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The Design of Franchised Retail Stores Environment and Its Influence on Store Loyalty

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Abstract

Franchising is a form of modern retail business in which there is a contractual relationship between the franchisor and the franchisee, where the franchisor is obliged to safeguard the interests of the franchisee continuously in the field of business [1]. When compared with traditional retail stores, franchised retail stores have a more orderly store environment. The design of a retail store environment has distinctive features that distinguishes it from other retail stores. However, whether the attractive retail store environment design affects consumer loyalty in shopping. The purpose of this study is (1) to describe consumer perceptions about the design of franchised retail stores environment, (2) to analyze the influence of franchised retail stores environment partially on store loyalty, (3) to analyze influence of franchised retail stores environment simultaneously on store loyalty, (4) to find out the dominant factors affecting store loyalty, and (5) to find out the difference of consumer perceptions in the city and in the village about franchised retail stores environment. The research design is explanatory research with quantitative approach. The sample of this research is 200 consumers of Indomaret franchised retail store in the city and in the village area of Malang, East Java, Indonesia. Data analysis was done using multiple regression and comparing mean with the help of SPSS for Windows version 25.0. The result of research indicates that (1) Consumer perceptions about franchised retail store environment is good with comfortable environment, bright light, cool temperature and quick service; (2) there is significant positive influence of the design of franchised store environment partially on store loyalty, but there is no significant influence of ambient factor on store loyalty; (3) there is significant positive influence of franchised retail store environment simultaneously on store loyalty; (4) the dominant factor influencing store loyalty is design factor; and (5) there is no difference in consumer perceptions in the city and in the village about the franchised retail store environment.

Keywords: retail store environment, store loyalty

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1. Introduction

Franchising is a form of modern retail business in which there is a contractual relationship between the franchisor and the franchisee where the franchisor is obliged to safeguard the interests of the franchisee continuously in the field of business [1]. The most conspicuous distinction between a franchised retail businesses over a traditional retail business is the business environment that is designed to be attractive and comfortable for consumers. As stated by Levy and Weitz (2009) that 'store atmosphere reflects the combination of physical characteristics, such as architecture, layout, sign, display, color lighting, temperature, sound, and smells which together create image in the customer's minds'. While results of research Kocamaz & Yalcin (2003) shown that store atmosphere had a significant positive effect on store loyalty.

Why consumer loyalty in retail stores is important? Griffin (2002) stated that: 'Loyalty is defined as random purchase expressed over time by some decision making unit'. Consumer loyalty is shown in the form of purchasing and decision-making behavior. Loyal customers have the characteristics of repurchasing regularly, purchasing products off the line, recommending to others, and showing immunity to similar products from competitors. Indomaret is one form of retail business in Indonesia which is managed in the form of franchise. As a franchise business, then Indomaret already has a store management system that has been tested. The interior and exterior design of the store, lighting, temperature, parking lot, diversity of products sold, financial management, employee competence, etc., are designed in such a way as to provide a positive image and satisfaction to the consumer. The history of Indomaret started in 1988 by PT Indomarco Prasmatama Tbk. Jakarta. In 2003, the government rewarded Indomaret as a Superior Franchise Company. Currently, the number of Indomaret outlets in Indonesia is more than 12,800 outlets consisting of 40% owned by franchisee and 60% owned by Indomarco (Source: https://Indomaret.co.id 2014).

The purposes of this research are (1) to describe consumer perceptions about the design of franchised retail stores environment (2) to analyze influence of franchised retail stores environment partially on store loyalty (3) to analyze influence of franchised retail stores environment simultaneously on store loyalty (4) to find out the dominant factors affecting store loyalty (5) to find out the difference of consumer perceptions in the city and in the village about a franchised retail store environment.

2. Literature Review

2.1. Store environment

Store environment is a tool that are designed in such a way to build the image as well as be differentiate with other stores that become competitors. The results of research Hu and Jasper (2006), Sezgin and Küçükköylü (2014) stated that store environment has a significant positive effect on store image. Store environment is measured by three dimensions, namely design, ambient and social. Design dimension includes interior and exterior design. Ambient dimension includes lighting, temperature and music. While social dimension includes the number of employees and performance. Levy and Weitz (2009) stated 'store atmosphere reflects the combination of physical, such as architecture, layout, sign, display, color lighting, temperature, sound, and smells which together create and image in the customer's minds'. The effects of environmental elements of the store can be the focus of consumer attention, although many of these elements influence buyer behavior through their effect on buyer's emotions, cognition and physiological states.

3. Store loyalty

Store loyalty is the desire of consumers to visit the same store in the long run, and buy goods or services from one place only repeatedly and voluntarily recommend to others. Bloemer & Schroder (2002) stated that store loyalty measured repurchase intentions and willingness to recommend. Lovelock (2011) stated that the characteristics of loyal customers are customers who are loyal to certain companies, recommend products to others and show immunity from competitors' products. Similarly, Griffin (2002) points out that the characteristics of loyal customers include (1) making regular repeat purchases (2) buying between product lines and services (3) demonstrating immunity to the pull of a competitor's product (4) Referencing others. While Smith and Wright (2004) argued that loyalty is a form of strong relationship between consumers and companies. Loyal customers become the dream of all economic actors, even various efforts will be made company to increase customer loyalty.

4. Hypothesis

Based on literature review and result of the aforementioned previous research, so can be arranged hypotheses as follows:

H1 (+) There is a significant positive influence the design of franchised retail stores environment partially on store loyalty.

H2 (+) There is a significant positive influence the design of franchised retail stores environment simultaneously on store loyalty.

H3 (+) There is a different perceptions of consumers in the city and in the village about the design of franchised retail stores environment.

5. Methods

This research was designed with quantitative approach, with explanatory research type. As stated Cooper & Schindler (2008) that explanatory research is research that aims to analyze the relationships between one variable with other variables or the influence of one variable to other variables. The variables studied include the retail store environment and store loyalty. Here is the design used in this study.
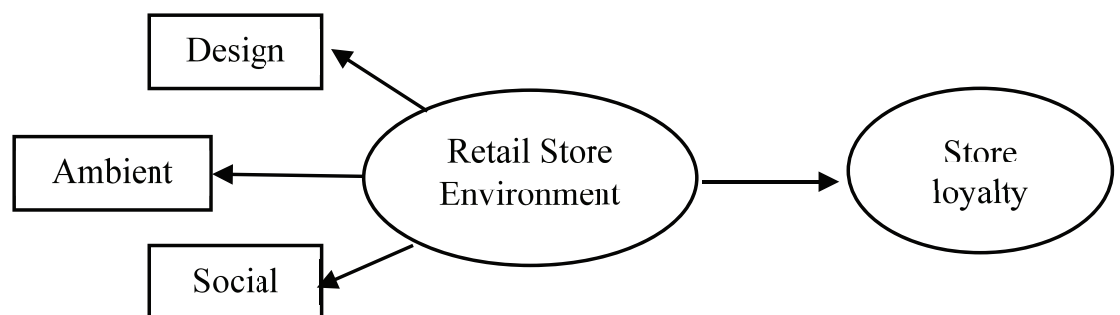

Figure 1: Research design.

Population in this research is all consumers who shop at Indomaret retail stores Malang city in September until December 2017 the number infinity (infinite population). While the sample unit of research is calculated by the Lemeshow formula (1990). The results of the calculation resulted in a sample of 139 people, which in this study rounded to 200 people. The research instrument used questionnaires with Likert scale 1 to 5, ranging from strongly disagree to strongly agree. Prior to being used to collect data, the questionnaire has been tested for feasibility through validity and reliability tests of the instrument. After valid and reliable research instrument then conducted data analysis research using multiple regression and compare mean with the help of program SPSS for Windows version 25.0. The operational definitions of each variable are as follows. Retail store environment measured through three dimensions including design factor, ambient and social. While store loyalty in this research measured through two dimensions including repurchase intentions and willingness to recommend.

6. Results and Discussion

The result of validity and reliability test of the instrument shown that both variables are valid with significant level ≤ 0.05 and reliable with Cronbach alpha ≥ 0.6. Here is a description of respondents based on age, education and occupation.

TABLE 1: Description of respondents based on ages.

No.	Age Groups	Frequency	Percent (%)
1	< 20 years	5	2.5
2	20–30 years	96	48
3	31–40 years	73	36.5
4	41–50 years	17	8.5
5	> 50 years	9	4.5
	Total	200	100

Based on Table 1, it can be seen that most of the research respondents aged 20–30 years as many as 96 people or 48% and a small part are aged < 20 years as many as 5 people or 2.5%.

TABLE 2: Description of respondents based on education.

No.	Education Rate	Frequency	Percent (%)
1	Primary school	4	2
2	Junior High School	37	18.5
3	Senior High School	58	29
4	University	101	50.5
	Total	200	100

Based on Table 2, it can be seen that most of the research respondents have a college education as many as 101 people or 50.5% and a small part is having primary school education as many as 4 people or 2%.

TABLE 3: Description of respondents based on occupation.

No.	Occupation	Frequency	Percent (%)
1	Students	92	46
2	Entrepreneurs	28	14
3	Government employees	68	34
4	Others	12	6
	Total	200	100

Based on Table 3, it can be seen that most of the research respondents work as a student as many as 92 people or 46%, and a small work in other fields as many as 12 people or 6%.

6.1. Consumer perceptions of franchised retail store environment

Franchised Retail Store Environment in this research measured through three dimensions including design, ambient and social. Store design is distinguished again over interior and exterior design. The interior design of the Indomaret franchised retail store includes store layouts, cooling cabinets, rack arrangement of goods, air conditioners, lamps, TV and CCTV. All arranged based on safety considerations, ease of taking, promotion and beauty. The retail store's exterior design includes shop patio, parking area, paint color, drawing design. Consumer perceptions of Indomaret retail store environment is well indicated by the average score 4.

6.2. The influence of franchised retail store environment partially on store loyalty

Before conducting data analysis, it was ensured that all data were normal, homogeneous and free of multicollinearity. The results of data analysis show that from the three dimensions of retail store environment, then design and social factors that have a significant positive effect on store loyalty. While the ambient factors have no significant effect on store loyalty. The following is a recapitulation of the results of data analysis with multiple regression.

TABLE 4: Results of t-test analysis.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.617	1.841		5.225	0.000
	Design	0.604	0.099	0.416	6.090	0.000
	Ambient	0.048	0.100	0.032	0.475	0.635
	Social	0.253	0.075	0.210	3.354	0.001
a. Dependent Variable: Store loyalty						

Based on the results of data analysis in Table 4 it can be seen that design factors have significant positive influence on store loyalty with $p = 0.000 \leq 0.05$. Social factor have significant positive influence on store loyalty with $p = 0.001 \leq 0.05$. Ambient factor have not effect on store loyalty because $p = 0.635 \geq 0.05$. So from three hypothesis that proposed in this research, there are two hypothesis that received.

Why ambient factors no significant positive effect on store loyalty? Ambient factors that include temperature, lighting and music, which is not physically visible by customer. So if talking about the environment store or atmosphere store, then it including

ambient factors. This is relevant with the result of research Han and Ryu (2009) that stated there is a significant positive effect of store environment on store loyalty. While Ryu and Han (2010) stated that the environmental impact of the store on satisfaction and loyalty is different between consumers who are first timers and repeaters.

6.3. The influence of franchised retail store environment simultaneously on store loyalty

The result of data analysis shown that retail store environment simultaneously has a significant positive effect on store image. This means that if the retail store environment consisting of design, ambient and social factors is getting better, then the loyalty of consumers to shop to Indomaret is also increasing. The following is a recapitulation of the results of data analysis with multiple regression.

TABLE 5: Results of F-test analysis.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	455.509	3	151.836	23.470	0.000[b]
	Residual	1268.011	196	6.469		
	Total	1723.520	199			
a. Dependent Variable: Store loyalty						
b. Predictors: (Constant), social, ambient, design						

Based on the results of data analysis in Table 5, it can be seen that the value of F is 23.470 with a significant level of 0.000 $\leq$ 0.05. This means that Ho is rejected and Ha accepted. So it can be stated that there is influence simultaneously, positively and significantly, the store environment on store loyalty.

Good interior and exterior design, bright lighting, fragrant room aroma, fast sales performance, it will give a positive impression to the consumer. Positive image is a stimulus for consumers to loyal to the store. As the results of research Hu and Jasper (2006); Yun and Good (2007) that a positive impression on the store affects purchasing behavior and increases loyalty. While Oliver (1999) stated that satisfaction does not always affect loyalty because there is loyalty formed through the mechanism. The results of research Koo (2006) stated that loyalty to the product can encourage consumer loyalty to the store.

6.4. The dominant factor affects store loyalty

The result of data analysis shown that the dominant factor influencing store loyalty is design factor, which shown with standardized beta 0.416. This is reasonable because store design is a direct factor that can be seen when consumers enter Indomaret retail store area. With a blue, yellow and red paint, designed with transverse lines, the exterior design of Indomaret retail stores is distinctive and different from other retail stores. Lay out shop made a straight pattern (grid) that is arranged store shelf lane consisting of the halls to put items by group or sub group. With this straight pattern is expected to display goods more but still provide flexibility for consumers to go back and forth to choose goods to be purchased and control can be done more easily. Sezgin & Küçükköylü (2014) stated that the store's atmosphere can affect store image which ultimately affects loyalty. While Clottey (2008) stated retail store design is the physical evidence that consumers first see when they enter the store area.

6.5. Differences of consumer perceptions in the city and in the village

Sample in this research as many as 200 people, consisting 185 from the city and 85 people from the village. The result of compare mean analysis shown that there is no difference of consumer perceptions about Indomaret retail stores environment in the city and in the village. The following is the result of the mean difference test.

TABLE 6: Independent samples test.

		Levine's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Retail Store Environment	Equal variances assumed	0.076	0.782	−0.212	198	0.832	−0.13504	0.63726
	Equal variances not assumed			−0.211	177.671	0.833	−0.13504	0.64052

Based on the results of data analysis on Table 6, it can be seen that t value is −0.212 with a significant level of 0.832 ≥ 0.05, which means that no difference in consumer perceptions on retail stores in the city and in the village.

Perception of the average customer on franchised retail store environment is good, though the price of products in modern retail stores such as Indomaret is above traditional retail stores. Look of Indomaret retail store is cleaner and neater. Rack arrangement, ATM, CCTV, refrigerator, arranged very neat so as not to disrupt the flow of consumer traffic when choosing items to be purchased. This is supported by the results of research Burt and Carralero (2000) which states that the difference in customer perceptions of marketing stimulus is not always the same, therefore needs to be managed properly to increase loyalty.

7. Conclusion and Recommendation

Based on the results of the research then drawn some conclusions as follows. (1) Consumer perception about franchised retail store environment is good with comfortable environment, bright light, cool temperature and quick service. (2) There is significant positive influence of the design and social of a franchised store environment partially on store loyalty, but there is no significant influence of ambient factor on store loyalty (3) there is significant positive influence of franchised retail store environment simultaneously on store loyalty. (4) The dominant factor influencing the retail store loyalty is the store design (5) there is no difference in consumer perception in the city and in the village about the franchised retail store environment.

Research recommendations addressed to the managers of Indomaret franchised retail stores are (1) in the era of digital competition, store environment design is still important to note because it is related to the formation of store image in the eyes of consumers. If the store environment is less comfortable then the image of the store will negative in the eyes of consumers that have an impact on purchasing behavior. (2) Online service can be done either in the form of delivery order to shopping service through go-mart.

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