Verticalization: the Impact of Channel Strategy on Product Brand Loyalty and the Role of Involvement in the Fashion Industry

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ABSTRACT
Our study contributes to the knowledge on how manufacturers’ distribution channel strategy impact brand loyalty. Using PLS regression, we demonstrate that in the fashion industry, characteristics of the retail channel contribute higher to product brand loyalty in vertically integrated channels while the impact of product brand characteristics on brand loyalty is higher in conventional channels. We also show that consumers’ involvement has a stronger effect for verticals. Our results imply that strong product brands are less reliant on verticalization to be successful, whereas weaker brands can benefit from support from the retail environment and this can be achieved more effectively in vertically integrated channels.

INTRODUCTION
Vertical marketing systems such as corporate channels (e.g. manufacturer owned retail outlets) or contractual channels (e.g. franchise systems, retailer cooperatives, concessions) have grown dramatically during the last decade. For example, verticals such as Zara, H&M, or Mango range among the most successful retailers in the fashion industry. We define verticalization as manufacturers’ forward integration: “Manufacturers’ own retail sales branches and own mail-order operations are the chief examples of producer-led vertically integrated channels; while franchisees and agents are instances of intermediaries in vertically co-ordinated producer-led channels” (Guirdham 1972, 68). Vertically integrated channels provide companies with greater control over their business processes, products and profits (Heide 1994). From the perspective of brand management, the main objective of verticalization is that the distribution concept can be focused solely on the manufacturer’s (product) brand. Thus, the distribution concept can be controlled in terms of the manufacturer’s objectives. Conflicts, that in traditional channels for example can result from contradictory objectives of manufacturers and retailers (Corsten and Kumar 2005), can be avoided. The design and management of distribution channels thus is important for building brand equity. For example, Srivastava, Shervani, and Fahey (1998) classify the distribution channel as the firm’s “relational market-based assets”, and Keller (2003b) emphasizes that channel strategy is an important means to build brand awareness and to improve strength, favorability, and uniqueness of brand associations.

The establishment of vertically integrated marketing channels is not only an important phenomenon in practice but academic literature on vertical integration has also grown considerably over the last few decades. While the main focus of this stream of research focuses on internal aspects of vertical channel relationships such as power, dependence, trust, conflict or coordination and cooperation between the companies on the different stages of the value chain (Gundlach, Achorl, and Mentzer 1995; Morgan and Hunt 1994; Vinhas and Anderson 2005), only few studies have—somewhat astonishingly—analyzed the impact of vertically integrated channels on consumer behavior. In addition, a review of brand equity literature (Yoo, Donthu, and Lee 2000) shows that despite the high interest in the concept of brand equity, as stated by Shocker, Srivastava and Ruekert (1994, 157), “more attention is needed in […] the development of more of a ‘systems view’ of brands and products to include how intangibles created by pricing, promotional, service, and distribution decisions of the brand manager combine with the product itself to create brand equity and effect decision making”. Hoeffler and Keller (2003) emphasize in this context that the most neglected research area is the effect of various channel strategies on brand equity.

Therefore, in this article we address the question how forward verticalization of manufacturers impacts consumer reactions towards the brand. According to the formerly described gaps in empirical research, we mainly focus on the influence of the distribution channel on the manufacturer’s product brand. Our main interest is if vertically integrated marketing channel systems and the related distribution channel characteristics lead to superior consumer reactions to the brand compared to non-vertical marketing channel systems. In this context, we also address the issue if the impact of channel strategy is related to consumers’ involvement, as there exists almost no research on this question.

THEORETICAL BACKGROUND AND RESEARCH HYPOTHESES
Relationship marketing literature suggests that brand loyalty is of strategic importance for companies to obtain a sustainable competitive advantage (Sirdeleshmukh, Singh, and Sabol 2002). Loyalty is understood to be a long-term attachment to a firm (Dick and Basu 1994) and it is considered to be intimately linked to consumer based brand equity (Johnson, Herrmann, and Huber 2006). We consider brand loyalty as an adequate concept to analyze the outcome of manufacturers’ distribution policy. Our conceptual framework (see figure 1) is mainly based on theories from cognitive and environmental psychology. Our basic assumption is that product brand loyalty is not only influenced by characteristics of the product itself but also by the retail environment in which it is sold. Besides these main effects, we suppose that verticalization and involvement play an important role in moderating these relationships.

Product Brand Loyalty. The main theoretical foundations to examine loyalty formation are found in cognitive dissonance theory, learning theory and risk theory (Sheth and Parvatiyar 1995). Several conceptualizations of loyalty have been described in the literature (Gounaris and Stathakopoulos 2004). Generally, the main components of customer loyalty are considered to be repurchase, recommendation and supplementary purchases (Mittal, Kumar, and Tsiros 1999).

Product Brand Perception. Regarding the antecedents of brand loyalty, the vast amount of literature on customer based brand equity (Keller 2003b) suggests that consumers’ evaluations of brand characteristics are of major importance. The outcome of such evaluation processes determines the value individuals derive from a brand (Sirdeleshmukh et. al. 2002). In this context, two main dimensions of product evaluation have to be considered: the utilitarian dimension which relates to the functions performed by a product and the hedonic dimension which results from emotional aspects derived from the experience of buying and using the product.
When an evaluation is positive, the utility and the benefits of the product brand dominate. We therefore propose:

**H1:** The better the evaluation of the utilitarian and the hedonic dimensions of the product brand is, the higher is product brand loyalty.

Retail Store Perception. Loyalty intentions towards the product brand also are influenced by the environment, in which the products are presented and sold (Keller 2003a). Therefore the influence of the retail store has to be considered. According to retailing research literature, consumers' perception of the store can be regarded as being closely related to the construct “store image”. In an early and typical definition, Martineau (1958, 47), characterizes store image as “the way in which a store is defined in the shopper’s mind, partly by its functional qualities and partly by an aura of psychological attributes.” As store image research has identified the major facets of store image, this study will draw on those studies (Lindquist 1974; Mazursky and Jacoby 1986; Mitchell 2001) to capture the evaluation of major store attributes which correspond to the consumers’ perception of the elements of the retail marketing mix instruments (Bloemer and de Ruyter 1998). Three store image facets that appear in almost every store image study are assortment and price, service and store atmosphere. As environmental psychology suggests, environmental stimuli such as characteristics of the retail store influence product evaluations (Bittner 1992). Several studies have shown that consumers’ reactions to the products are affected by diverse elements of the store (see Turley and Miliman 2000 for a review on 60 studies). While these studies often only focus on single or few characteristics of the retail environment, Baker et al. (2002) use an integrative approach and show for multiple store environment cues (social, design, and ambient factors) how they influence consumers’ perception of the merchandise value. Based on previous research we propose:

**H2:** The better the evaluation of the retail store is, the higher is product brand loyalty.

Verticalization. Following McCammon (1970), we include corporate vertical marketing systems (e.g. manufacturer-owned retail stores) and contractual vertical marketing systems (e.g. franchises) in our conceptualization of verticalization. Verticalization of manufacturers into the retail channel can be interpreted similar to a brand extension. As branding literature suggests, not only context effects in general are important for consumer evaluations of the brand, but that a consistent brand environment is also critical to generate brand loyalty (Lynch Jr., Chakravarti, and Mitra 1991). Similar to what has been analyzed mainly in the context of product branding strategies as “ingredient branding”, which deals with situations in which a component of a total product is carrying its own brand label (Desai and Keller 2002), the product brand can be interpreted as an “ingredient brand” of the retail channel (Ailawadi and Keller 2004). Thus, aspects of image transfer between retail brand and the product brand are important (Park, Milberg, and Lawson 1991). According to this stream of literature, we propose that the product brand perception and retail store perception are intimately linked. Of major significance is consistency between product image and store image (Park et. al. 1991). Several empirical studies have shown the importance of retail store image for product brand image (Dodds, Monroe, and Grewal 1991; Yoo et. al. 2000). In vertically integrated channels the channel strategy, and thus, the retail marketing mix elements applied are aligned according to the manufacturers’ brand strategy. Therefore, a high degree of fit between product brand image and channel image should be the rule. As brand extension literature suggests, this should result in a more consistent brand image (Ailawadi and Keller 2004). For our analysis of the impact of vertical strategy, we refer mainly to inference theory and schema theory. Inference theory suggests that consumers make their judgments about the product based on the information they receive from the cues that are available to them (Baker et. al. 2002). According to schema theory, consumers are guided by schemas, that is cognitive structures of organized prior knowledge, when making judgments about products (Fiske 1982). Vertical channels should deliver more consistent cues. We therefore suppose that the related effects such as halo-effects or irradiation are more important in vertically integrated than in conventional channels. This is also in line with implications from the literature on contextual correction or assimilation and contrast effects (Martin 1986), which implies that the level of congruence between cues (e.g. the retail store characteristics) and the product brand is important because consumers assess the correctness of their reaction to a product by elaborating on differences or similarities between the cues and the target. Thus, we propose a moderating effect:

**H3:** The relationships between product brand perception and product brand loyalty and between the retail store perception and product brand loyalty are moderated positively by verticalization.

Involvement. Consumer behavior research has shown that personal characteristics of the consumers impact their choice and buying behavior (Sheth 1983). In this context, numerous variables
such as demographics (e.g., age, gender) or psychographics of the consumers (e.g., personality, shopping motives, lifestyle, and experiences) have been analyzed. Out of these, involvement is considered as one of the most important factors of influence on consumer evaluation processes of products and retail stores and on the development of brand loyalty (Johnson et al. 2006). Involvement has been conceptualized and measured in a variety of ways (see Bienstock and Stafford 2006 and Zaichkowsky 1985 for an overview). Following Zaichkowsky (1985, 342), we define involvement as “A person’s perceived relevance of the object based on inherent needs, values, and interests” and relate to product category involvement. In previous research, numerous theories and studies point to the importance of involvement and state a significant influence of involvement on consumers’ cognitive, affective and behavioral responses such as attention, processing, search, satisfaction or brand commitment (Laaksonen 1994 provides an overview). One of the most influential models to explain the effect of involvement is Petty and Cacioppo’s (1984) Elaboration Likelihood Model (ELM). Transferring these insights from previous research to our research questions, we assume that the evaluation processes of higher involved consumers should be more pronounced and more elaborate than those of lower involved consumers. They therefore should lead to more pronounced product brand loyalty (Bloemer and Kasper 1995; Olsen 2007). We consequently suppose:

H4: The relationships between product brand perception and product brand loyalty and between retail store perception and product brand loyalty are moderated positively by consumers’ involvement.

Although consumers’ involvement has been studied extensively in the field of consumer research, only few studies addressed the relationship between involvement and types of retail stores (King and Ring 1980 or Lockshin, Spawton, and Macintosh 1997), and, more specifically, only few studies have analyzed the significance of involvement in the context of manufacturers’ vertical channel strategy. One of the few examples is Csikszentmihalyi and Venkatesan’s (1995) study on the relationship between type of channel (direct versus indirect) and involvement in the service industry. Drawing from brand extension and involvement research, we suppose that in vertical channels where product brand and retail image are aligned, higher involvement should lead to even more manifest and enduring loyalty intentions than in conventional channels. This is also in line with cue utilization theory (Olson and Jacoby 1972), which suggests that consumers try to reduce risk by using cues (e.g., brand, price, or store characteristics) as indicators of product quality and that in the low involvement case, consumers apply simple decision rules in arriving at attitudinal judgments. Under high involvement conditions, the interaction between consumer and stimuli is an ongoing process and information is processed in a more detailed and thoughtful manner (Hansen 2005). This is also suggested by contextual correction literature, which implies that consumers need to be motivated to elaborate on differences or similarities between environmental cues and the product brand to form long-term attitudes (Bosmans 2006). Congruity between product brand and distribution channel, which should be the rule in vertical channels, therefore, should lead to even more pronounced and more long-term positive reactions towards the product brand (Park et al. 1991). We consequently propose a moderating effect of verticalization:

H5: The moderating effect of involvement on the relationships between product brand perception, retail store perception and product brand loyalty in vertical channels is stronger than in conventional channels.

METHODOLOGY
To test our hypotheses, we chose product brands as stimuli that are distributed both in vertical and in conventional channels. We selected four different product brands (Esprit, s.Oliver, Tom Tailor, Street One) based on market share (“share of closet”, see Du, Kamakura, and Mela 2007) and the number of vertically integrated outlets of the manufacturers in Germany. We conducted our empirical study in two German cities and included twelve different retail stores in which these products are sold in our study. We chose these stores based on market share and included seven vertical outlets and five conventional retail stores (in which all four product brands were available) into our study. To collect our data, interviews were conducted in the pedestrian area of both cities. Therefore, a random sample could not be achieved. To obtain a representative sample, respondents were selected based on a quota plan (age and gender according to German fashion shopper characteristics). Each respondent was asked about one product and the store in which he shops most often for this brand. Respondents were allocated almost equally to the product brands and the retail stores (795 respondents, vertically integrated: n = 389, conventional retail channels: n = 406), taking into account quotas for age and gender for each sub-group.

Measure validation and model testing were conducted using SmartPLS (Partial Least Squares), a structural equation modeling tool that utilizes a component-based approach to estimation. We chose PLS because it allows representing both formative and reflective latent constructs (Jarvis, MacKenzie, and Podsakoff 2003) and avoids the problem of underidentification that can occur under covariance-based analysis (e.g., LISREL) (Bollen 1989). Product brand and retail store perception are often captured with multiattribute models. Despite the great amount of literature on these topics both for product brand and retail store perception no commonly agreed upon scales exist. Product brand perception and retail store perception each reflect a composite of individual characteristics of the product and the channel and therefore are operationalized effectively in a formative rather than reflective way. Considering content specification and indicator specification, we sought to capture the facets of product and retail store perception in a comprehensive manner. As the choice of indicators is critical for the design of formative constructs (Diamantopoulos and Winklhofer 2001), we developed our scales based on a broad literature review and managerial interviews. We extracted 16 items to describe product brand perception (see Birtwistle and Tsim 2005 for an overview) and 21 items to describe retail store perception in the fashion industry (see Lindquist 1974 and Mitchell 2001 for an overview). Because our intention was to capture all salient characteristics of the product and the store, we conducted a pretest. The main purpose of this pretest was (1) to analyze if all relevant attributes were included in our scale and (2) to eliminate irrelevant items from the scale. After this pretest, we reduced the item battery for product brand perception to 12 items (utilitarian dimension: 7 items, hedonic dimension: 5 items) and the item battery for retail store perception to 16 items (assortment/price: 7 items, service: 6 items, store atmosphere: 3 items). Substantial collinearity among indicators would affect the stability of indicator coefficients in formative measurement models because they are based on linear equation systems. In our study, none of the indicators revealed multicollinearity problems (none of the variance inflation factors exceeded 2.76). All product brand perception dimensions have been compared across the different retail settings and didn’t show significant differences. Thus, product brand perception captures
perceptions that are distinct from informants’ perceptions of the associated retail stores.

In formative measurement models it is critical to pay attention to nomological validity as internal consistency reliability is not an appropriate standard for evaluating the adequacy of the measures (Bollen and Lennox 1991; Jarvis, MacKenzie, and Podsakoff 2003). We therefore included 3 additional items in our survey that captured general assessments of the product brand and the retail store, respectively (overall assessment of product brand/retail store; trust towards product brand/retail store; judgment, whether product brand/retail store serves to satisfy consumer’s needs). According to branding literature and according to our theoretical assumptions, the constructs we included in our model should show a positive relationship towards these constructs. We estimated bivariate correlations between the formative constructs (results from PLS regression) and the general evaluative constructs. All correlations were positive and significant (range from .30 to .60, p<.01). As the constructs behave as expected with respect to other constructs to which they are theoretically related (Churchill 1995), we assume that nomological validity is satisfactory with respect to all the relevant variables.

Involvement was measured with reflective indicators. We used Tigert, Ring, and King’s (1976) fashion involvement index which captures fashion innovativeness, fashion interpersonal communication, fashion interest, fashion knowledgeable and fashion awareness as dimensions of fashion involvement (also see King and Ring Lawrence 1980). To conceptualize brand loyalty we also chose a reflective measurement approach. Following Zeithaml, Berry, and Parasuraman (1996) and Aaker (1996), loyalty was captured using four items measuring the intention to recommend, the perception of store atmosphere. This result was interesting as we supposed that especially in the fashion industry such aspects should be important.

HYPOTHESES TESTING AND DISCUSSION

To test our hypotheses, we conducted PLS regression. To analyze the moderating effect of involvement, interaction terms were calculated by multiplying construct values for the diverse dimensions of product brand perception and of retail store perception (all formative constructs) which were calculated in a separate, non-moderated path model, and the indicator values of the reflective measurement model of involvement (all values were standardized before calculating the product terms; see Chin, Marcolin, and Newsted (2003) for this procedure to model interaction effects). Verticalization was measured as a binary construct (coded as a dummy variable) based on company information. Therefore, to assess moderating effects of verticalization we conducted multigroup analysis. We calculated separate PLS regression models for vertically integrated channels and for conventional channels, respectively. We then calculated the significance level of the observed differences between both models assuming that path coefficient variances in both groups are approximately equal using t-test. To calculate t-test, we used standard errors from bootstrapping. These values are mean adjusted reflecting standard deviation of the sampling distribution opposed to the sample standard deviation. Therefore, to calculate t-test, this has to be corrected by multiplying the standard errors from the bootstrapping procedure with the square root of the sample size (Chin 2000) (Equation 1).

The results of the moderated PLS model and the t-test are displayed in table 1. While it is not possible to report an overall goodness of fit for the model, because the objective of PLS is prediction versus fit (Fornell and Cha 1994), the $R^2$ values of brand loyalty as well as the Stone-Geisser-Criterion which assesses the predictive quality of the model ($Q^2$ values) indicate an adequate model specification for each of the models (Chin 1998).

In hypothesis 1 we proposed a positive effect of product brand evaluation on brand loyalty. Our results show a positive significant effect which is higher for the utilitarian dimension of the product brand than for the hedonic dimension. This result was interesting as it indicates that also in the fashion industry, where one could argue that emotional aspects of the product should be of high importance, functional aspects seem to dominate in terms of influence on long-term brand loyalty. Hypothesis 2 that relates to the impact of the evaluation of the retail store on product brand loyalty is only partly supported by our empirical results. The impact of assortment/price perception and of service perception on product brand loyalty in model 3 (all respondents) is positive and significant, whereas, contrary to our expectations, no significant effect can be shown for the perception of store atmosphere. This result was interesting as we supposed that especially in the fashion industry such aspects should be important.

Hypothesis 3 posited a moderating effect of verticalization. The results show that four of the relationships we examined in our analysis are moderated by verticalization, but the empirical data supports hypothesis 3 only partly because only two of these moderating effects are in the postulated direction. According to our assumptions, the perception of assortment and price exerts a higher influence on product brand loyalty in vertically integrated channels. Also, the impact of store atmosphere, which shows a positive and significant influence in model 1 (vertically-integrated channel sub-sample) but no significant influence in model 2 (conventional channel sub-sample), seems to be moderated positively by verticalization. However, the perception of services seems to be negatively moderated by verticalization. This could be interpreted
as an indication that in conventional channels service aspects that do not relate specifically to the product brand seem to exert a positive influence. This seems plausible as it could point to the availability of a higher variety of service dimensions in conventional channels, for example due to a broader possible range of services which go beyond product brand specific services. Regarding product brand perceptions, the influence of the utilitarian dimension of product brand evaluation on product brand loyalty is moderated negatively by verticalization. Thus, in vertically integrated channels, as the evaluation of the retail store becomes more important, characteristics of the product brand become less important.

In hypothesis 4 we supposed a moderating effect of involvement. The results of model 3 show that only one out of five relationships under review is moderated by involvement: only the relationship between the perception of the hedonic product dimension and product brand loyalty shows the significant and positive effect we proposed in our hypothesis. This points to a high importance of emotional aspects of the products for higher involved customers which seems plausible for the fashion industry. All in all, we only find little support for hypothesis 4 in our data.

The analysis of the impact of verticalization on these moderating effects (hypothesis 5) shows three significant moderating effects of which only two are positive and one, however, is negative. According to our assumptions, the moderating effect of involvement on the relationship between the perception of the hedonic dimension of the product and product brand loyalty is higher in vertically integrated channels. Whereas service dimensions of the retail store did not show a significant impact on product brand loyalty in vertically integrated channels, there seems to be positive and significant interaction between service perception and involvement in vertical channels while no significant interaction effect can be shown for conventional channels. The relationship between store atmosphere and product brand loyalty is moderated negatively by verticalization. Interestingly, the impact of the store atmosphere perception on product brand loyalty in vertically integrated channels is moderated negatively by involvement. This seems to indicate that in vertically integrated channels—the higher involved customers are, the more important are product oriented dimensions. Store atmosphere aspects in this situation probably are perceived as distracting customers from the product brand. Taking these results into account, hypothesis 5 is only partly supported.

As a general intention of our study was to analyze if vertically integrated channels are more successful than conventional channels, we conducted ANOVA (using the latent variable scores from the PLS regression) to analyze the differences in product brand loyalty between vertically integrated and conventional channels. The results (mean value vertically integrated channels: .19; mean value conventional channels: -.18; F=29.32; p=.000) show that indeed, as a result of the moderating effects on the relationships analyzed in our model, brand loyalty in vertically integrated channels is higher and thus, verticals seem to be more successful.

**CONCLUSIONS AND IMPLICATIONS**

With the results of our study, we can add to the knowledge on the sources of success of vertically integrated channel systems. Consonant with empirical observations on the continuously growing market share of verticals such as H&M, Zara, or Mango, our study shows an advantage of verticals in terms of consumers’ loyalty. We were able to show that characteristics of the retail channel are important to build product brand loyalty and that the contribution of the retail store perception to product brand loyalty is significantly higher in vertically integrated channels. With our study, we also are able to show that the higher involved consumers are, the more important are hedonic aspects of the product for product brand loyalty creation. Our study also adds to the knowledge on the significance of involvement in the context of verticalization. The results show that verticalization moderates the

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path of the structural model</th>
<th>Model 1 (vertically-integrated channels)</th>
<th>Model 2 (conventional channels)</th>
<th>Model 3 (all respondents)</th>
<th>Results of t-test</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 (t-test: H3) Perception of utilitarian dimension of product brand → product brand loyalty Perception of hedonic dimension of product brand → product brand loyalty</td>
<td>.300** .159**</td>
<td>.402** .159**</td>
<td>.305** .148**</td>
<td>** NS</td>
<td></td>
</tr>
<tr>
<td>H2 (t-test: H3) Perception of assortment/price of retail store → product brand loyalty Perception of service of retail store → product brand loyalty Perception of store atmosphere of retail store → product brand loyalty</td>
<td>.139** .040 (NS) .140**</td>
<td>.042 (NS) .135** .048 (NS)</td>
<td>.098* .105* .048 (NS)</td>
<td>** NS</td>
<td></td>
</tr>
<tr>
<td>H4 (t-test: H5) Utilitarian dimension * involvement → product brand loyalty Hedonic dimension * involvement → product brand loyalty Assortment/price * involvement → product brand loyalty Service * involvement → product brand loyalty Store atmosphere * involvement → product brand loyalty</td>
<td>.069 (NS) .466** .027 (NS) .205** -.199**</td>
<td>.029 (NS) .233** .039 (NS) -.069 (NS) .010 (NS)</td>
<td>.009 (NS) .256** .042 (NS) -.037 (NS) -.068 (NS)</td>
<td>NS ** NS</td>
<td></td>
</tr>
<tr>
<td>Involvement → product brand loyalty</td>
<td>-.046 (NS)</td>
<td>.087 (NS)</td>
<td>.066 (NS)</td>
<td>NS</td>
<td></td>
</tr>
<tr>
<td>$r^2$=.42</td>
<td>$r^2$=.51</td>
<td>$r^2$=.45</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$Q^2$=2.21</td>
<td>$Q^2$=2.29</td>
<td>$Q^2$=2.26</td>
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</tr>
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</table>

Significance of t-values (Bootstrapping procedure, model 1: m=389; model 2: n=406; model 3: l=795; 2,000 samples): ** p<.01, * p<.05, NS not significant.
impact of involvement of the effects of product and retail store perception on product brand loyalty.

This study reinforces the commonly agreed upon assumption that for manufacturers a careful selection of distribution channels is of key importance to generate product brand loyalty. But our results also imply that verticalization seems to be more important for weaker brands. According to our results and contrary to what we expected, in conventional channels, the product brand seems to be less contingent on its retail channel environment (which is not as “tailor-made” as it is in vertically integrated channels) and the product characteristics themselves exert a higher influence on brand loyalty than in vertical channels. The product brand has to compete with other product brands in the assortment and single product brands receive less support from the channel environment. Thus, if the manufacturer has a strong product brand, verticalization is not necessarily required to be successful, whereas, on the other hand, weaker brands can benefit from the support of a favorable retail channel environment and this can be achieved more effectively in vertically integrated channels. In channel design, manufacturers also should care for consumers’ involvement. Our study shows that with an increase in consumers’ involvement, in vertical channels the impact of service aspects becomes more important, while, however, with higher involvement the impact of the store atmosphere is alleviated.

As with all research, our study is constrained by certain limitations, thus implying areas for further research. The limitations mainly refer to the focus of the analysis on the impact of retail channel characteristics. In future research, other factors of influence such as situational variables, additional personal characteristics, etc. should be analyzed. We also focused our analysis on brick-and-mortar outlets. We suggest that future analysis should investigate other channels such as remote ordering or the Internet and should take into consideration that some manufacturers use multi-channel distribution systems. Also, we conducted our empirical study in the fashion industry. Future research should analyze if our results can be transferred to other categories in the consumer goods industry. A possible limitation of our study also could result from the retail context (fashion retailing in Germany) in which our study was conducted. Thus, in future research, the relationships should be tested in other countries and other retail sectors.

REFERENCES


### APPENDIX

#### Measures

| A. Measures of Product Brand Perception  
(anchors: 1=totally agree; 5=do not agree at all) |
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Products of Brand X…</td>
</tr>
<tr>
<td>… have a good value for money.</td>
</tr>
<tr>
<td>… are of high quality in terms of fabrics, durability, wear resistance.</td>
</tr>
<tr>
<td>… are easy to clean.</td>
</tr>
<tr>
<td>… fit well.</td>
</tr>
<tr>
<td>… are comfortable to wear.</td>
</tr>
<tr>
<td>… are well-cut.</td>
</tr>
<tr>
<td>… match well within the product range of Brand X and can be combined in various ways (e.g. color patterns within the range).</td>
</tr>
<tr>
<td>… are aesthetic and tasteful.</td>
</tr>
<tr>
<td>… are expressive.</td>
</tr>
<tr>
<td>… are up-to-date / fashionable.</td>
</tr>
<tr>
<td>… are fancy / creative.</td>
</tr>
<tr>
<td>… are elegant.</td>
</tr>
</tbody>
</table>

| B. Measures of Retail Store Perception  
(anchors: 1=totally agree; 5=do not agree at all) |
<table>
<thead>
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</thead>
<tbody>
<tr>
<td>Store Y…</td>
</tr>
<tr>
<td>… provides a good value for money.</td>
</tr>
<tr>
<td>… offers high quality merchandise.</td>
</tr>
<tr>
<td>… offers a wide selection of merchandise.</td>
</tr>
<tr>
<td>… offers up-to-date / trendy merchandise.</td>
</tr>
<tr>
<td>… has high in-store availability of products that I want to buy.</td>
</tr>
<tr>
<td>… offers exclusive products that are not available elsewhere.</td>
</tr>
<tr>
<td>… offers matching outfits (e.g. in terms of color concepts).</td>
</tr>
<tr>
<td>… always has enough sales people in the store.</td>
</tr>
<tr>
<td>… has sales people that are very customer-oriented (e.g. friendly, offer support).</td>
</tr>
<tr>
<td>… has sales people that are very competent (e.g. fashion know how).</td>
</tr>
<tr>
<td>… has an attractive in-store design.</td>
</tr>
<tr>
<td>… has an appealing exterior store design.</td>
</tr>
<tr>
<td>… has a clientele that I feel comfortable with.</td>
</tr>
<tr>
<td>… is clean, fair and tidy.</td>
</tr>
<tr>
<td>… offers good general services (e.g. payment methods, guarantees, return policy, changing rooms).</td>
</tr>
<tr>
<td>… allows efficient and quick shopping.</td>
</tr>
</tbody>
</table>

| C. Fashion Involvement Index (Tigert, King, and Ring 1976)  
(semantic differentials; 5-point scale, anchors: + 2 …-2) |
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I buy new clothing fashions earlier in the season than most others. -----</td>
</tr>
<tr>
<td>I buy new clothing fashions later in the season than most others.</td>
</tr>
<tr>
<td>I give a great deal of information about new clothing fashions to my friends. -----</td>
</tr>
<tr>
<td>I give very little information about new clothing fashions to my friends.</td>
</tr>
<tr>
<td>I am more interested in clothing fashions than most others. -----</td>
</tr>
<tr>
<td>I am less interested in clothing fashions than most others.</td>
</tr>
<tr>
<td>I am more likely to be asked for advice about new clothing fashions than most others. -----</td>
</tr>
<tr>
<td>I am less likely to be asked for advice about new clothing fashions than most others.</td>
</tr>
<tr>
<td>I read the fashion news regularly and try to keep my wardrobe up-to-date with the fashion trends. -----</td>
</tr>
<tr>
<td>I am not at all interested in fashion trends.</td>
</tr>
</tbody>
</table>

| D. Measures of Product Brand Loyalty  
(anchors: 1=totally agree; 5=do not agree at all) |
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I would recommend to relatives and friends to buy products of Brand X.</td>
</tr>
<tr>
<td>The likelihood that I will buy products from Brand X in the next years is very high.</td>
</tr>
<tr>
<td>The likelihood that I will buy more products from Brand X in the next years is very high.</td>
</tr>
<tr>
<td>I am willing to pay a higher price for products from Brand X than for products from other fashion brands.</td>
</tr>
</tbody>
</table>
Verticalization: The Impact of Channel Strategy on Product Brand Loyalty


Hansen, Torben (2005), The Evolution of Loyalty Intentions, Oxford u. a.: Pergamon Press.


