



The Effects of Retailer's Equity on ETKA Customers' Shopping Tendency

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Abstract

With increase of competition in retail industry and also rapid growth of variety of companies, which have entered this industry in recent years; decision making and putting step towards improving companies' competition statement are turned to be one of the most important roles of chain stores managers. For this reason, knowing that effects of influence of different varieties on customer's shopping tendency can play an important role on their success. This research's purpose is to discuss the effects of various aspects of retail's special value on tendency of Tehran's ETKA consumer. This paper classified as an applied research and descriptive correlational study. Structural equation modeling is used for data analysis. This population of this research is all the Tehran's ETKA customers. In addition, 388 questioners are used for this research data analysis. This research concludes that beside retailer's equity, retailer's reputation and association as well as customer's awareness and loyalty are effective and play an important role on customer's shopping tendency. In addition, retailer's quality reputation effects on customer's loyalty.

Keywords: Retailer's equity, shopping tendency, ETKA, structural equation modeling.

Introduction

With extinguish of Scale Economies and blooming Customer-driven economy in 1980s, the power of production units gradually been distributed among distribution network, stores, retailers and after that to end users (customers). That's when huge retailers like TESCO and Wal-Mart with relying on their distribution power and variety of items began to dictate new pricing, tagging, delivery and other related policies, which once was exclusively in hands of the producers¹. The same story has happened in Iran after reaching the sufficiency in production of many items and also removing many legal and custom barriers. Following that increase of import, a sensible competition came between shops and retails. We witnessed raise of retailers and increase of local and foreign investment in chain-shops in our country in recent years. The increase of expend investment and influence of foreign companies among chain-shops, made a great deal of competition in this industry, which ignoring this fact will lead the company to be out of the business. One of the topics which recently been discussed in retail industry as a strategic advantage is that retailer's equity brand². As advantages of retailer's equity can mention to creating private powerful brands and increase of profit and income by differing them from other competitors' accounts³. The importance of this matter comes from the fact that always a retailer needs to know about the effects of company's marketing on customer's knowledge structure for its survival in an increasing competing circumstances⁴. According to Ailawadi and Keller³ the image of retailer on mind of customer; is the base of equity value of

retailer and the key in purchase process. Hence, this research with pointing and emphasizing on aspect of equity, is discussing on effective elements of these varieties on the customer's tendency to shop from ETKA chain-shop in Tehran. Founded in 1955, ETKA is a grocery and general merchandise retailer with over 440 branches all over the country and is considered to be one the largest retailers in Iran.

Literature Review: Retailer's equity: Wu Jinfeng and Tian Zhilong² assuming that the original brand management can be applied for retails too, hence of replacing its equity, intended to create the retailer's equity value. According to their definition retailer's equity value is the impact of selected store image dimensions on retailer equity and is based on customer's reaction to marketing activities of the shop. In another research Hernández-Espallardo and Navarro-Bailón they have defined equity as "the value of trademark for the consumer" and according to critics in a certain competing situation of retail industry, this definition can obtain following advantages: i. Aid in separating items and services of the retailer with its competitors, ii. Improving the quality and reputation of the company, iii. Avoid in drop of market share in time of war and other circumstances, iv. Giving enough time to company to linger and have proper reaction against its crisis with competitors⁵.

In accounting and finance, equity is the residual claim or interest of the most junior class of investors in assets, after all

liabilities are paid. If liability exceeds assets, negative equity exists.

Equity theory is a theory that attempts to explain relational satisfaction in terms of perceptions of fair/unfair distributions of resources within interpersonal relationships. Considered one of the justice theories, equity theory was first developed in 1963 by John Stacey Adams, a workplace and behavioral psychologist, who asserted that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others. The belief is that people value fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of their co-workers and the organization. The structure of equity in the workplace is based on the ratio of inputs to outcomes. Inputs are the contributions made by the employee for the organization.

Brand equity is the value a brand adds to a product. Retail equity is the value a retail outlet is able to add to the brand or to the products sold by it. Point of purchase happens at the retail outlet, and hence, the equity added at this point enhances the image of the outlet.

As in the case of brand associations, retail outlets will have to nurture and cultivate specific associations in the minds of consumers. In urban areas, the retail ladder could be the topical

area of interest to marketers and retailers. Like in brand ladders, consumers have a hierarchy of brands in their mind when they think of a product category. Retail equity aims at creating specific associations which would create a high degree of recall in the minds of the consumers by placing the retail outlet at the top of the retail ladder.

Retail equity also serves as a differentiator when consumers are confronted with hundreds of retail outlets and the power of retail equity is evident. Retail equity also helps the outlet to have better buying power with large companies because of the volumes it is capable of achieving.

While the actual process of developing retail equity differs across product categories, there are few conceptual aspects which are likely to be useful to any outlet concerned with retailing and point-of-purchase.

Research Hypothesis: According to what has been discussed the following theory model is applied which effect on effects on customer's tendency: i. H1: The reputation of retailer's quality effects on customer tendency. ii. H2: Retailer's association effects on Customer tendency. iii. H3: Customer's loyalty effects on customer tendency. iv. H4: Awareness of retailer's existence effects on customer tendency. v. H5: The reputation of retailer's quality effects on customer's loyalty.

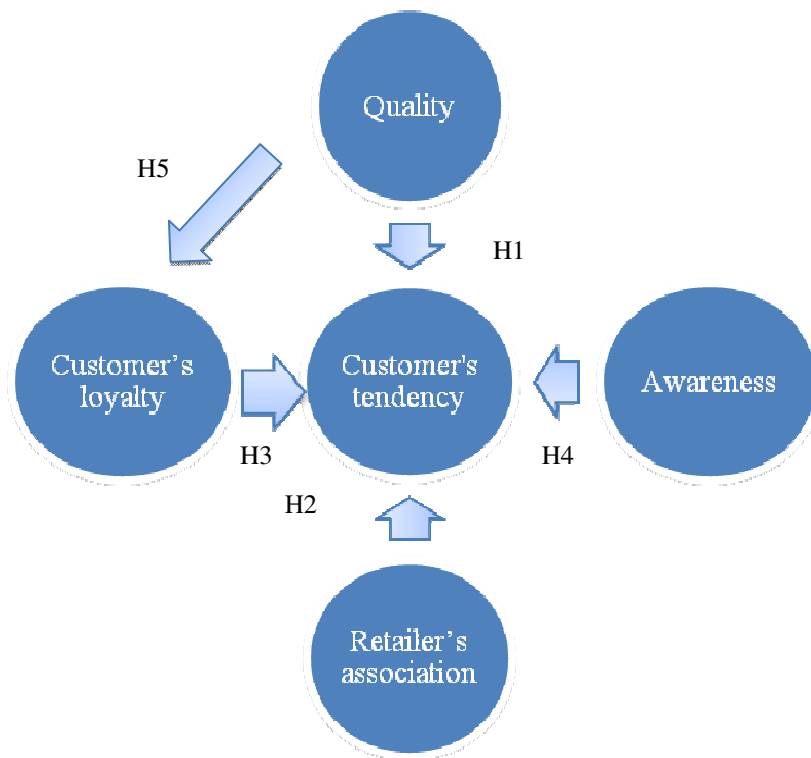


Figure-1
Conceptual Model

Methodology

Considering its goal, this research is of applied type; with respect to collection of data and review of the same, this research is included among descriptive-correlative researches accordingly. Moreover, for data analysis, Structural Equation Modeling has been used. As it has been mentioned earlier, the main goal of this research is to study the effect of dimensions of value-added of retailer on tendency of customers to purchase from ETKA Chain Stores in the city of Tehran. Thus, target population of this study is consumers and customers of ETKA chain stores in the city of Tehran. Method used for data collection is in such a way as researcher has referred to the said store and distributed the questionnaire among customers accordingly. Each customer who was willing to answer the questions has participated in this study. Concerning the fact that the population of this research is unlimited, 400 questionnaires have been distributed among customers and 388 questionnaires out of total ones have been completed and corresponding results have been tested accordingly. As it has been noted earlier, for collection of data herein this study, questionnaire has been used. It enjoys two parts. Part 1 contains respective questions about gender, age and educational background and Part 2 comprises 22 questions totally. In order to assess independent and dependent variables of this study, the said parts have been used as well. In order to assess retailer loyalty, 4, perceived quality of retailer, 4, association of retailer, 6 and for assessment of awareness about retailer 4 standard questions, used in Jean Feng and Jiong Study have been used. On the other hand, for assessment of tendency toward purchase, 4 standard questions, used in Fall Study has been used as well. All of the said questions have been assessed in a range of 5 ones- Likert, from 5 (I do agree) to 1 (I do disagree). In this research, reliability of the questionnaire has been attained using Cronbach's Alpha Method for awareness about retailer 0.91, association of retailer 0.95, quality of retailing 0.88, loyalty 0.93, and for the entire questionnaire, 0.91 have been obtained respectively.

Data Analysis: In order to evaluate the recommended model, Anderson and Grebing's Two-Stage Approach has been used. At stage 1, measurement model and at stage 2, structural part of

the model has been realized on the basis of the results obtained from stage one and using Structural Equation Modeling (SEM). All analyses have been done using SPSS software, 19th Edition and Amost, 18th Edition. In order to test medium effects in the recommended model and meaningfulness of the same, Baron & Kenny Method and Sobel Test have been used. In order to designate efficiency of fit of the recommended model, fitness indices, ratio of square k by degrees of freedom, GFI, AGFI, NFI, CFI, TLI, and RMSEA have been used.

Structural Equation Modeling: In order to evaluate the recommended model, Structural Equation Modeling (SEM) has been used. Prior to study of structural coefficients, fit of model has been studied. Fit of primary model, based on fit indices, used herein this study, and has been reported in table 1. Concerning the fact that quantities of fit indices of primary model indicate that the recommended model does require certain modifications and improvements, for this purpose, in the next stage, in consideration of modified indices in Amos Exit, covariance path among sight elements and information elements were added to the said model. After the said changes have been applied, another analysis has been done on data of which results of fit indices have been given in model 2 (final) of table 1. As it has been expected, fit indices indicate improvements in fit of the second model and fit indices are acceptable accordingly.

Results and Discussion

Relying on data analysis, from among repliers, subject of study, 187 persons (48%) were males and 201 persons (52%) were females. Considering data analysis, from among repliers, subject of study 41 persons (10.6%) held High School Diploma and below and 63 persons (16.2%) held Associate's Degree, 209 persons (53.9%) held a Bachelor's Degree and 75 persons (19/3%) held Master's Degree and above. With respect to data analysis, from among repliers, subject of study, 88 persons (22.7%) were less than 30, 146 persons (37.6%) were between 30 and 39, 95 persons (24.5%) were between 40 and 49 and 59 persons (15.2%) were over 50.

Table-1
Fit Indices for Models 1 and 2

RMSEA	NFI	CFI	TLI	IFI	AGFI	GFI	X ² /DF	DF	X ²	Fit Indices Model
0.051	0.931	0.964	0.959	0.964	0.865	0.889	2.026	33	680/713	Model 1
0			0			0				
0.034	0.95	0.984	0.982	0.984	0.90	0.92	1.46	32	447.337	Model 2
		0	0	0						
0.225					0.162	0.22	26.207	37	0.095	Model of Independency
									990	
									6	

Using general fit indices, one may answer this question stating that discarding reported specific quantities for parameters, on a whole, whether the compiled model is supported by empirical data collected. In case the answer is positive, the model will be acceptable. In order to interpret existing quantities in table 1, one may say that i. Meaningless square K (CMIN), which equals to 447.337 and meaningfulness level of P=0.001 displays a desirable result. However, it should be mentioned that role of Degree of freedom (DF) is of great interest as well. Moreover, concerning the fact that degree of freedom (DF) of the compiled model (equals to 327) goes beyond zero and becomes closer to that of Model of Independence (equals to 387), one may consider a desirable view of the model. ii. Regarding relative indices, it should be said that in this table relative square K (CMIN/DF) equals to 1.46, which indicates an acceptable status of the said model. Moreover, the value of 0.034 of index of the

second root of remaining squares average (RMSEA) for factor compiled model indicates that the said model is acceptable. iii. Considering the aforesaid table, Tooker-Luise (TLI) Fit Index equals to 0.982 and comparative fitness index (CFI) equals to 0.984. Since their values become closer, exceeding 0.90, considering the said indices, the compiled model is considered acceptable accordingly.

Regarding the aforesaid table, the value of normalized fitness index of destination (NFI) for the second model equals to 0.95 and that of increased fit index (IFI) equals to 0.984. Both indicate acceptable values. Respective values of general fit indices, which have been given in the said table, indicate that the values obtained for GFI and AGFI equal to 0.92 and 0.90 respectively. This reveals desirable fit of the said model.

Table-2
Structural Model of Paths and Their Standard Coefficients in Final Model

Confirmed-rejected	Meaningfulness	β coefficients	Path	Hypothesis
Confirmed	0.000	0.557	Perceived quality Tendency toward purchase →	Hypothesis 1
Rejected	0.182	0.053	Association Tendency toward purchase →	Hypothesis 2
Confirmed	0.000	0.385	Loyalty Tendency toward purchase →	Hypothesis 3
Confirmed	0.000	0.385	Awareness Tendency toward purchase →	Hypothesis 4
Confirmed	0.000	0.516	Perceived quality loyalty →	Hypothesis 5

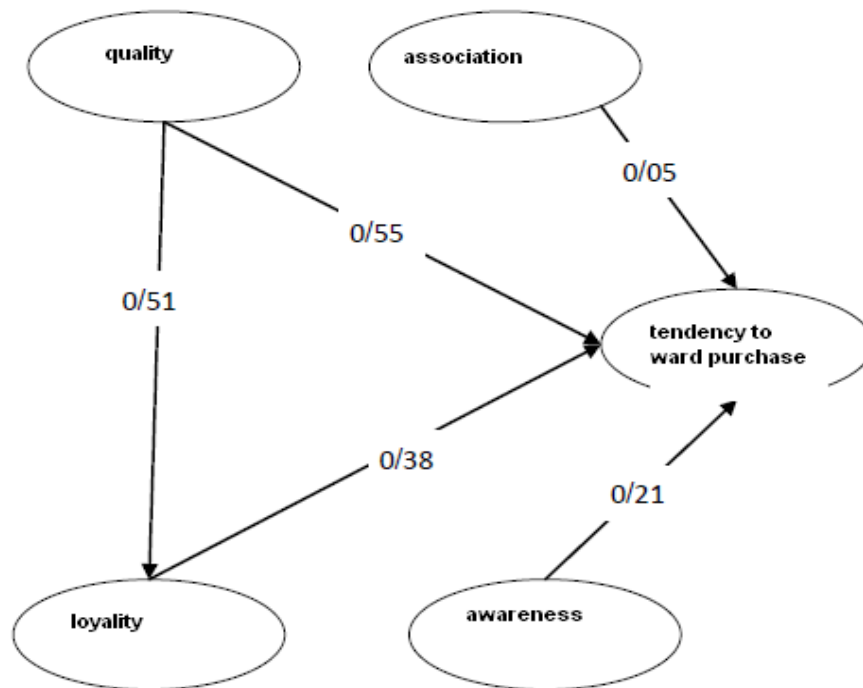


Figure-2
Research Model

Corresponding results obtained from testing Research Model reveal that Regression Coefficient of the effect of perceived quality on tendency toward purchase equals to 0.55. Since meaningful value equals to 0.000, < meaningfulness level of $\alpha=0.05$, at this level, H_0 is rejected and eventually, one may say that the perceived quality has a positive and meaningful effect on tendency of customers toward purchase. H_2 of this research is not confirmed considering Regression Coefficient of 0.05 and meaningful value of 0.18 > meaningful level of $\alpha=0.05$, and one may say that customer loyalty has a positive and meaningful effect on their tendency toward purchase. Considering H_4 , since Regression Coefficient is 0.21 and meaningful value is 0.000 < meaningful level of $\alpha=0.05$, one may say that the said hypothesis has been confirmed and awareness of customers about the said store influence their tendency toward purchase. Regression coefficient of H_5 equals to 0.51, and considering meaningfulness of the said path, one may say that perceived quality has a positive and meaningful effect on loyalty accordingly. Corresponding results of regression analysis with respect to variable reveal that awareness about the store is affected by questions 1-4 of the questionnaire. It means that these four exterior evident variables comprise exterior latent variable of awareness and association of the store is affected by questions 5-10 of the questionnaire. In other words, these six exterior evident variables comprise exterior latent variable of awareness. Interior latent variable is perceived quality is affected by questions 11-14 of the questionnaire. It means that these four exterior evident variables comprise interior latent variable of the perceived quality. Customer loyalty is influenced by questions 15-18 of the questionnaire. It means that these four exterior evident variables comprise interior latent variable of customer loyalty and finally, tendency of customers toward purchase is affected by questions 19-22 of the questionnaire. In other words, these four evident variables comprise exterior latent variable of tendency of customers toward purchase.

Conclusion

As it has been mentioned earlier, in this research, the effectiveness of dimensions of special value of the store on tendency of customers toward purchase at ETKA chain stores in the city of Tehran has been studied. Furthermore, five hypotheses, which have been formed on theoretical foundation, have been reviewed as well. First, what has been found through the results of this research, the first hypothesis studied the effectiveness of perceived quality on tendency of customers toward purchase. The said hypothesis has been confirmed in view of regression coefficient and meaningfulness value. Furthermore, from among other variables, the most effectiveness on tendency of customers toward purchase was perceived quality. The second hypothesis of this research deals with the effectiveness of association of store on tendency of customers toward purchase. Considering regression coefficient and meaningfulness value of 0.18 > meaningful level of 0.05, the said hypothesis has not been confirmed. The third hypothesis studied the effectiveness of loyalty on tendency of customers

toward purchase. With respect to values, obtained for meaningfulness and regression coefficient between the two variables, the said hypothesis has been confirmed. There is still another result, obtained from this research i.e. effectiveness of awareness on tendency toward purchase, which has been confirmed. The result of the said two hypotheses is consistent with the results obtained from Chen and Chang Study. Finally, another result of this study deals with the effectiveness of perceived quality on customer loyalty. It has been confirmed that the said result is consistent with that of Jean Feng and Jilong Study. Considering the opinion of the said researchers, the more perceived quality is, the more customer loyalty will be increased.

Here in this study, it has been found that loyalty is effective on tendency of customers toward purchase. Thus, it is recommended that for raise of level of customer loyalty, in view of the effectiveness of perceived quality and image of brand price at the store, it is necessary to identify certain factors, which increase level of quality and transfer of value to customers. Then, the said factors must be improved as well. For example, this important goal will be materialized by establishing customer service skills management systems and/or implementing certain strategies for customer loyalty. One of common strategies for promotion of level of customer loyalty in many countries, loyalty plans and loyalty cards are used. This does require establishment of desirable substructures for collection of various information about customers. However, investment in this field may be regarded as a strategic advantage for a company. There is another remarkable point, which has been obtained through this study about the first and the fifth hypotheses, dealing with study of the effect of perceived quality on tendency of customers toward purchase and loyalty. As it is revealed by path coefficients, the effectiveness of perceived quality on the said two variables is noticeable. This reveals that more attention must be paid to the subject of quality. One of the factors, which have an outstanding effect on quality in retailing and chain stores, is human resources and their services. In fact, rendering desirable or undesirable services of sales resources and other personnel may create a desirable or undesirable image of a company. Thus, it is recommended that using encouragement policies or offering required training, level of quality of services of human resources at stores would be promoted. On the other hand, upon hire of employees, more eligible and qualified persons will be hired considering the aforesaid factor.

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