust in this store.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

This store gives me a trustworthy impression.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

Commitment

I am willing “to go the extra mile” to remain a customer of this store.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

I feel loyal towards this store.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

Even if this store would be more difficult to reach, I would still keep buying there.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

Store loyalty

Repurchase intention

How likely would you be to shop at this store again?

(Very unlikely) 1 2 3 4 5 6 7 (Very likely)

Recommend

1. If you had the opportunity, how likely would you be to recommend that store to a friend or relative?

(Very unlikely) 1 2 3 4 5 6 7 (Very likely)

Product category involvement

Generally, I am someone who finds it important what clothes he or she buys.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

Generally, I am someone who is interested in the kind of clothing he or she buys.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

Generally, I am someone for whom it means a lot what clothes he or she buys.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

Customer relationship proneness

Generally, I am someone who likes to be a regular customer of an apparel store.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

Generally, I am someone who wants to be a steady customer of the same apparel store.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

Generally, I am someone who is willing “to go the extra mile” to buy at the same apparel store.

(Strongly disagree) 1 2 3 4 5 6 7 (Strongly agree)

Demographic data

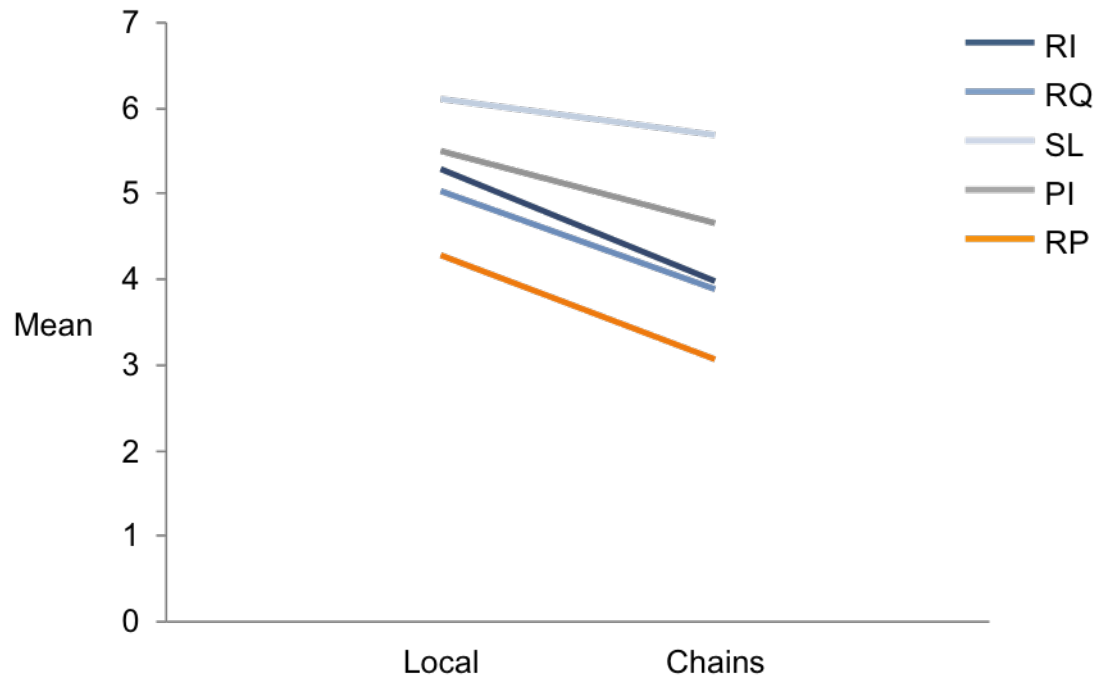
1. How old are you?

2. What is your gender?

Male

Female

A3 Mean values of constructs



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Richting: **Master of Management-International Marketing Strategy**
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