




Presenting an Indigenous Model of Brand Loyalty in the Retail Industry

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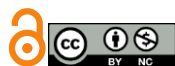
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ABSTRACT

Objective: The main objective of this research was to "design a suitable marketing model based on brand loyalty in the retail industry," with the question posed as "what is a suitable marketing model based on brand loyalty in the retail industry?"

Methodology: A mixed-method approach, combining qualitative and quantitative methodologies, was utilized to answer this question. Initially, key components of the marketing model based on brand loyalty were identified through sequential exploratory design (thematic analysis method) via interviews. Subsequently, the research questions were examined through the collection of quantitative data. Thus, the measurement tool in the qualitative method was in-depth and semi-structured interviews, and in the quantitative method, it was a questionnaire. The population studied in the qualitative method consisted of experts, and in the quantitative method, individuals knowledgeable about marketing and the retail industry. For sampling in the qualitative method, 21 experts were selected using purposive sampling, and for the quantitative method, 384 individuals were selected using cluster sampling initially, followed by stratified random sampling after selecting the cluster to be studied. Ultimately, thematic analysis was used to code the responses obtained from the interviews (as part of qualitative analysis), and exploratory factor analysis and structural equation modeling were used to extract and analyze the empirical data (as part of quantitative analysis).

Findings: The findings from the qualitative analysis indicated that the majority of experts (18 individuals) mentioned "the absence of after-sales services," and (17 individuals) mentioned "the high price of the dollar." The findings from the quantitative analysis revealed that the model used in the current research had a satisfactory fit, and the researcher-developed questionnaire contained eight factors: brand heritage, customer satisfaction, brand reliability, brand's association with positive topics, brand belief, brand familiarity, brand distinctiveness, and brand loyalty. It was ultimately argued that brand heritage,

with the mediating role of variables such as brand's association with positive topics (with an effect size of 0.69), brand familiarity (with an effect size of 0.41), brand belief (with an effect size of 0.37), customer satisfaction (with an effect size of 0.36), and brand distinctiveness (with an effect size of 0.27), effectively influences brand loyalty. Other variables, having an effect size of less than 0.2, were not significant.

Conclusion: Given that no model for presenting an indigenous brand loyalty model in the retail industry has been provided in Iran so far, there are many gaps in various aspects for this industry. Based on conducted interviews, there are essential prerequisites for the formation and expansion of these products, without which marketing these products in this industry would be ineffective. Marketing in this industry requires a series of events and appropriate principles to create a connection between brand heritage and brand loyalty by the customer; otherwise, it would not be possible to loyalty customers through this industry.

Keywords: *Brand loyalty, Quantitative analysis, Qualitative analysis, Marketing, Retail industry*

1 Introduction

Utilizing branding is considered one of the important indicators in today's businesses leading to improved marketing conditions. The American Marketing Association defines a brand as "a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers." Given the benefits branding provides to both organizations and consumers, this topic has significantly captured marketers' attention (Maehle & Shneor, 2010).

Branding is a highly practical strategy for differentiation in both the service and manufacturing industries. In today's world, companies and organizations are not only competing to capture the market for products and services but are also making substantial efforts to align customers' mental perceptions with their own (product/brand/company) (Usakli & Baloglu, 2011).

One of the most famous and important marketing concepts widely discussed today by researchers and marketing experts is brand equity, which is renowned for its strategic role and significance in managerial decision-making and creating a competitive advantage for organizations and their customers (Bravo Gil et al., 2007).

Considering the importance and position of the consumer in the market, attracting and retaining customers can be regarded as one of the important issues of marketing activities in brand valuation (goods and services). The issue of interest in this research is the importance of the brand and its loyalty in the new era and the optimal utilization of it. Unfortunately, in Iran, unlike other parts of the world, brand loyalty has received less attention, and thus, its potential is

not being optimally utilized (Gutiérrez Rodríguez et al., 2017).

On the other hand, marketers have been paying special attention to the concept of brand loyalty for a long time since brand loyalty represents the bond a customer has with a brand (Bisschoff & Joubert, 2020; Moharamzadeh & Akbari, 2013; Phong et al., 2020). Brand loyalty offers numerous benefits to a company, including repeat purchases and recommending the brand to friends and acquaintances. Brand management consultants focus on the importance of brand loyalty; however, despite extensive research, its concept is not clearly articulated. Previous research on brand loyalty focused on behavior. Brand loyalty is considered a subset of repeat purchase behavior and the intention to repurchase. Meanwhile, businesses must ensure brand loyalty (Awan & Rehman, 2014; Azizi et al., 2013; Biedenbach & Marell, 2010).

Kotler (1982) stated that the cost of attracting a new customer is five times the cost of keeping an old one. Barsky (1977) also emphasized that the cost of attracting a new customer is higher than maintaining customer loyalty; meaning that less money is spent on the product and brand loyalty increases (Gupta et al., 2010).

Finally, it is mentioned that since the retail industry in our country is booming across all sectors, but marketing methods and customer retention are predominantly traditional, and retailers have not made efforts to scientificly this industry or do not know the proper scientific way, this theoretical gap leads to the establishment of the current investigation around the scientific path and how to advance this industry. Therefore, the present research attempts to explore the nature of customer loyalty considering variables

such as customer satisfaction, brand reliability, brand's association with positive topics, brand belief, brand familiarity, brand distinctiveness, and ultimately, brand heritage. Hence, the main research question posed is: To what extent does brand heritage, mediated by customer satisfaction, brand reliability, brand's association with positive topics, brand belief, brand familiarity, and brand distinctiveness, impact brand loyalty in the retail industry?

2 Methods and Materials

2.1 Study Design

Given that in the current research none of the variables were manipulated, and it solely focused on "the impact of brand heritage with the mediating role of customer satisfaction, brand reliability, brand's association with positive topics, brand belief, brand familiarity, and brand distinctiveness on brand loyalty in the retail industry," and considering that in descriptive research there is no possibility of manipulating independent variables and the researcher did not manipulate any independent variable in the current study, the use of a descriptive research design confirms this claim. It is worth mentioning that the current research, emphasizing on the types of objectives, is of an applied nature; because it aims to present an indigenous model of brand loyalty in the retail industry.

Regarding the population, sample, and sampling method, considering that the current study employed both quantitative and qualitative methods, therefore, the research population for the quantitative method are individuals knowledgeable about marketing and the retail industry. Initially, using cluster sampling method (considering the extensive population), the desired cluster was identified and then, using stratified random sampling with Cochran's formula for unlimited populations, a total of 384 individuals were selected.

Moreover, the statistical population for the qualitative method includes experts from marketing and sales departments of companies active in the retail sector, selected through judgmental sampling, and deep interviews were conducted with 21 of these individuals.

2.2 Data Collection

The measurement tool in the current study for the quantitative method is a researcher-made questionnaire, whose validity and reliability were evaluated using exploratory factor analysis (for calculating construct or

factor validity), consultation with experts (for content validity), and Cronbach's alpha (for internal consistency). The results of the factor analysis showed that the questionnaire has construct validity and includes 8 factors (brand heritage, customer satisfaction, brand reliability, brand's association with positive topics, brand belief, brand familiarity, brand distinctiveness, and brand loyalty), and the results of Cronbach's alpha indicated that all reliability coefficients are above 0.70, demonstrating satisfactory reliability.

Furthermore, the measurement tool for the qualitative method in this research was in-depth and unstructured interviews with experts. Initially, the researcher designed a number of open-ended questions based on research objectives and a review of theoretical foundations and then proceeded to interview the experts. After collecting and analyzing the initial data, judgmental sampling was used to determine who the next sample should be and what questions should be asked during the interview. Generally, the initial structure of the questions and its adjustment during the interview process were designed and guided in a way that aligns with the research objectives.

2.3 Data Analysis

The data analysis method for the quantitative method is exploratory factor analysis and structural equation modeling, which was calculated using the LISREL software. The data analysis method for the qualitative method is thematic analysis, where codes were extracted using office application programs, and based on these codes, concept formation and definition of components were conducted.

3 Findings and Results

In line with testing the main research question regarding the extent of the impact of brand heritage with the mediating role of customer satisfaction, brand reliability, brand's association with positive topics, brand belief, brand familiarity, and brand distinctiveness on brand loyalty, structural equation modeling was used in the quantitative method, with results emphasizing the research questions as follows:

Question 1: To what extent does brand heritage have a significant effect on the brand's association with positive topics?

Question 2: To what extent does brand heritage have a significant effect on brand belief?

Question 3: To what extent does brand heritage have a significant effect on brand familiarity?

Question 4: To what extent does brand heritage have a significant effect on brand distinctiveness?

Question 5: To what extent does the brand's association with positive topics have a significant effect on brand reliability?

Question 6: To what extent does brand belief have an effect on brand reliability?

Question 7: To what extent does brand familiarity have a significant effect on brand reliability?

Question 8: To what extent does brand distinctiveness have a significant effect on brand reliability?

Question 9: To what extent does brand reliability have a significant effect on customer satisfaction?

Question 10: To what extent does customer satisfaction have a significant effect on brand loyalty?

At this stage, the structural model was used to examine the causal relationships between constructs. Indeed, considering the results of the examination of relationships between independent and dependent constructs using the respective coefficient, the significant effects between the constructs of the study were analyzed. The bootstrap test was used for indirect significance testing and structural level changes recommended by the partial least squares method were applied to calculate t-values and the indirect significance of path coefficients.

Table 1

Structural Model of Direct Relationships Between Independent and Dependent Variables

Hypotheses	Path Coefficient	Beta Coefficient	Unstandardized Coefficient	Effect Size	p	Bootstrap Confidence Intervals (2.5%)
1	Brand Heritage → Brand's Association with Positive Topics	0.64	20.85	0.41	0.69	0.00
2	Brand Heritage → Brand Belief	0.52	12.03	0.27	0.37	0.00
3	Brand Heritage → Brand Familiarity	0.54	12.85	0.29	0.41	0.00
4	Brand Heritage → Brand Distinctiveness	0.46	9.35	0.21	0.27	0.00
5	Brand's Association with Positive Topics → Brand Reliability	0.19	3.36	0.38	0.04	0.00
6	Brand Belief → Brand Reliability	0.22	3.44		0.05	0.00
7	Brand Familiarity → Brand Reliability	0.20	2.78		0.04	0.01
8	Brand Distinctiveness → Brand Reliability	0.18	3.20		0.03	0.00
9	Brand Reliability → Customer Satisfaction	0.52	9.3	0.27	0.36	0.00
10	Customer Satisfaction → Brand Loyalty	-0.48	9.33	0.23	0.30	0.00

Structural analysis evaluated the relationship between brand heritage and brand attitude dimensions. As shown in the Table 1, the variable of brand heritage has a positive and significant effect on the dimension of the brand's association with positive topics ($\beta=0.64$, $t=20.85$, $p<0.00$). Therefore, an increase in the brand heritage variable leads to an increase in the dimension of the brand's association with positive topics. Similarly, the brand heritage variable has a positive and significant effect on the dimension of brand belief ($\beta=0.52$, $t=12.3$, $p<0.00$). Thus, an increase in the brand heritage variable leads to an increase in the dimension of brand belief.

Structural analysis also assessed the relationship between brand heritage and consumer awareness dimensions. As indicated, the brand heritage variable has a positive and significant effect on brand familiarity ($\beta=0.54$, $t=12.85$, $p<0.00$), meaning that an increase in the brand heritage variable results in an increase in brand familiarity. Additionally, the brand heritage variable has a positive and

significant effect on brand distinctiveness ($\beta=0.46$, $t=9.35$, $p<0.00$), indicating that an increase in brand heritage leads to an increase in brand distinctiveness.

Structural analysis evaluated the relationship between brand attitude dimensions and brand reliability. The variable of the brand's association with positive topics has a positive and significant effect on brand reliability ($\beta=0.19$, $t=3.36$, $p<0.00$). Thus, an increase in the variable leads to an increase in brand reliability. Similarly, the brand belief variable has a positive and significant effect on brand reliability ($\beta=0.22$, $t=3.44$, $p<0.00$), indicating that an increase in brand belief leads to an increase in brand reliability.

Furthermore, structural analysis assessed the relationship between consumer awareness dimensions and brand reliability. The brand familiarity variable has a positive and significant effect on brand reliability ($\beta=0.20$, $t=2.78$, $p<0.01$), suggesting an increase in brand familiarity leads to

increased brand reliability. Also, brand distinctiveness has a positive and significant effect on brand reliability ($\beta=0.18$, $t=3.20$, $p<0.00$), indicating an increase in brand distinctiveness enhances brand reliability.

The structural analysis of the relationship between brand reliability and customer satisfaction showed a positive and significant effect ($\beta=0.52$, $t=9.3$, $p<0.00$), suggesting an increase in brand reliability leads to increased customer satisfaction.

Additionally, the structural analysis of the relationship between research variables showed that customer satisfaction has a negative and significant effect on brand loyalty ($\beta=-0.48$, $t=9.33$, $p<0.00$), indicating that an increase in customer satisfaction leads to a decrease in brand loyalty. Figures below is presented to illustrate the relationships between the aforementioned variables:

Figure 1

Model with Beta Coefficients

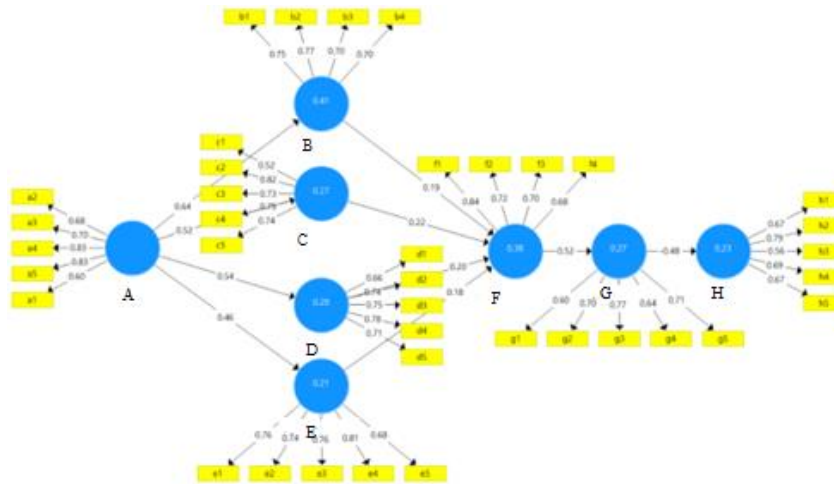
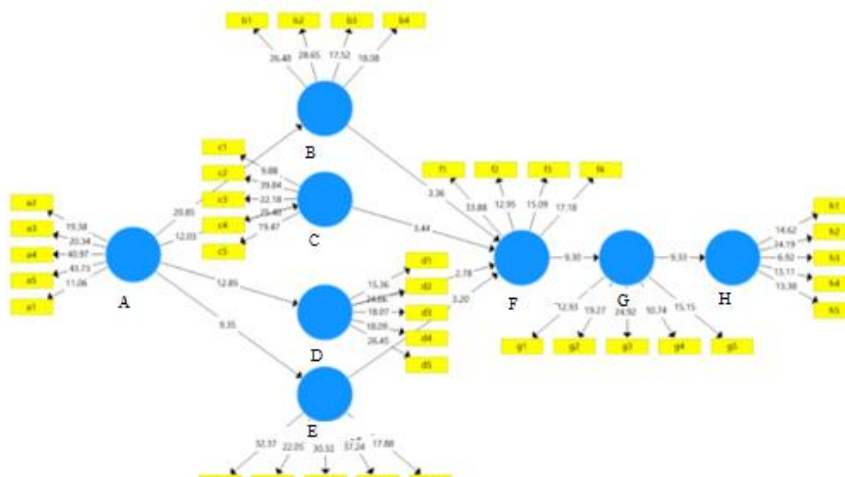


Figure 2

Model with T-Values



In line with qualitative method-related analyses, thematic analysis was used. In this study, 21 interviews were conducted, with interviewees selected from customers of specific brands. The findings of the current research are based on Grounded Theory and, after preliminary

interviews, theoretical saturation was achieved with the same number. Initially, all factors extracted from the interviews were considered as codes, which were then categorized into similar concepts based on the meaning of

each code, forming the research themes (concepts) summarized in Table 2:

Table 2

Classification of Moderating Factors Affecting Brand Loyalty Extracted from Interview Texts

Frequency	Code	Theme
18	Lack of After-Sales Services	Sanctions
15	Lack of Connection with the Desired Brand for Political Reasons	
11	Presence of COVID-19 and Job Losses	Decrease in Household Purchasing Power
17	High Dollar Prices	
12	High Inflation in the Country	
16	Lack of Import of Foreign Raw Materials	
13	High Cost of Domestic Goods Compared to Quality	
17	US Sanctions	

Table 2 shows the frequency distribution of codes extracted from the analysis of 21 interview files. Generally, two categories of moderating factors affecting brand loyalty were identified: sanctions and the decrease in household purchasing power. In the sanctions category, two components were confirmed: the absence of after-sales services and the lack of connection with the desired brand solely for political reasons, with frequencies of 18 and 15, respectively. In the category of decreasing household purchasing power, the components identified were the presence of COVID-19 and job losses (11), high dollar prices (17), high inflation in the country (12), the lack of import of foreign raw materials (16), the high cost of domestic goods compared to quality (13), and US sanctions (17).

4 Discussion and Conclusion

This study aimed to present an indigenous model of brand loyalty in the retail industry for the first time, encompassing both qualitative and quantitative phases. In the qualitative phase, semantic loads were identified, forming the basis for extracting sub-themes and main themes. In the quantitative section, structural equation modeling was utilized via the LISREL software to examine the relationship between the research variables.

The findings revealed that out of the ten questions examined in the model, nine questions showed a positive and aligned relationship, but one question revealed a negative relationship; whereas, according to all presented research, this question was expected to be positive. Therefore, in explaining the current finding, the researcher attempted to uncover the reason for the negative relationship between the variables of customer satisfaction and brand loyalty.

Given that no model for presenting an indigenous brand loyalty model in the retail industry has been provided in Iran so far, there are many gaps in various aspects for this industry. Based on conducted interviews, there are essential prerequisites for the formation and expansion of these products, without which marketing these products in this industry would be ineffective. Marketing in this industry requires a series of events and appropriate principles to create a connection between brand heritage and brand loyalty by the customer; otherwise, it would not be possible to loyalty customers through this industry.

Through the examination of more than 200 scientific articles related to variables of brand heritage, brand's association with positive topics, brand belief, brand familiarity, brand distinctiveness, brand reliability, customer satisfaction, and customer loyalty, the researcher concluded that globally these variables have a positive relationship. However, surprisingly, the relationship between brand loyalty and customer satisfaction was completely opposite and turned negative in Iran. The researcher then reached two mediating factors through qualitative analysis, which are elaborated upon in all the results.

Based on research background and theoretical literature, the relationship between customer satisfaction and brand loyalty is significantly positive. In other words, if customer satisfaction increases by one unit, brand loyalty increases proportionately. However, in the quantitative research conducted in the present study, this result was significant but negative. Therefore, using Grounded Theory, 21 interviews with customers as experts were conducted. These data were analyzed with the MAXQDA 2020 software. Based on the stages of open, axial, and selective coding, codes in two main areas: sanctions and the decrease in household purchasing power, were extracted. These factors, as

moderating components, increase or decrease the relationship between customer satisfaction and brand loyalty.

In the sanctions section, factors such as the absence of after-sales services and lack of connection with the brand for political reasons were extracted. In the decreasing household purchasing power section, factors such as the presence of COVID-19 and job losses, high dollar prices, high inflation in the country, the lack of import of foreign raw materials, the high cost of domestic goods compared to quality, and US sanctions were extracted. Now, based on the quantitative conceptual model, a new proposal is presented that considers sanctions and the decrease in household purchasing power as two moderating variables on the relationship between customer satisfaction and brand loyalty.

Finally, it is essential to mention that this research, being the first of its kind in Iran, aimed to provide a comprehensive and integrated framework of an indigenous brand loyalty model in the retail industry, not solely focusing on marketing based on communication and customer needs, but identifying all aspects necessary for customer loyalty to establish a scientific and research-based foundation for future researchers and practitioners in this field.

Furthermore, considering brand heritage as one of the primary variables of this research, the researcher suggests that producers and even sellers in the retail industry pay more attention to creating this reflective experience, as customers need an extraordinary perspective on a product to start the process.

Lastly, it is crucial to note that this research attempted to offer a solution for customers to become loyal at the end of using a product in the Iranian retail industry, yet interestingly, not all satisfied customers become loyal. Hence, the researcher strived to extract reasons considering the economic, cultural, and political conditions of the country. The researcher's suggestion to all producers is to consider the reasons stated in the following section, i.e., qualitative practical recommendations, and strive to produce a product that results in customer loyalty.

Authors' Contributions

All authors have contributed significantly to the research process and the development of the manuscript.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

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Declaration of Interest

The authors report no conflict of interest.

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Ethical Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were observed.

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