

Chapter 21

CRM in Fashion Retail: Building Store Loyalty through Store Trust

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ABSTRACT

Relational resources can help fashion retailers facing the increasing uncertainty which is characterizing their competitive arena by developing customers' store loyalty. This paper illustrates the results of a study aimed at developing and testing a model of store loyalty building in the fashion retail context. Hypothesis referring to loyalty antecedents have been derived from previous studies and are not only limited to the key relational variables already identified in the literature (trust, satisfaction and perceived value) but also to their antecedents among the retailing-mix levers to provide managerial directions to fashion retail managers. The developed model has been empirically tested. Data have been collected using a phone survey; the sample is composed of around 1,400 fashion retail customers. The most important result of the study are: the role of trust as a loyalty antecedent and the poor, and negative, role of salespeople within the model.

INTRODUCTION

One of the most critical phenomena that characterize markets today is the rapid development of their complexity, which has major consequences for the behavior of economic actors. This impact is also evident in retailing, where competitive pressure has radically changed the sector structure in a relatively short period of time. Fashion – and fashion retail, in particular – is intensively concerned with this transformation process, as several changes within the sectors are increasing competition in order to pick up more customers. The move toward globalization (Moore & Shearer, 1998; Moore & Birtwistle, 2005) and the pressure to increase sales (via fast fashion) at ever shorter intervals are increasing the competitive intensity.

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Fashion retailers are therefore continuously looking for new ways to attract shoppers to their stores and increase purchases after they walk through the door. This goal is particularly difficult to reach because of the simultaneous evolution of demand. On the one hand, customers' needs are becoming more and more complex and appear with increased frequency in bunches; on the other hand, the increasing number of shopping channels (Nevin & Houston, 1980; Kirkup & Rafiq, 1999) available to them (i.e. brick-and-mortar stores, catalogs, television, Internet) allow multichannel shopping behavior and provide consumers with several shopping opportunities. For these reasons, the retailer's ability to differentiate itself from its competitors is crucial to long-term profitability (Samli, 1998).

In this chapter we make the claim that building intangible marketing resources that link shoppers to the store can be a path for fashion retailers to follow and a way to face both the increasing uncertainty in the competitive arena (today and in the future) and the challenges emerging from this broader scenario. Intangible marketing resources mainly pertain to customer relationship management, which could be of paramount importance to gain the needed "synergetic flexibility" to respond to changing contexts. Unilateral and instantaneous exchanges should become long-term bilateral relationships in which demand will actively interact with firms and thus contribute to the overall mutual knowledge development and relation consolidation.

Business practitioners and researchers have increasingly focused their attention on the relationship between customers and companies (Colgate & Stewart, 1998). Consolidated relations with customers will support the final objective of retailers, namely the development of customers' loyalty toward the store. Marketing literature has shown that loyal customers are less price-sensitive, more likely to purchase at a higher frequency rate and more willing to try the company's new product and service offerings and to bring new customers to the firm (e.g. Reichheld & Sasser, 1990). There are many examples of loyalty-based relationships with customers that have positive effects on firms' performance in the retail context. The well-known UK-based retailer Tesco, for instance, has been able to build a strong, long-term relationship with its customers. This relationship has allowed the company to develop a successful store brand. Tesco is currently one of the retail chains with the highest private label penetration. By leveraging its customers' loyalty, the firm has further extended its offer range to include financial services, insurance offerings and tour packages. The main objective of retailers like Tesco is to deliver value to their customers and build a long-term and mutually beneficial relationship with them (e.g. Dick & Basu, 1994). Owing to its extensive experience in the UK, the company has succeeded in leveraging customer loyalty in all 12 of the countries in which it operates.

In the US, companies annually spend about \$50 billion on loyalty programs (McKinsey & Company, 2014). It is estimated that 70% of shoppers in the US participate in loyalty programs; in fact, most of them enroll in at least five loyalty programs (Polaris Marketing Research, 2014).

Few examples like these can be found in the fashion retail marketing, which will be the focus of our chapter. Loyalty to stores could actually be specifically important in the fashion retail business, because the impact of loyal customers on revenue is significant, and building long-term relationships with customers is regarded as a critical sales technique (Meng & Elliott, 2008; O'Malley & Tynan, 1998). The primary goal of this chapter is to propose and test a relationship-building model that can help fashion retail managers to increase their customers' loyalty to the store. The model has been developed on the basis of loyalty literature and by adapting it to the specificities of the fashion retail sector.

Among the various measures used to address the overall strength of a relationship, customer satisfaction and trust are perhaps the most prominent (Garbarino & Johnson, 1999; Johnson & Selnes, 2004; Morgan & Hunt, 1994). Since trust is the building block for relationship commitment (Morgan and

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