



The small, inventory free retail format: The impact on consumer-based brand equity and purchase behavior

Kelcie Slaton, Danielle Testa, Sonia Bakhshian, Shantell Reid, and Ann Marie Fiore  
Iowa State University, USA

Keywords: Nordstrom, brand, satisfaction, loyalty

**Background.** Consumer shopping preferences play a significant role in the current changes in the retail industry (Sicola, 2016; Zaczekiewicz, 2018). Consumers are now more interested in hedonic benefits (e.g., experiences, travel, and entertainment) (Ordin, 2015) and perceive themselves to be busy, thus looking for utilitarian benefits of shopping convenience and ease of purchase (Jiang, Yang, & Jun, 2013). Recently, these changes have contributed to an unprecedented number of U.S. retail store closures (Peterson, 2018). Therefore, retailers, including department stores, are reacting by adapting formats to compete with thriving sectors (e.g., online retailing) (Crawford, 2017; Holbrook, 2017) with different levels of success.

Various retailers are downsizing to reflect consumer disinterest in searching for products in a large store (Ewen, 2017). Notably, Nordstrom, a leading department store launched a new concept store, Nordstrom Local (NL), in 2017 (Taylor, 2017). Rather than focusing on availability of merchandise instore, NL emphasizes experiences (e.g., nail salon, beverage bar) and convenience, which encompasses both hedonic and utilitarian benefits (Kennedy, 2017). NL exemplifies an omni-channel platform, allowing customers to order online, and from NL, while also encouraging purchases later from other brick-and-mortar locations; NL is an integrated platform adapting to the challenges of today's retailing industry (Serdari, 2017; Taylor, 2017).

NL is a consumer-centric offering that does not concentrate on product sales revenue of the location, but instead prioritizes experiential and lifestyle factors that may impact consumer-based brand equity (CBBE) elements (e.g., brand personality, love, respect, loyalty) (Cho, Fiore, & Russell, 2015; Keller, 1993, 2001) for Nordstrom. Given the focus on creating a consumer-centric offering, the present authors examined the role of brand experience, as conceptualized by Brakus, Schmidt, and Zarantonello's (2009), in fostering CBBE elements associated with the new NL small inventory-free store and their impact on consequent purchase behavior. Purchase behavior, in this case, reflects purchases made during the shopping experience, but collected at a later date as well as purchases made later from other brick-and-mortar locations. It appears no empirical research has examined the potential impact of the retail experience from this small, inventory-free retail store format on CBBE. Given the lack of direct product sales revenue at the location, this non-monetary measure of return-on-investment is important conceptually and from a business perspective. Therefore, the purpose of this study was to explore the effect of the small, inventory-free retail experience on variables constituting a CBBE model and the impact on purchase behavior through multiple retail channels (see Figure 1).

**Method.** An online survey consisted of demographic variables and reliable scales (alpha > .70) (Nunnally, 1978) that were adopted and modified to tap the constructs of the model. In the case of purchase behavior, the scale was modified to reflect product acquisition at a later date via multiple channels. Before completing the measures, respondents viewed images of NL to

become familiar with the features of this retail store format. A pretest was conducted to ensure the images were representative of the small, inventory free retail store format and the services it offers. Female respondents aged 18 and older completed the survey through Amazon MTurk and were given an incentive of \$0.25 for participating in the study.

**Results.** Of the 533 collected surveys, 406 were useable (76.2%). A majority of respondents (57.9%) were between 25-44 years of age, white (69.7%), obtained a bachelor degree (40.6%), and had an income between \$25,000-\$49,999 (32.3%). The factor loadings were

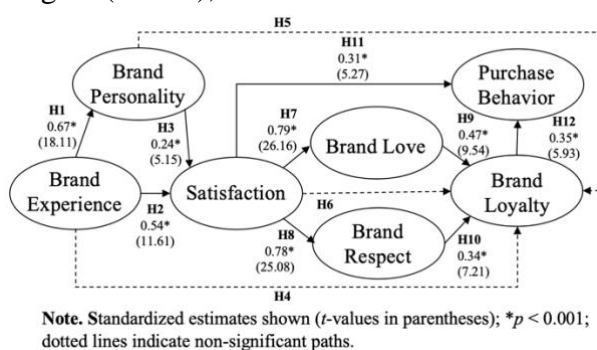


Figure 1. Model showing path coefficients.

above 0.50, but below 0.30 on other factors (Kline, 1998). Reported alpha coefficients ranged from .85 to .97, supporting reliability of the measures. Path analysis revealed brand experience was positively related to brand personality and consumer satisfaction, supporting H1 and H2. Brand personality was positively related to consumer satisfaction, supporting H3. H4 through H6 were rejected; brand experience, brand personality, and satisfaction were not directly associated with brand loyalty. However, satisfaction was

positively related to brand love and brand respect, which were positively related to brand loyalty, supporting H7, H8, H9 and H10, respectively. Lastly, satisfaction and brand loyalty were positively related to purchase behavior, supporting H11 and H12, respectively.

**Conclusions.** The present authors utilized CBBE, as conceptualized by Cho, Fiore, & Russell (2015) and Keller (1993, 2001), and found that a small, inventory retail format contributes to CBBE. The consumer experience fostered by this retail format affected brand equity elements, which influenced consequent purchase behavior through available retail channels. In contrast to the finding by Brakus et al. (2009), the present study found that brand experience, brand personality, and satisfaction did not have a direct effect on brand loyalty. Instead, the CBBE elements of brand love and brand respect, which were not included by Brakus et al. (2009), mediated the relationship between satisfaction and brand loyalty. This supports Roberts' (2004) anecdotal evidence that both brand love and brand respect each mediated the relationship between satisfaction and brand loyalty. A small, inventory-free retail format offers a personalized experience with less friction than a traditional store environment and is designed to eliminate the strain on consumers and provides what the consumer wants (Serdari, 2017). This may exceed the expectations of consumers, creating a sense of consumer delight (Berman, 2005), which has been found to foster love and respect and subsequent loyalty (Roy, Eshghi, & Sarkar, 2013).

Brand loyalty also positively affected a consumer's purchase behavior. This suggests that not having instore inventory to purchase is acceptable, as the consumer will ultimately purchase merchandise from other outlets. In the instance of a small-inventory-free retailer, the intention is to build loyalty through unique experiences offered and positively affect product

ordering through any of the retailer's channels (Serdari, 2017). Thus, a small, inventory-free retailer becomes one channel in an omni-channel approach, which requires the measurement of purchase/ordering behavior at any of the retailer's channels following the experience rather than measuring sales at NL alone to determine its success. The findings of this study are useful for industry professionals as they identify ways to appeal to changing consumer preferences. Limitations include using store images instead of sampling individuals who have visited such stores. Future research includes the development of an order behavior scale, which measures purchases that are collected at a later date.

#### References

- Berman, B. (2005). How to delight your customers. *California Management Review*, 48, 129-151.
- Brakus, J.J., Schmitt, B.H. & Zarantonello, L. (2009). Brand experience: What is it? How is it measured? Does it affect loyalty? *Journal of Marketing*, 73(3), 52–68.
- Cho, E. Fiore, A.M., & Russell, D.W. (2015). Validation of a fashion brand image scale capturing cognitive, sensory, and affective associations: Testing its role in an extended brand equity model. *Psychology and Marketing*, 32(1), 28-48.
- Crawford, C. (2017, November). Department stores haven't been known for speed, but could that be changing? *Sourcing Journal*. Retrieved from <https://sourcingjournalonline.com/department-stores-speed-to-market-private-label/>
- Ewen, L. (2017, January). The 7 trend that will shape apparel retail in 2017. *Retail Dive*. Retrieved from <https://www.retaildive.com/news/the-7-trends-that-will-shape-apparel-retail-in-2017/433249/>
- Holbrook, J. (2017, September). The big opportunity with small-format retail. *Total Retail*. Retrieved from <http://www.mytotalretail.com/article/the-big-opportunity-with-small-format-retail/>
- Jiang, L., Yang, Z., & Jun, M. (2013). Measuring consumer perceptions of online shopping convenience. *Journal of Service Management*, 24(2), 191-214.
- Kennedy, M. (2017, September). Nordstrom's new concept: A store that doesn't stock clothes. *NPR*. Retrieved from <https://www.npr.org/sections/thetwo-way/2017/09/11/550119193/nordstrom-tries-out-a-new-store-that-doesn-t-stock-clothes>
- Keller, K. L. (1993). Conceptualizing, measuring, and managing customer-based brand equity. *Journal of Marketing*, 57, 1–22.
- Kline, R.B. (1998). *Principles and Practice of Structural Equation Modeling*. New York, NY: Guilford Press
- Ordin, G. (2015). Millennial (Gen Y) consumer behavior, their shopping preferences and perceptual maps associated with brand loyalty. *Canadian Social Science*, 11(4), 40-55.
- Nunnally, J. C. (1978). *Psychometric theory* (2nd ed.). New York: McGraw-Hill.
- Peterson, H. (2018, January). A tsunami of store closings is about to hit the US - and it's expected to eclipse the retail carnage of 2017. *Business Insider*. Retrieved from <http://www.businessinsider.com/store-closures-in-2018-will-eclipse-2017-2018-1>

- Roberts, K. (2004). *Lovemarks: The future beyond brands* (1st ed.). New York: Powerhouse Books.
- Roy, S.K, Eshghi, A. & Sarkar, A. (2013). Antecedents and consequences of brand love. *Journal of Brand Management*, 20(4), 325-332.
- Serdari, T. (2017). Nordstrom is the first retailer that actually understands what we want. *Fortune*. Retrieved from <http://fortune.com/2017/09/15/nordstrom-local-retail/>
- Sicola, M. (2016). The rise of experiential retail. *NAIOP*. Retrieved from <https://www.naiop.org/en/Magazine/2016/Summer-2016/Business-Trends/The-Rise-of-Experiential-Retail.aspx>
- Taylor, K. (2017, October). Nordstrom just opened a tiny store that doesn't sell any clothes: Here's what it looks like. *Business Insider*. Retrieved from <http://www.businessinsider.com/nordstrom-new-store-concept-opens-2017-10>
- Zackiewicz, A. (2018, April). Consumer preferences reshaping retail landscape. *WWD*. Retrieved from <https://wwd.com/business-news/business-features/consumer-spending-trends-experience-economy-10865995/>