

**ASSESSING FLAGSHIP STORE EFFECTIVENESS –  
UPDATING BRAND EXPERIENCE AND ITS CONSEQUENCES BY  
USING THE EXAMPLE OF TWO NATIONAL BRANDS IN THE FAST-  
MOVING CONSUMER GOODS INDUSTRY**

Dissertation

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## List of Abbreviations

ABD	=	Augmented brand display
ASV	=	Average shared variance
AVE	=	Average variance extracted
BEX	=	Brand experience
BL	=	Brand loyalty
CBBE	=	Customer-based brand equity
CFA	=	Confirmatory factor analysis
CFI	=	Comparative fit index
CI	=	Confidence interval
CR	=	Composite reliability
<i>df</i>	=	Degrees of freedom
FMCG	=	Fast-moving consumer goods
FSV	=	Flagship store visit
H	=	Maximum reliability
MSV	=	Maximum shared variance
NB	=	National brand
PBEX	=	Pre-existing brand experience
PLB	=	Private label brand
PV	=	Planned visit
RMSEA	=	Root mean square error of approximation
SRMR	=	Standardized root mean square residual

## 1. GENERAL INTRODUCTION

*We don't just want to meet customer expectations, we want to exceed them. And that's why we're committing to go further than any other train operator, to create an unparalleled on-board experience for our customers.* (Richard Branson, Virgin Founder, virgin.com 2014)

In today's increasingly dynamic and inherently competitive market environments, brands are forced to constantly adapt their marketing communication instruments for customer favor at the point of sale (D'Aveni, Dagnino, and Smith 2010). One of the most important goals of marketing communication is branding. This process of forming a distinctive brand perception and recognition in the minds of consumers positions the brand favorably relative to competitors (Kotler and Keller 2012). Unidirectional brand communication, e.g., in the form of print advertisements or TV spots, is no longer the only effective marketing instrument for presenting the brand to its target group and differentiating it from the competition (Jones and Runyan 2013; Lemon and Verhoef 2016). In this era of multi-channel brand touch points, successful brands no longer simply sell products, offer services, or deliver quality for value. Brands must offer and deliver experiences that consumers connect to their being, regardless of whether the brand competes in a business-to-business or business-to-consumer setting (Pine and Gilmore 1998).

Earlier academic marketing research defined a brand as the name of a manufacturer or product that is linked in a consumer's memory to a distinctive feeling, emotion, or picture through advertising (Tyler 1957). In contrast, a brand is now defined as "*a customer experience, represented by a collection of images and ideas; often, it refers to a symbol such as a name, logo, slogan, and design scheme. Brand recognition and other reactions are created by the accumulation of experiences with the specific product or service*" (American Marketing Association 2016a). The definition has thus shifted from linking a name with

advertising and its effects to characterizing a brand in terms of the consumer's experiences with it.

When speaking of experiences in consumer goods marketing, which comprises physical goods and services in a business-to-consumer setting, brand experience can be defined as the consumer's subjective, internal response – such as sensations, feelings, and cognitions – as well as the behavioral response evoked by brand-related stimuli, which are part of the brand's marketing activities and environment (Brakus, Schmitt, and Zarantonello 2009). Brand experience thus includes subexperiences that are collected at each brand touch point throughout the customer's journey (Lemon and Verhoef 2016). Along consumers' journey from sensing deficits to fulfilling consumption needs and stepping into the post-purchase phase, consumers undergo these subexperiences that form a holistic brand experience picture (Brakus, Schmitt, and Zarantonello 2009). For instance, in the consumer's search phase, service experience through the brand ambassador's or retail staff's service quality triggers their sensations, feelings, and cognitions about a brand before consumption (Grace and O'Cass 2004). During the purchasing process, consumers engage with a brand's in-store and out-of-store environment as well as with the retail process within the store. These shopping experiences evoke moods, enjoyment, and attitudes to the process of finding and purchasing a brand and the frequency of conducting shopping trips (Kim, Lee, and Suh 2015; Sachdeva and Goel 2015). Furthermore, consumers have retail experiences, which evoke sensations, feelings, and cognitions concerning the buying process that then lead to store patronage decisions (Khan and Rahman 2015; Naylor et al. 2008). Entering the consumption and post-consumption phase, consumers undergo product and consumption experiences (Brakus, Schmitt, and Zarantonello 2009). Product experiences represent the consumer's response to the function, problem-solving ability, and composition of a brand's physical good, while

consumption experiences link the brand and its product to their benefits in the consumer's life and activities (Camargo and Henson 2015; Hoch and Ha 1986; Lanier and Rader 2015).

Through the customer journey and delivery of brand experience, brands aim to evoke and strengthen favorable consumer reactions. To help achieve this, marketing research has been placing greater attention on analyzing brand touch points that are in control of the brand (Lemon and Verhoef 2016). Among advertising, social media, customer relationship management, and online shops (Chattopadhyay and Laborie 2005; Huang et al. 2015; Mascarenhas, Kesavan, and Bernacchi 2006; Pettit 2005; Smith 2013), an increasing amount of consideration is being given to the creation of brand experience through a brand's own stores (e.g., mono-brand stores, pop-up stores, outlet stores, and flagship stores). In particular, pop-up stores (Klein et al. 2016; de Lassus and Freire 2014) and flagship stores (Dolbec and Chebat 2013; Kozinets et al. 2002) can be highlighted as brands engaging in direct physical distribution, controlling and creating brand experience through store-based communication vehicles. While pop-up stores create brand experience by staging the brand temporarily and in limited facets (Klein et al. 2016; Picot-Coupey 2010), flagship stores are meant for long-term operation, creating brand experience with a richer brand display and investing more heavily in designing the brand touch point (Arrigo 2015; Doyle et al. 2008; Manlow and Nobbs 2013; Nierobisch et al. 2017)

### **1.1 Flagship Stores and Research Motivation**

Owned and operated by the focal brand, flagship stores can be characterized as brand biotopes (Kozinets et al. 2002; Manlow and Nobbs 2013; Moore, Doherty, and Doyle 2010). Unlike traditional outlets, a flagship store's primary strategic marketing goal is to entertain and educate consumers about the brand through its augmented brand display (Nierobisch et al. 2017). This display can include elements such as product offerings, history, brand value

display, or the delivery of special services rather than the sale of goods (Dolbec and Chebat 2013; Manlow and Nobbs 2013). In a business-to-business context or in the framework of an enterprise expanding to new markets, flagship stores are used to create awareness, facilitating business contacts by exhibiting the brand's strength and gaining expertise that helps the brand to act successfully in the market (Doyle et al. 2008; Lopez and Fan 2009; Moore, Doherty, and Doyle 2010; Plazibat and Brajevic 2011). Another aspect distinguishing flagship stores from traditional outlets is their presence in metropolitan and expansive locations, as the architectural design, the cities' stereotypes, and the surrounding brands enable synergies of awareness, image, and contact creation (Arrigo 2015; Jones and Doucet 2001). The American Marketing Association (2016b) adds that a flagship store "is large or dominant in relation to other company stores."

Along these lines, flagship stores in the understanding of this thesis must offer an extraordinary augmented brand display through in-store attractions, storytelling, and entertainment, providing brand- and product-related information, exceptional assortment variety, and services that go beyond the offers in other brand-owned stores or traditional retailers. Visualizations of flagship stores can be found in Paper 1.

Although there exists a clear understanding of flagship stores and their marketing communication purpose for building strong brand experiences, major challenges remain:

1. Future research should assess whether investing in a flagship store is worthwhile for mundane brands and how to best design an augmented brand display to create an experiential, enjoyable store environment (Kozinets et al. 2002; Manlow and Nobbs 2013). In this regard, it remains unclear whether flagship stores of brands in the same industry sector function similarly and to what extent an in-store market adaption must be made for brands of different industry sectors, other than luxury fashion, furniture, or luxury home appliances (Dolbec and Chebat 2013; Keßler, Ney, and Zentes 2014).

2. The learning process of consumers within experiential stores should be gauged (Dion and Arnould 2011). Flagship stores ideally represent the peak of experiential consumption of a brand, lasting with great intensity over time (Dolbec and Chebat 2013). However, the process of creating peak experiences is dynamic, as previous brand experiences<sub>t</sub> shape future brand experiences<sub>t+1</sub> (Verhoef et al. 2009). Therefore, one must take into account the power of previous brand experiences to affect the development of peak brand experiences in flagship stores as well as moderating influences, e.g., repeated store visits or pre-existing consumer-brand relationships (Dolbec and Chebat 2013; Joy et al. 2014).
3. Due to the immense operation costs, brands that operate experiential stores, such as flagship stores, cannot survive without sales at other brand touch points and retailers (Dion and Arnould 2011). It is therefore of great interest to identify the consumer's future behavioral intentions toward the brand after engaging with an experiential store (Lemon and Verhoef 2016): Emphasis should be placed on the relationships with distribution partners. A substitution of revenue by flagship stores from the partner-owned brand touch points and retailers should be avoided (Doyle et al. 2008; Manlow and Nobbs 2013; Moore, Doherty, and Doyle 2010).
4. The success of flagship stores telling stories through composed mythotypes, delivering a brand's ideology and values to build strong images and relationships in consumers' minds, has been well documented (Borghini et al. 2009; Kozinets et al. 2002; Moore and Birtwistle 2004). However, several flagship stores have failed (BBC NEWS 2016; Ejinsight 2016; Ryan 2016). While McGrath, Sherry, and Diamond (2013) were the first to explain such a failure, recounting the physically staged brand meaning of Mattel's Barbie brand in the shut-down House of Barbie, the effect of in-store

attractions, stories, assortment, or service on diluting brand experience for consumers in experiential stores has not yet been examined or quantified.

5. Conducting a content analysis in the literature search engine EBSCOhost, applying the procedure as advised by Wiese et al. (2012) – except for restricting industries and research areas – it is clear that academic marketing literature and business periodicals increasingly emphasize the importance of brand experience and its synonymous derivatives (i.e., customer experience, product experience, or retail experience) for branding and retailing purposes (Lemon and Verhoef 2016). Figure 1 displays the number of publications for brand experience within the last 20 years. Evidently, a well-grounded understanding of brand experience in academic marketing literature and business periodicals has jointly evolved. Repeating the same analysis with respect to brand experience creation within experiential stores and its derivatives, academic marketing literature is deficient to business periodicals in identifying and analyzing drivers of experiential consumption and inherently its effects on brand perception, brand relationships, and consumer behavior on the experiential store level (i.e., flagship stores, pop-up stores, or brand museums). Despite the success of brands operating experiential stores – in particular flagship stores – the increasing attention of periodicals on flagship stores seen in Figure 1 indicates the need for a deeper investigation by academic marketing research that quantifies the underlying mechanisms, effectiveness, and consequences of flagship store operation (Dolbec and Chebat 2013; Joy et al. 2014; Keßler, Ney, and Zentes 2014). Consequently, this thesis also contributes to the yet limited number of articles that relate to brand experience creation within brand-owned experiential stores (Lemon and Verhoef 2016), enabling marketing research to test, understand, and further develop theory for an increasingly important topic to the discipline of business management and marketing.

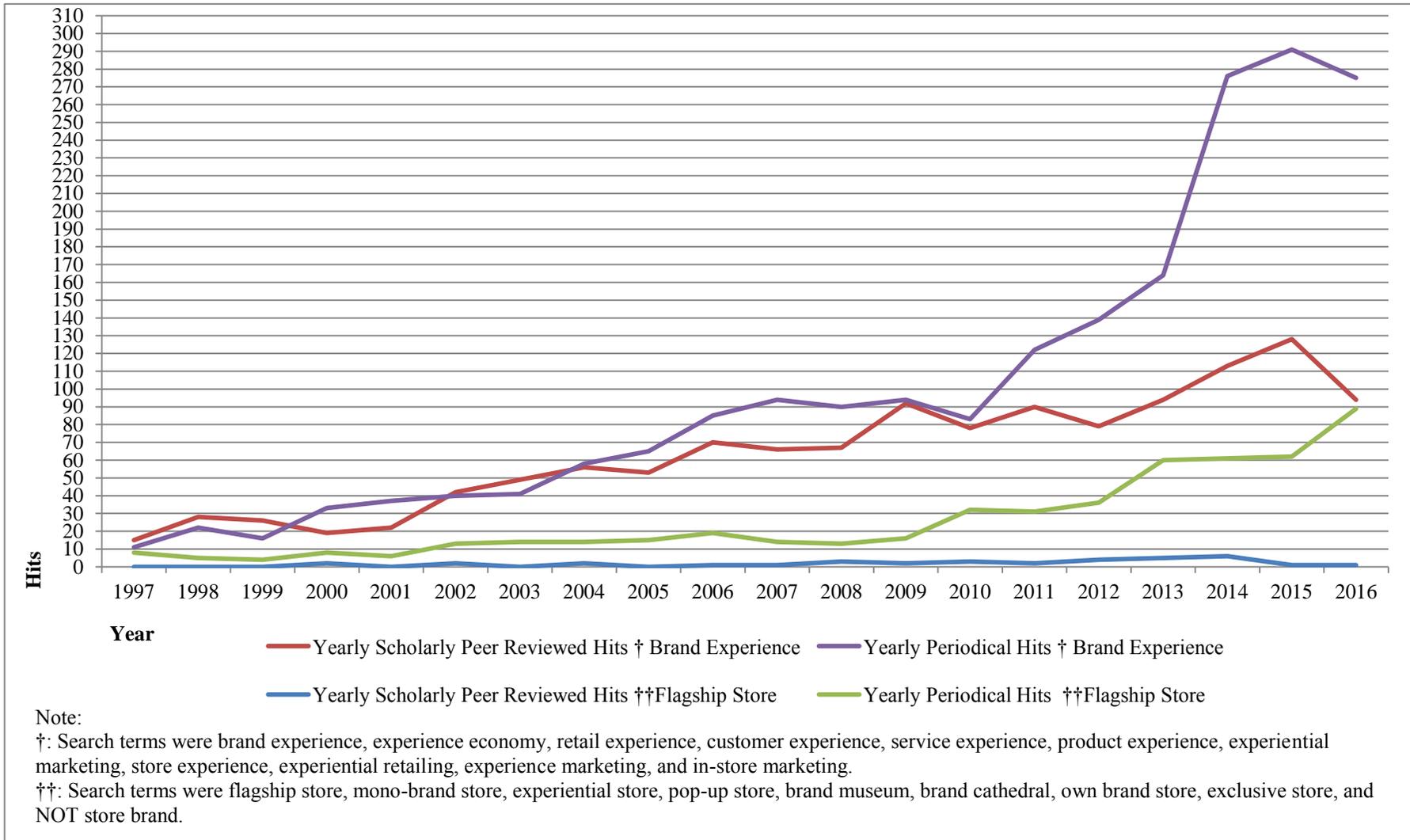


Figure 1: Content analysis for brand experience and flagship store incl. synonymous derivatives.

## 1.2 Research Outline and Audience

To address the aforementioned challenges of creating brand experience through effective flagship store execution, the following papers of this thesis cover (i) the application of the flagship store in the fast-moving consumer goods industry as a communication tool for transferring and verifying existing findings to a new industry setting (e.g., parts of the model by Dolbec and Chebat (2013)), (ii) the inclusion of future brand-directed consumer behavior (i.e., future brand loyalty, word-of-mouth advertising, standard and special product sales in the flagship store), (iii) the inclusion of moderators that affect brand experience creation or dilution (i.e., number of prior visits, visit intentionality, pre-existing brand loyalty), (iv) the effect of in-store attractions on brand experience creation or dilution (i.e., augmented brand display, interactive attractions, informative attractions, service), and (v) the dynamic process of updating pre-existing brand experience into flagship store-fueled brand experience, revealing the consumer's learning process in flagship stores.

In doing so, this thesis contributes to both academic marketing research as well as business practice. The relationships portrayed and effects verified add a quantitative element to the existing qualitative results of current publications. In particular, the findings of this thesis indicate that the postulated positive, majorly qualitative effects of flagship stores on brand experience, brand-consumer relationships, and future consumer behavior towards the brand do exist. However, it is noteworthy that in certain circumstances flagship stores might be less effective than expected on creating brand experience, strengthening brand-consumer relationships, and fostering beneficial future consumer behavior towards the brand.

Paper 1 demonstrates that current assumptions about flagship store effectiveness indeed apply to mundane brands of the fast-moving consumer goods industry (see Textbox 1 for details). This finding suggests that a flagship store can excel or at least reinforce the relationship of the brand's gestalt with the consumer's brand experience through an augmented brand display

inside flagship stores. Furthermore, Paper 1 assesses a context with even lower involvement than that of luxury fashion or upmarket durables and appliances to provide evidence that flagship store-fueled brand experience after the store visit (brand experience<sub>t+1</sub>; Lemon and Verhoef 2016) positively affects brand attachment and brand perception (i.e., brand equity), thereby stimulating future brand loyalty at retailers and word-of-mouth activity in the visitor's social environment. However, the results indicate that the effectiveness of a flagship store does not depend on the number of times a consumer visits. Reoccurring visits have no influence on the conversion of the augmented brand display into flagship store-fueled brand experience and its further effects on future brand loyalty and word-of-mouth advertising. This finding has not been considered by current qualitative research and interpretations of visitors' feedback (e.g., Hollenbeck, Peters, and Zinkhan 2008) on flagship store effectiveness over time.

FLAGSHIP STORES FOR FAST-MOVING CONSUMER GOODS – DO THEY IMPROVE BRAND PERCEPTIONS AND CREATE FAVORABLE CONSUMER REACTIONS?

**Abstract**

National brands have begun to engage in direct distribution, displaying the brand in its own biotope. Such operation of flagship stores is one means of forward verticalization. From samples of visitors to two flagship stores of fast-moving consumer goods brands, this study analyzes the effects of the flagship store visit on brand experience, brand equity, brand attachment, and loyalty. In the low-involvement fast-moving consumer goods context, flagship stores are useful for reinforcing brand experience. However, flagship store-fueled brand experience does not necessarily lead to favorable consumer reactions; its effect on future purchases is mediated by both brand equity and brand attachment.

*Keywords: Flagship store; brand experience; consumer reactions; fast-moving consumer goods*

Textbox 1: Abstract Paper 1.

Paper 2 of this thesis unfolds the process of consumer learning and updating brand experience (i.e., the influence of the augmented brand display on enhancing brand experience<sub>t</sub> into brand experience<sub>t+1</sub>; Lemon and Verhoef 2016) within flagship stores, alongside investigating effects on direct sales to identify the impact of sales substitution at retailers and other third-party distributors (see Textbox 2 for details). The results reveal that flagship stores create brand experience through their augmented brand displays. However, given a large overlap with a visitor's pre-existing brand experience (i.e., brand experience<sub>t</sub>; Lemon and Verhoef 2016), the assumed positive perception of the augmented brand display and its conversion into flagship store-fueled brand experience (i.e., the consumer's post-visit brand experience<sub>t+1</sub>; Lemon and Verhoef 2016) would be less strong than existing literature has postulated. Hence, current research appears to have overstated the benefits of flagship stores in fueling brand experience.

Furthermore, the results of Paper 2 reveal that brand-loyal consumers are more open to the augmented brand display than less loyal consumers are. This finding demonstrates that flagship stores drive brand experience for both loyal and less loyal consumers. However, in order to update the brand experience of less loyal consumers and drive their flagship store-fueled brand experience as effectively as for loyal consumers, it is important to anticipate their pre-existing brand experience.

A further consumer characteristic that affects the perception of the augmented brand display and its conversion into flagship store-fueled brand experience (i.e., the consumer's post-visit brand experience<sub>t+1</sub>; Lemon and Verhoef 2016) is the intentionality of the visit. Consumers who plan the visit, due to advertisements, tourist guides, or even word of mouth from friends, manifest a stronger influence of pre-existing brand experience on perceiving the augmented brand display and its conversion into flagship store-fueled brand experience. This matter highlights the fact that brands must strategically differentiate between intentionally attracting

consumers and focusing on the occasional walk-in customers. In our case, the latter are better for creating new flagship store-fueled brand experience with less influence from pre-existing brand experience by other consumer-brand touch points.

Regarding the contribution of flagship stores to direct sales – thus including an economic-return perspective into examining experiential stores – the results of Paper 2 state that flagship store-fueled brand experience triggers sales of exclusive flagship store products. However, the findings do not reveal a significant effect on sales of products that are available elsewhere. Hence, there is evidence that flagship stores for fast-moving consumer goods brands present no threat to existing retailers and third-party distribution partners, as long as the flagship store offers exclusive product lines.

#### BRAND EXPERIENCE DYNAMICS DURING FLAGSHIP STORE VISITS AND THE GENERATION OF COMPLEMENTARY SALES

##### **Abstract**

In order to drive differentiation and create competitive advantage, most brands today strive to deliver extraordinary brand experiences. One means of doing so is operating flagship stores, in which an augmented brand display allows consumers to sense the brand more profoundly. Drawing from a sample of flagship store visitors ( $n = 416$ ), this study quantitatively establishes a dynamic model of post-visit brand experience creation. Perceived augmented brand display mediates the updating of brand experience, and this process is moderated by brand loyalty and the intentionality of consumers' visit to the flagship store. The substitution of sales from traditional retailers is not given, as flagship stores seem to generate sales of special products that are complementary to a brand's standard assortment. Thus, this study adds to both the comprehension of the dynamic processes within flagship stores as well as their strategic understanding.

*Keywords: Flagship store; brand experience; brand loyalty; exclusive product sales*

Textbox 2: Abstract Paper 2.

Paper 3 draws attention to the effectiveness of in-store attractions within flagship stores in creating brand experience (see Textbox 3 for details). In particular, Paper 3 assesses the impact of informative (i.e., storytelling) and interactive (i.e., consumer co-creating) attractions

as well as the provision of special products (i.e., exclusive products that add to the standard assortment and are only available at the flagship store) within flagship stores. The findings reveal that the attractions themselves do not drive brand experience; staging the brand through informative (storytelling) attractions that build mythotypes and deliver additional information to consumers (Kozinets et al. 2002) as well as the offering of special products have no effect on brand experience per se. These can even dilute brand experience, hypothetically due to an unsatisfactory display. Only interactive attractions, in which the consumer co-creates the values, are able to enhance brand experience. This positive effect is even strengthened, if the consumer has engaged with informative attractions and special products jointly. Therefore, informative attractions and special products are able to excel the effect of interactive attractions. Consequently, these types of attractions have a justification within flagship stores but only drive brand experience if the consumer has engaged with interactive attractions.

Lastly, the results reveal that well-executed service by the flagship store staff as brand ambassadors does create brand experience. Hence, brands that operate direct brand touch points in the form of experiential stores (flagship stores) should focus on the human factor to drive brand experience to consumers, aiming to exceed the service expectations of consumers from other brand touch points (e.g., retailers). This is particularly important for brands lacking prior experience with designing services, such as those of the fast-moving consumer goods industry portrayed in this thesis.

## WHEN FLAGSHIP STORES BACKFIRE – IDENTIFYING BRAND EXPERIENCE DILUTING AND CREATING IN-STORE ATTRACTIONS

### **Abstract**

In an increasingly competitive brand environment, experiential marketing and retailing becomes a promising strategy for differentiating a brand from competing offers. One means of engaging in such an approach is the operation of flagship stores. Unquestioned in academic research, flagship stores are designed to enhance the consumer's brand experience and subsequent perceptions of and loyalty toward the brand. However, there exists empirical evidence that flagship stores can backfire, meaning that a dilution of brand experience occurs. Drawing from a sample of visitors to the flagship stores of two brands from the fast-moving consumer goods industry (N = 565), this study identifies the in-store attractions creating or diluting brand experience and quantifies this effect. This study thus delivers a pathway for assessing the effectiveness of in-store attractions and enables management to rethink how they stage their brand meaning through attractions within flagship stores.

*Keywords: Flagship store; in-store attraction; brand experience; fast-moving consumer goods*

Textbox 3: Abstract Paper 3.

Table 1 below summarizes the research goals of the three papers in this thesis. In addition, Table 1 briefly states the theory contributions and contains an overview of the methods and samples applied in quantifying the postulated effects.

Title:	Research Goals:	Included Variables:	Data and Methods:	Key Findings and Contribution:
Paper 1:  FLAGSHIP STORES FOR FAST-MOVING CONSUMER GOODS – DO THEY IMPROVE BRAND PERCEPTIONS AND CREATE FAVORABLE CONSUMER REACTIONS?	<ul style="list-style-type: none"> <li>●Examining if flagship stores function similarly to luxury and durables industries in lower involvement industries (FMCG).</li> <li>●Exploring if the flagship store visit enhances consumers' brand perception and the formation of brand experience.</li> <li>● Linking brand experience and consumer-brand relationships to future loyalty intentions by flagship store visits.</li> </ul>	<ul style="list-style-type: none"> <li>●Augmented brand display (metric).</li> <li>●Flagship store-fueled brand experience (metric).</li> <li>●Brand attachment (metric).</li> <li>●Brand equity (metric).</li> <li>●Future brand purchases at the retailer (metric).</li> <li>●Word of Mouth (metric).</li> <li>●Flagship store visit (binary).</li> <li>●Number of previous flagship store visits (metric).</li> </ul>	<ul style="list-style-type: none"> <li>●Sample of flagship store visitors with tracking number.</li> <li>●Chocolate brand sample (n=192).</li> <li>●Cosmetics brand sample (n=416).</li> <li>●Confirmatory factor analyses.</li> <li>●Mediated and moderated regression analyses (PROCESS; Hayes 2013).</li> </ul>	<ul style="list-style-type: none"> <li>●Flagship store visits accelerate the influence of an augmented brand display on brand experience creation.</li> <li>●Flagship store-fueled brand experience positively affects brand attachment and brand equity and leads to greater loyalty in the form of future purchases and word of mouth.</li> <li>●Previous flagship store visits do not have an effect on brand experience creation.</li> <li>●Flagship stores create or reinforce brand experience and subsequent consumer reactions in the FMCG industry.</li> </ul>

Table 1: Overview of papers.

Title:	Research Goals:	Included Variables:	Data and Methods:	Key Findings and Contribution:
BRAND EXPERIENCE DYNAMICS DURING FLAGSHIP STORE VISITS AND THE GENERATION OF COMPLEMENTARY SALES	<ul style="list-style-type: none"> <li>● Exploring how consumers' pre-existing brand experience influences the perception of the augmented brand display within flagship stores.</li> <li>● Examining if prior loyalty and visit intentionality affects the influence of pre-existing brand experience on perceiving the augmented brand display and the creation of post-visit brand experience.</li> <li>● Exploring if post-visit brand experience leads to the generation of direct sales and the risk of retailer cannibalization.</li> </ul>	<ul style="list-style-type: none"> <li>● Augmented brand display (metric).</li> <li>● Pre-existing brand experience (metric).</li> <li>● Post-visit (flagship store-fueled) brand experience (metric).</li> <li>● Brand loyalty (metric).</li> <li>● Visit intentionality (binary).</li> <li>● Standard assortment product sales (binary).</li> <li>● Exclusive flagship store product sales (binary).</li> </ul>	<ul style="list-style-type: none"> <li>● Sample of flagship store visitors with tracking number.</li> <li>● Cosmetics brand sample (n=416).</li> <li>● Confirmatory factor analysis.</li> <li>● Mediated and moderated regression analyses (PROCESS; Hayes 2013).</li> <li>● Logit regression analyses.</li> </ul>	<ul style="list-style-type: none"> <li>● Pre-existing brand experience affects the perception of the augmented brand display. It is stronger if consumers have planned the visit and weaker for loyal consumers.</li> <li>● Post-visit brand experience has a strong overlap with pre-existing brand experience and the influence of the augmented brand display on creating brand experience is overstated but existent.</li> <li>● Post-visit brand experience leads to direct sales of exclusive flagship store products and not to sales of the standard assortment.</li> <li>● Flagship stores do not cannibalize consumption at retailers in the FMCG industry.</li> </ul>

Table 1 (continued): Overview of papers.

Paper 2:

Title:	Research Goals:	Included Variables:	Data and Methods:	Key Findings and Contribution:
<p>WHEN FLAGSHIP STORES BACKFIRE – IDENTIFYING BRAND EXPERIENCE DILUTING AND CREATING IN-STORE ATTRACTIONS</p>	<ul style="list-style-type: none"> <li>● Exploring how consumers perceive in-store attractions within flagship stores and how these can be grouped.</li> <li>● Examining which in-store attractions drive or dilute brand experience within flagship stores.</li> </ul>	<ul style="list-style-type: none"> <li>● Pre-existing brand experience (metric).</li> <li>● Post-visit brand experience (metric).</li> <li>● Interactive perception of in-store attractions (metric).</li> <li>● Informative perception of in-store attractions (metric).</li> <li>● Engagement with interactive in-store attractions (binary).</li> <li>● Engagement with informative in-store attractions (binary).</li> <li>● Engagement with special products (binary).</li> <li>● Service quality (metric).</li> <li>● Brand (binary).</li> </ul>	<ul style="list-style-type: none"> <li>● Sample of flagship store visitors with tracking number.</li> <li>● Chocolate brand sample (n=245).</li> <li>● Cosmetics brand sample (n=320).</li> <li>● Internet sample (n=49)</li> <li>● Confirmatory factor analysis.</li> <li>● ANOVA</li> <li>● Generalized linear model (SPSS GENLIN).</li> <li>● Moderated regression analyses (PROCESS; Hayes 2013).</li> </ul>	<ul style="list-style-type: none"> <li>● Interactive in-store attractions drive brand experience. Consumer co-creation is thus very important within flagship stores.</li> <li>● Informative in-store attractions and special products do not have a main effect on diluting nor creating brand experience.</li> <li>● However, informative in-store attractions and special products are not obsolete. These can accelerate the positive effect of interactive in-store attractions on creating brand experience within flagship stores.</li> <li>● Only a few visitors engage with interactive in-store attractions.</li> </ul>

Table 1 (continued): Overview of papers.

Paper 3:

This thesis presents manifold results that enable a better assessment of flagship store effectiveness and thus addresses a wide audience. First, we address marketing researchers to deepen the understanding of processes within flagship stores in order to create memorable brand experiences and mechanisms with which a brand can improve perception and future consumer behavior. Furthermore, marketing researchers can transfer the quantification and methods applied in this thesis for verifying assumed effects in existing theory development on experiential stores to different industry settings. As Borghini et al. (2009), Dolbec and Chebat (2013), and Kozinets et al. (2002) point out, there are many brands – such as American Girl, Apple, Lego, and ESPN – that successfully operate flagship stores to engage with consumers. Given the diversity of product and industry characteristics, it is likely that store-based experiential marketing has different effects on brand experience, brand perception, and inherently consumer behavior. In addition, an augmented brand display or in-store attractions might have different mechanisms to improve the aforementioned brand-related targets. This thesis thus offers models and procedures to test and quantify flagship store effectiveness. Thereby, the three papers of this thesis are unfolding the underlying marketing and consumer behavior processes within flagship stores and enable a further transfer of these onto experiential stores in general for future research.

Second, regarding business practice, this thesis also addresses brand managers. The findings of the three papers advise brand managers on the operation of flagship stores as well as the design of the augmented brand display and in-store attractions to achieve optimal impacts on brand experience, brand perception, and consumer behavior. Practitioners can replicate the quantitative models and research methods to measure the effectiveness of their own experiential stores, particularly flagship stores. Brand managers facing the task of engaging in direct consumer-brand touch points can use the findings within to argue for or against flagship store operation in their respective industries. In particular, the findings reveal that flagship

stores can also function for mundane brands – not just luxury fashion or upmarket appliances and furniture (in contrast to Doyle et al. 2008; Keßler, Ney, and Zentes 2014; Manlow and Nobbs 2013; Moore and Birtwistle 2004) – as demonstrated through our example of brands in the fast-moving consumer goods industry. Furthermore, the results indicate that strong brand managers should take the consumer’s pre-existing brand experience<sub>t</sub> into account when designing the augmented brand display and consider how in-store attractions drive brand experience<sub>t+1</sub> in combination with well-executed service by the staff as brand ambassadors (e.g., Diamond et al. 2009; Lemon and Verhoef 2016). Lastly, the findings on direct sales, future loyalty, and word-of-mouth advertising can help brand managers to justify the launch of their own flagship stores to the board of directors or to third-party distributors and traditional retailers. The findings of this thesis reveal that a cannibalization is not likely.

Third, this thesis addresses a peripheral audience of urban policy makers and real estate developers. City centers of metropolises primarily attract and are occupied by flagship stores of luxury brands, particularly luxury fashion brands, due to the advertising synergies with the prominence of the location (Arrigo 2015; Fernie, Moore, and Lawrie 1998). Urban policy makers and real estate developers can employ the findings of this thesis to convince and attract mundane brands or brands from non-typical experiential store industries to operate flagship stores or other forms of experiential stores in metropolitan city centers. In doing so, a more attractive store format mix, category mix, brand mix, and entertainment mix can be attained, creating an even more attractive city center retail landscape. This matter could attract more consumers for conducting shopping and visiting trips, making city centers more lively again (Jones and Doucet 2001).

### **1.3 Development of This Thesis**

As the previous parts of the general introduction have stated the research potential, theory contribution, and managerial relevance on researching the effectiveness of flagship stores, it is noteworthy to address the development process of this thesis's focus.

Originally, flagship stores were addressed as one possible strategy for national brand manufacturers to cope with the competition between private label brands and national brands in the fast-moving consumer goods industry in Germany. The operation of flagship stores is not an uncommon strategy of national brand manufacturers in the German fast-moving consumer goods industry for gaining competitive advantage over private label brands and competing national brands. Paper 1 still contains the competitive aspect of flagship stores for national brands in the fast-moving consumer goods industry.

Aside flagship stores for national brands, the author regarded private label brand naming strategies and a hybrid, co-branding strategy of national brands and private label brands jointly in retailer shelves. As such, identifying strategies for competitive advantage on either side of the brand type (i.e., private label brands and national brands) were initially of interest.

Due to the author's participation at the Doctoral Colloquium of the European Marketing Academy Conference (EMAC) in 2014 in Valencia (Spain), at which the flagship store focus was one aspect of the presented thesis idea, the large existing body of research on private label brands, and the helpful comments of the Chairs (Doctoral Colloquium Chair Thomas Otter, [Goethe University Frankfurt, Germany]; Advanced Track Marketing Mix Instruments Co-Chairs Arnaud de Bruyn, [ESSEC Business School, France], Ujwal Kayande [The University of Melbourne, Australia], and Arvind Rangaswamy [Pennsylvania State University, USA]), the focus of this thesis and research was then set in accordance with the advisors to flagship stores, brand experience, and its consequences.

The shift towards researching exclusively on flagship store effectiveness in the fast-moving consumer goods industry and the need to deepen the understanding of the brand experience updating processes (Paper 2), its consequences for sales and potential cannibalization (Paper 2), as well as a more thoroughly analysis of in-store attractions that either drive or dilute brand experience within flagship stores (Paper 3) has occurred: The increasing but yet not sufficient amount of literature on flagship store execution and experiential stores (e.g., Dolbec and Chebat 2013; Doyle et al. 2008; Keßler, Ney, and Zentes 2014; Lemon and Verhoef 2016; Manlow and Nobbs 2013) made apparent that theory contribution and managerial advise for business practice improvements originates better in focusing more thoroughly on flagship stores. Therefore, the three papers of this thesis exclusively focus on flagship store effectiveness, brand experience creation and further consequences of flagship store visits.

Because of the prior research activities of the author and the existing initial results, Textbox 4 contains an excursus with the presented research questions at the Doctoral Colloquium of the European Marketing Academy Conference (EMAC) in 2014. Within Textbox 4, the first research question focusses on vertical private label brand differentiation (e.g., Geyskens, Gielens, and Gijbrecchts 2010; Nenycz-Thiel and Romaniuk 2009), integrated horizontal brand naming, and brand-attribute differentiation (Aaker and Joachimsthaler 2000) to identify perceptual differences and advantages concerning a private label brand's consumer perceived value (Sweeney and Soutar 2001), customer-based brand equity (Keller 1993), and consumption behavior.

The second research question in Textbox 4 addresses the effectiveness of a hybrid (co-) branding strategy of a private label brand with a national brand and its effects on the consumer perceived value (Sweeney and Soutar 2001), customer-based brand equity (Keller 1993), and consumption behavior. Investigative journalism has identified national brand manufacturers as private label brand suppliers, with existing research following up by looking

at the effects on the uniqueness and perception of the private label brand (Olson 2012). Specifically of interest is the intended visible outing of the national brand manufacturer for the private label brand in the respective supermarket chain as a branding strategy. It is proposed that there are spillovers and synergies for the consumer perceived value, customer-based brand equity, and a joint advantage for the private label brand with the visible national brand logo in relation to competing brands on the shelves.

The third research question in Textbox 4 addresses the forward verticalization of national brand manufacturers by operating flagship stores to deliver competitive advantage out of which this thesis and the three papers have evolved. In this regard, the effectiveness of this method for (re-)gaining competitive advantage is of interest (Paper 1) along with closing research gaps regarding flagship store effectiveness and brand experience creation for the marketing and retailing discipline of business administration (Paper 2 and Paper 3).

Therefore, Textbox 4 illustrates the initial development process of this thesis and enables an additional thematic integration of the three papers of this dissertation to further understand flagship stores as communication tools for national brands in highly competitive environments.

Therefore, the first two research questions within Textbox 4 should stimulate fellow researchers to address competition strategies for private label brands and national brands, while signaling initial results.

Concerning further research on flagship stores and experiential stores, the author outlines future research directions within each paper and at the concluding discussion of this thesis.

## **CUSTOMER-BASED BRAND EQUITY-ENHANCING MARKETING-MIX INSTRUMENTS FOR PRIVATE LABELS AND NATIONAL BRANDS: THE CASE OF NAMING STRATEGIES, CO-BRANDING OR ENDORSEMENTS, AND FLAGSHIP STORES!**

Abstract for EMAC Doctoral Colloquium, Advanced Track Marketing Mix Instruments

### **1. Problem Introduction**

In today's fast-moving consumer goods landscape of retailing, an intense fight for market share between private label brands (PLBs) and national brands (NBs) is evident. Private label brands – alternatively known as own brands, store brands, or retailer's brands – are products produced by national brand manufacturers or general contractors for the retailer. The retailer owns the trademark but outsources the production (Kumar and Steenkamp 2007). In contrast, NBs are produced by the trademark owner and most commonly sold through retailers to targeted consumers. Traditionally, PLBs have been the value-for-money alternatives to NBs. In recent years, however, PLBs have proliferated from cheap generics (economy PLBs) to premium product lines with added consumer benefit (premium PLBs). Even prestige- and high quality-seeking consumers, who before tended to buy NBs exclusively, are now attracted to PLBs (Geyskens, Gielens, and Gijsbrechts 2010). As a consequence of this development, the PLB share of sales in the German fast-moving consumer goods (FMCG) market increased to approximately 37 percent in 2011, rising annually by roughly one percentage point since 2005 (Hübsch and GfK Panel Services Deutschland 2012). The initial competitive advantages of each brand type are eroding, leading to the need for brands to find new forms of competitive parameters to create competitive advantages.

A general competitive advantage-delivering concept, when it comes to consumer behavior and the design of marketing-mix instruments, is Keller's (1993, 2013) customer-based brand equity [CBBE] concept. CBBE is defined as a favorable consumer reaction to the marketing of a brand. Keller (1993) assumes that a favorable behavior is the result of positive decoding of brand knowledge by consumers, which is anchored to the brand name and other marketing-mix activities that are used to make the product available for consumption. Brand knowledge consists of brand awareness, e.g., knowing and recalling the brand name, as well as of brand associations that are derived from brand attributes, brand benefits, and brand attitudes. The stronger the brand knowledge and brand awareness that consumers possess and decode favorably, the higher the CBBE and the assumed competition success. Brands that have the highest CBBE in the consumer's mind will be consumed, recommended to friends, or simply achieve greater interest for future consumption. Furthermore, CBBE is harder for competitors to imitate, as it is formed over time through recurring marketing activities of the brand (Keller 1993, 2013). This raises the following question: *What newly designed marketing-mix instruments enhance the CBBE of PLBs and NBs in competition with one another?*

The aim of this dissertation project is to provide an answer to this question in the context of the German FMCG market. To do so, three new marketing-mix instruments for each brand were identified. As current academic research concerning their impacts on PLB and NB competition is insufficient, this project aims to investigate more deeply and close this research gap. A further aim is to provide advice and inspiration to managers and researchers with similar interests from other markets.

Textbox 4: Abstract EMAC Doctoral Colloquium 2014 in Valencia, Spain.

## 2. Literature Background and Research Questions

CBBE is anchored primarily to the brand name and created through marketing-mix instruments applied when marketing the brand for consumption. Thus, perceived quality, advertising, promotional deals, product-line extensions, and store image are typical CBBE-creating parameters, as these enrich brand knowledge.

The introduction of PLBs in different price/quality segments has been of great interest when it comes to brand choice and CBBE inherently. As Geyskens et al. (2010) identify, the introduction of premium PLBs captures shares from similarly perceived national brands, whereas the introduction of PLBs in economy price segments captures shares from both NBs and standard PLBs. In the latter case, consumers are attracted by the price benefits. Similar results are found by Palmeira and Thomas (2011). Their findings indicate that premium PLBs are perceived to be of higher quality than standard or economy PLBs. Hence, one can say that consumers understand the different brand concepts. Nonetheless, if NBs can be afforded, consumers tend to buy these instead of PLBs, as the status orientation is still better for NBs (Palmeira and Thomas 2011). While these two studies demonstrate the vertical consequences (between price/quality segments) of creating a brand architecture for PLB rivalry against NBs, little research has been conducted to address horizontal brand architectures, in which brand concepts in similar quality/price tiers are offered to consumers, targeting more specific consumer segments (Aaker & Joachimsthaler, 2000; Cuneo et al., 2012). Cuneo et al. (2012) assert that regular PLBs and functional PLBs at similar price levels have different CBBE values and therefore perform differently against NBs. Regular PLBs do not explicitly carry a visible brand benefit, while functional PLBs do. Providing the PLB with a functional brand concept increases its performance against the competing NB. However, Cuneo et al. (2012) present no information about which functional aspect in particular was part of the brands researched. Functional brand concepts can address various aspects. For instance, “organic,” “regional,” “low fat,” and “exclusivity” can be used for giving the brand a function. Thus, functional brand concepts can contain drivers that form the benefit into one of the following expressions: being symbolic, experiential, relational, or practical (Park et al. 1986; Strebinger 2004). Currently, the German full-range supermarket chain REWE offers four middle-quality PLB lines (“REWE beste Wahl [best choice],” “REWE Bio [organic],” “REWE frei von [free from additives],” and “REWE Regional [from your neighborhood]”) along with a cheaper generic line (“Ja!”) and an exclusive premium line (“REWE feine Welt [fine world]”). The brand concepts each address functions. Given this variety, an analysis in regard to each functional aspect is advisable. Therefore, Cuneo et al.’s (2012) research can be extended by further investigation of brand concepts applied to PLBs. One marketing-mix parameter for signaling the brand concept to consumers is the brand name, which is visible at the point of sale and evokes initial brand associations (Keller 2013; Petty 2008; Samu and Shanker Krishnan 2010). For instance, the PLB line “REWE Bio” signals its functional attribute of being healthy because of its natural production and sourcing methods. Similar argumentation can be made concerning the brand “GutBio” from the German discounter ALDI: a rural farming connection and the “organic” part of the brand name address the practical aspect of being healthy and experiential by being produced on a farm, which might evoke childhood associations from vacations on farms, for instance.

Textbox 4 (continued): Abstract EMAC Doctoral Colloquium 2014 in Valencia, Spain.

Following Joubert and Poales's (2012) research on the effect of brand names on milk evaluation, milks with a brand concept in their name score higher in positive brand associations. Thus, Study 1 of this dissertation postulates a CBBE-enhancing effect of brand concept-addressing brand names applied to PLBs. This results in the following research question:

*Study 1: Do brand concept-addressing PLB names enhance CBBE and deliver a competitive advantage over competing NBs?*

Instead of enriching the PLB brand name with associative and image-evoking attributes that create further brand knowledge and CBBE that inherently foster competition against NBs, retailers and NB manufacturers could visibly cooperate in marketing against common competitors, such as other NBs or PLBs from different retail chains (Olson, 2012). Such cooperation could originate in co-branding through a new brand name that states the connection (Åsberg and Ugglå 2009) or through endorsements that signal the manufacturer (Aaker and Joachimsthaler 2000), such as "REWE Bio pasta manufactured by Barilla. Regarding CBBE creation, co-branding and endorsements add brand knowledge to the focal brand by combining the knowledge that consumers hold about each individual brand (Åsberg and Ugglå 2009). Thus, internal consumer assessments of the brand can be made more easily, e.g., quality, status, value for money, or function. For instance, stating the brand of the ingredients that are processed in the product increases its quality perception, as the transparency allows consumers to make a more specified risk assessment (Swaminathan et al. 2011). Both PLBs and NBs stand to gain from cooperating visibly: PLBs could benefit by lifting their brand image and CBBE to those of leading NBs in a category, while NBs could benefit if they gain shares from their opposing NB. A further benefit for NBs in visibly cooperating with retailers could be entry into the distribution network of the specific retail chain with which co-branding or endorsements are created, in case the NB is not listed due to unmet sales volumes or scarce shelf space. In Germany, endorsement strategies by NBs on PLBs or co-brandings are not yet visibly marketed. However, investigative journalism and insider information has revealed which NB manufacturers produce which PLB line at various retail chains. In regard to this issue, Olson (2012) identifies the resulting shrinkage in attitude gaps and uniqueness gaps between the PLB and NB, leading to increased assimilation between the PLB and NB. However, Olson's results can be enriched for the following reasons. First, no reference to the different vertical and horizontal brand architectures of the PLBs researched is made. Second, the differences in gaps are stated without addressing the product-related dimensions in which these changes happen, such as quality, price/quality perception, status orientation, or function, which inherently form brand knowledge and CBBE. Third, it lacks any quasi-economic measure, leaving the question of impact on PLB consumption unanswered. Fourth, from a NB's perspective, little information is included about the standing of the NB in the market. NBs can be classified hierarchically as being a leader (e.g., A-brand), a well-known brand (e.g., B-brand), or an unknown brand (e.g., C-brand). Fifth, the difference between retail formats, i.e., discounter and full-range supermarkets, has been left out. Therefore, further research is necessary. This leads to the following research question for the second study:

*Study 2: Does visibly communicating the manufacturer of PLB lines increase CBBE, impacting competition with other NBs and PLBs?*

Textbox 4 (continued): Abstract EMAC Doctoral Colloquium 2014 in Valencia, Spain.

While the previous two studies address brand name characteristics as well as information about the origin and their consequences for competition between PLBs and NBs, the third study addresses a benefit of CBBE creation for NBs in competition with PLBs. As retailers have verticalized with PLB marketing and PLB contract manufacturing, NB manufacturers could proceed similarly by introducing their own direct distribution channels to the end consumer. Amrouche and Yan (2012) address this gap in their study about direct distribution via online shops for NBs as an answer to PLB introduction. They conclude that direct distribution leads to a beneficial reduction of price sensitivity as well as an increased quality perception in favor of the NB. Possible reasons for this could be the additional product information provided or a better product display than on retailers' shelves. Nonetheless, given their game theory-based approach, empirical validation is missing. Another approach to direct distribution for NBs could be opening their own stores in city centers or shopping malls that follow the concept of flagship stores, in which the brand is presented exclusively. Thus, a flagship store can be called a "brand biotope" in which the whole assortment, the brand meaning, and information about sourcing and manufacturing are provided to potential consumers. Furthermore, consumers would gain a deeper brand experience from visiting a brand's flagship store compared to regular retail outlets (Dolbec and Chebat 2013). For instance, the German FMCG cosmetics brand NIVEA has opened NIVEA flagship stores (NIVEA Haus) in Hamburg, Berlin, and Warnemünde that demonstrate their product portfolio and provide consumers with massages or professionally conducted NIVEA beauty treatments. Similarly, the German chocolate brand RITTER SPORT has a flagship store (BUNTE SCHOKOWELT) in Berlin, where consumers can be informed about their cacao sourcing, the different flavors available, and the company history, or even create their own chocolate bar. As the information provided in such flagship stores is brand or product related, it can be assumed that flagship stores enrich the brand knowledge of consumers or even add new components to it. Thus, CBBE is likely to increase from flagship store visits (Dolbec and Chebat 2013). As CBBE is a major brand-consumption driver, with the brand with the highest CBBE most likely to be chosen at retail outlets (Keller 1993), it can be assumed that promoting NBs through their own flagship stores will have an impact on competition against other NBs and PLBs. Furthermore, when consumers shop at their "everyday" retailers after a visit to a FMCG NB's flagship store, it can be assumed that memories of the flagship store visit as well as the enriched brand knowledge will influence brand choice at the retailer's shelves. Consequently, the research question for the third study is formulated as follows:

*Study 3: Does a flagship store of a NB influence its CBBE in relation to PLBs and other NBs, resulting in a long-term advantage for brand choices at retailer shelves?*

### 3. CBBE Measurement Methods

To answer the research questions presented, a suitable CBBE measurement method must be applied. Christodoulides and de Chernatony (2010) identify two major measurement streams in regard to CBBE. First, indirect approaches measure CBBE through cause-and-effect relationships of different CBBE dimensions. Thus, a statement about partial scores and how they affect CBBE can be made, but an aggregated score is generally difficult to express. Second, there are direct approaches, in which CBBE is expressed through an all-encompassing, single value for each brand. Methodically, these studies often use discrete choice or conjoint approaches, in which the utility score resembles the CBBE.

In regard to real consumption approximations, the direct approach simulates the reality best, especially through choice-based conjoint [CBC] studies (Orme 2014). A drawback of this method is that partial scores in CBBE dimensions (e.g., quality perception, status, or function) are not expressed (Christodoulides and de Chernatony 2010). For the research studies of this dissertation, the direct measurement approach is chosen by investigating the choices of PLBs and NBs with the help of a CBC analysis, using Sawtooth SSI Web and Sawtooth multinomial logit estimation tools. To obtain information about scores in identified CBBE dimensions from the literature, a mean comparison and ANOVA of CBBE dimension items for each brand type will be undertaken additionally, giving descriptive brand equity insights.

#### 4. Results for Study 1 and Study 2

Pre-samples were conducted. Although additional information was collected, only the CBC results from Sawtooth SSI web are presented below. Given space limitations, the ANOVA results will be addressed in detail at the conference, along with the CBC results. The following table states the sample characteristics:

	Study 1	Study 2
<b>Participants:</b>	University students	University students & consumers
<b>Valid number of participants:</b>	169	94
<b>Place of conduction:</b>	University campus	University campus & shopping mall
<b>Number of questionnaires per respondent:</b>	1	2: one before manufacturer information is given, one after manufacturer information is given
<b>Composition of questions:</b>	CBC exercises	CBC & Likert-scale exercises
<b>Object of research:</b>	REWE full-range PLB lines of yoghurt & four most competitive NBs	REWE full-range PLB lines

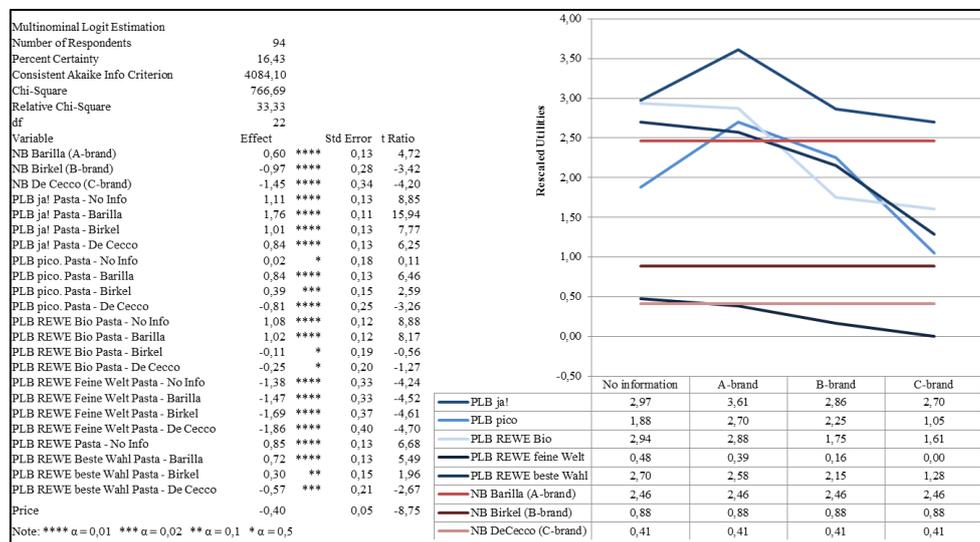
For Study 1, the PLB lines in the yoghurt category of the German full-range supermarket REWE function as the object of research. The following table illustrates the initial results:

Multinomial Logit Estimation	Rank	Utility Brand	Std Err	t Ratio	Attribute	Brand Concept:	
Files built for 169 respondents	1	1,41	0,06	25,48***	REWE Bio	function	ecologically
There are data for 1859 choice tasks	2	0,79	0,07	12,05***	REWE beste Wahl	function	value for money
Percent Certainty = 13.89	3	0,60	0,07	8,26***	Almighurt Ehrmann	regular	
Consistent Akaike Info Criterion = 6751.19	4	0,59	0,07	8,1***	Ja!	function	cheap
Chi Square = 1073.98	5	0,33	0,08	4,17***	Landliebe	function	without genetic engineering
Relative Chi Square = 97.63	6	0,26	0,08	3,23***	Pico	regular	
df = 10	7	-0,15	0,10	-1,59*	REWE Regional	function	from one's region
Note:	8	-0,29	0,10	-2,81**	Activia Danone	function	healthy ingredients
Prices treated linear for brand name comparability	9	-0,45	0,11	-4,08***	Froop Müller	regular	
***: $\alpha = 0,01$ **: $\alpha = 0,02$ * $\alpha = 0,2$	10	-1,34	0,16	-8,13***	REWE frei von	function	no lactose & glucose
	11	-1,76	0,20	-8,78***	Rewe feine Welt	function	exclusive

The initial results of Study 1 indicate that different brand concepts in the brand name score differently in terms of CBBE. First, it should be noted that two functional PLBs (REWE Bio and REWE beste Wahl) rank higher than a leading NB. Second, in three cases, functional PLBs (REWE Bio, REWE beste Wahl, and Ja!) score higher than a regular PLB. However, in the remaining three PLB cases (REWE Regional, REWE frei von, and REWE feine Welt), functional PLBs do not rank higher. Third, the brand equity of functional PLBs seems to be influenced by the zeitgeist; for instance price-related and ecologically-themed PLBs perform best, which meet the current trends in politics. Fourth, a specific brand function seems to have a twofold effect: while NBs can perform well against PLBs with less popular functions, they perform worse against PLBs with popular functions.

Consequently, one can conclude that brand concept-addressing PLB names can deliver benefits in CBBE creation for popular functions.

With respect to the second research question (Study 2), a CBC analysis is undertaken in which different PLB lines of the German retail chain REWE are connected to NB manufacturers. The category is pasta and the NBs are classified into three tiers (A-brand, B-brand, and C-brand), according to their popularity. As is apparent from the CBC results of Study 2, outing the supplier is only beneficiary in two PLB cases, i.e., Ja! and pico, if the manufacturer is an A-brand and the PLB has no connection to the retail brand. Identifying a B- or C-brand as manufacturer reduces the utility of the PLB below its value without visible manufacturer information in three cases (REWE Bio, REWE beste Wahl, and Ja!). Furthermore, a premium PLB line (REWE feine Welt) appears to be weakened in all cases of visible manufacturer information. Finally, it can be said that for PLB lines with the retailer brand as part of the brand name, a visible connection to the manufacturer is not beneficial. In these cases, CBBE is not created, in contrast to theoretical argumentation; only imaginary-named PLB lines increase their CBBE if an A-brand produces them. The following table illustrates the initial results from Study 2:



Together, the studies of this intended dissertation demonstrate that the marketing-mix instruments presented can enhance CBBE for both NBs and PLBs. However, it is important to note that the research questions cannot be simply addressed with a “yes.” Adaptations must be made in each interpretation of the results. Nevertheless, the results presented here are based on pre-samples; the full samples might deliver different insights.

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- <sup>2</sup>: e.g., <http://www.wer-zu-wem.de/handelsmarken/>
- <sup>3</sup>: For further information about NIVEA flagship stores visit:  
<http://www.nivea.de/ext11/de-DE/nivea-erleben/haus>
- <sup>4</sup>: For further information about RITTER SPORT's flagship store visit:  
[http://www.ritter-sport.de/#/de\\_DE/berlin/](http://www.ritter-sport.de/#/de_DE/berlin/)

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## **2. FLAGSHIP STORES FOR FAST-MOVING CONSUMER GOODS – DO THEY IMPROVE BRAND PERCEPTIONS AND CREATE FAVORABLE CONSUMER REACTIONS? (Paper1)**

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## 2.1 Introduction

The operation of flagship stores has been a long-lasting driver of success in the fashion (Dolbec and Chebat, 2013), furniture (Doyle et al. 2008), electronics, and automotive industries (Jones et al. 2010). Interestingly, existing examples suggest that the flagship store concept applies exclusively to luxury and durable goods that represent the consumer's status and personality (Hudders, Pandelaere, and Vyncke 2013; Joy et al. 2014). However, some national brands from the fast-moving consumer goods (FMCG) industry have recently been opening flagship stores as well. In Germany, national brands from the chocolate (e.g., Ritter Sport and Milka), cereal (e.g., Kölln), and skin care (e.g., Nivea) categories have begun to operate flagship stores in the city centers of Berlin, Hamburg, and Munich (see Appendix A for examples). Internationally, the U.S. national brand Mars operates M&M's flagship stores in London, New York, Las Vegas, Orlando, and Shanghai.

In today's FMCG retailing landscape, there is an ongoing assimilation of marketing mix instruments between national brands and private labels in retailer shelves, resulting in tougher competition (e.g., Cuneo et al., 2012; Geyskens et al., 2010; Parker et al., 1997). Consequently, national brands are forced to identify and adapt their competitive strategies: aside from increasing advertising expenditures or product line differentiation, national brands could implement forward verticalization, either through online shops or brick-and-mortar stores (Amrouche and Yan 2012; Kumar and Ruan 2006). Whereas the traditional function of brick-and-mortar stores is the sale of goods, the subcategory of flagship stores has proven to make a considerably stronger impact on staging the brand to consumers than any other form of consumer touchpoint (Dolbec and Chebat 2013; Kozinets et al. 2002). Borghini et al. (2009) add that flagship stores differ from other store types in that they offer exclusive brand-related entertainment and products, allowing consumers to gain new brand experiences and strengthening loyalty through brand relationship strength.

Nevertheless, an FMCG flagship store's effectiveness in creating loyal consumers via the strengthening of consumer-brand relationships and brand experiences is not obvious. Most consumers pay limited attention to and have less involvement with FMCG products compared to durable or luxury goods (e.g., Gordon et al., 1998; Zaichkowsky, 1985). This could prove problematic for national brands, as these aspects are necessary for creating brand experiences that foster strong consumer-brand relationships and loyalty (Baumann, Hamin, and Chong 2015; Heath, Brandt, and Nairn 2006). In addition, consumption of FMCG brands generally originates from affective advertising and price promotions as well as situational need fulfillment at the retailer shelves (Levy and Gendel-Guterman 2012; Nijssen 1999; Parker et al. 1997; Srinivasan et al. 2004). Therefore, it is debatable whether a flagship store that showcases the brand's meaning in combination with advertising, entertainment, and information display, typical methods used to create brand experiences (Dolbec and Chebat 2013; Nobbs, Moore, and Sheridan 2012), would generate the intensified consumer-brand relationships, improved brand cognitions, and brand loyalty desired by FMCG national brands to win the brand battle in an intensified competition.

The goal of this study is to determine whether national FMCG brand flagship stores generate brand experiences (Brakus, Schmitt, and Zarantonello 2009) by staging the brand's meaning physically, which we refer to as the augmented brand display within flagship stores. We call the brand display "augmented" because a flagship store allows for a richer display of the manifold facets of the brand than most other forms of brand presentation and consumer touchpoints do (Borghini et al., 2009; Dolbec and Chebat, 2013; Kozinets et al., 2002). A further contribution of this research is to develop and test an integrative model of flagship store effectiveness that considers brand experience stimuli (augmented brand display), the moderating effect of the actual flagship store visit, and the mediating effect of flagship store-fueled brand experience on favorable consumer reactions.

Data from two FMCG brands provide evidence that flagship stores can engender brand experience, cognition, and relationship, which ultimately increase loyalty intentions (i.e., future brand purchases at the retailer and word of mouth), even in industries other than luxury and high-involvement products.

The remainder of this article begins with a presentation of the theoretical background, along with a brief literature review and a discussion of the development of our conceptual framework. We then describe our methodology, including data collection at the flagship stores of two national brands from different FMCG categories. After presenting the descriptive sample characteristics and the results of the confirmatory factor analyses, we discuss the results of our data analysis alongside the relevant literature and offer paths for future research and managerial execution.

## **2.2 Theoretical Background and Hypotheses**

### **2.2.1 Literature Review**

Kozinets et al. (2002) lay the foundation for investigating the shift toward an experience economy in brick-and-mortar stores. Using the case of ESPN Zone, their qualitative study reveals that flagship stores can have up to 10 narrative designs and entertainment features, which vary significantly from traditional retail outlets. Moore and Doherty (2007) add a strategic perspective to this research stream by arguing for the market expansion motives behind operating flagship stores, such as market entry, marketing communication, and finding and strengthening business partnerships. Doyle, Moore, Doherty, and Hamilton (2008) as well as Moore, Doherty, and Doyle (2010) adopt the strategic view that closer market proximity leads to learning correct market development strategies. The resulting brand awareness of stakeholders justifies the operation of flagship stores in luxury industries. In this regard, Manlow and Nobbs (2013) emphasize that it is essential for flagship stores in luxury fashion

retailing to fulfill exclusive and hedonic expressional values, while Arrigo (2015) highlights the importance of flagship stores in luxury fashion distribution.

Outside the realm of luxury products, Hollenbeck, Peters, and Zinkhan (2008) examine the Coca Cola museum and identify the benefit of displaying the evolution of the brand meaning: an all-encompassing presentation of the brand from its beginnings to the future creates a more humanized brand image. Along similar lines, Borghini and colleagues (2009) draw attention to the creation of brand ideology with the case of American Girl Place, in which communicating values to the consumer through differently styled areas leads to better brand memorization and an improved brand-consumer relationship.

Diamond and colleagues (2009) build upon this idea of creating brand ideology, insisting that actively fostering consumer participation is a necessary accompaniment. Dolbec and Chebat (2013) are the first to quantify the qualitatively postulated greater impacts that flagship stores have on the consumer's brand experience in comparison to ordinary, mono-brand stores in the fashion industry. The authors suggest that flagship stores can influence brand experience and elicit favorable brand perceptions, though the robustness of this phenomenon is problematic, given that it has only been observed in one study and has never been tested in other industries like the FMCG industry. On the opposite side of the spectrum, McGrath, Sherry, and Diamond (2013) are then the first to tarnish the positive image of flagship stores as marketing tools for creating positive brand experiences. Their qualitative analysis of the House of Barbie in Shanghai reveals that if the brand meaning and in-store attractions displayed in the flagship store fail to align with consumers' expectations and understanding of the brand meaning, there will be no positive impact. Mattel Inc. closed its House of Barbie and has not experimented with flagship stores for Barbie since (Beaton 2011).

Summarizing the current research in flagship store literature, the key aspect in developing a quantitative model that assesses the effectiveness of flagship stores in the FMCG industry is

aligning and transferring the causes of effects observed in the qualitative research on flagship stores to this study's setting (Goertz and Mahoney 2015). Flagship stores transform the traditional retail environment into an entertaining, informative, and narrative place (Kozinets et al. 2002). For this research, the notion implies that the model must capture the stimuli in flagship stores that trigger brand experience (Verhoef et al. 2009), which then translates into flagship store-fueled brand experience. Furthermore, the model must also consider the strategic aspect of using flagship stores to strengthen marketing communications (e.g., Doyle et al., 2008), which results in better brand cognitions, strengthened consumer-brand relationships, and favorable consumer reactions (e.g., Arrigo, 2015; Manlow and Nobbs, 2013). As national brands in the FMCG industry are predominantly sold through traditional retailers, it seems implausible that their flagship stores could replace the sales volume of traditional retail distribution and thereby cover the expenses for sales staff, logistics, rent, and interior design. Therefore, the flagship store visit needs to foster sales at traditional retailers.

Furthermore, the literature review on flagship stores reveals that researchers have only recently begun to quantify the qualitatively postulated effects. There is only one study (Dolbec and Chebat, 2013) that quantifies the causes of effects from qualitative findings in the fashion industry to capture the positive impact of flagship stores on brand cognitions (Barnham 2015; Goertz and Mahoney 2015); still, their study only considers a post-visit setting. Furthermore, business practice debates the effectiveness of flagship stores for staging the brand and whether flagship stores really have a positive effect on consumers (e.g., Di Somma, 2014). Hence, the effect that the flagship store visit itself has on brand experience through its augmented brand display has not yet been quantified or validated. Thus, this study focuses on a pre-visit/post-visit setting to account for the impact that the flagship store visit itself has on flagship store-fueled brand experience creation. By doing so, we add to the existing literature by identifying direct and indirect (mediated) effects of the flagship store's

augmented brand display on flagship store-fueled brand experience creation, brand cognition, and consumer-brand relationship strength, as well as on favorable consumer reactions that enable the analysis of a flagship store's effectiveness for national brands in the FMCG industry. There is a question as to what extent the results of a study carried out in a single case of interest apply to the entire industry. To address this issue, our study assesses the flagship stores of national brands from two different categories in the FMCG industry to determine whether the effects hold in significance and direction. Figure 2 presents the conceptual framework, tested on flagship stores of two national FMCG brands from different categories.

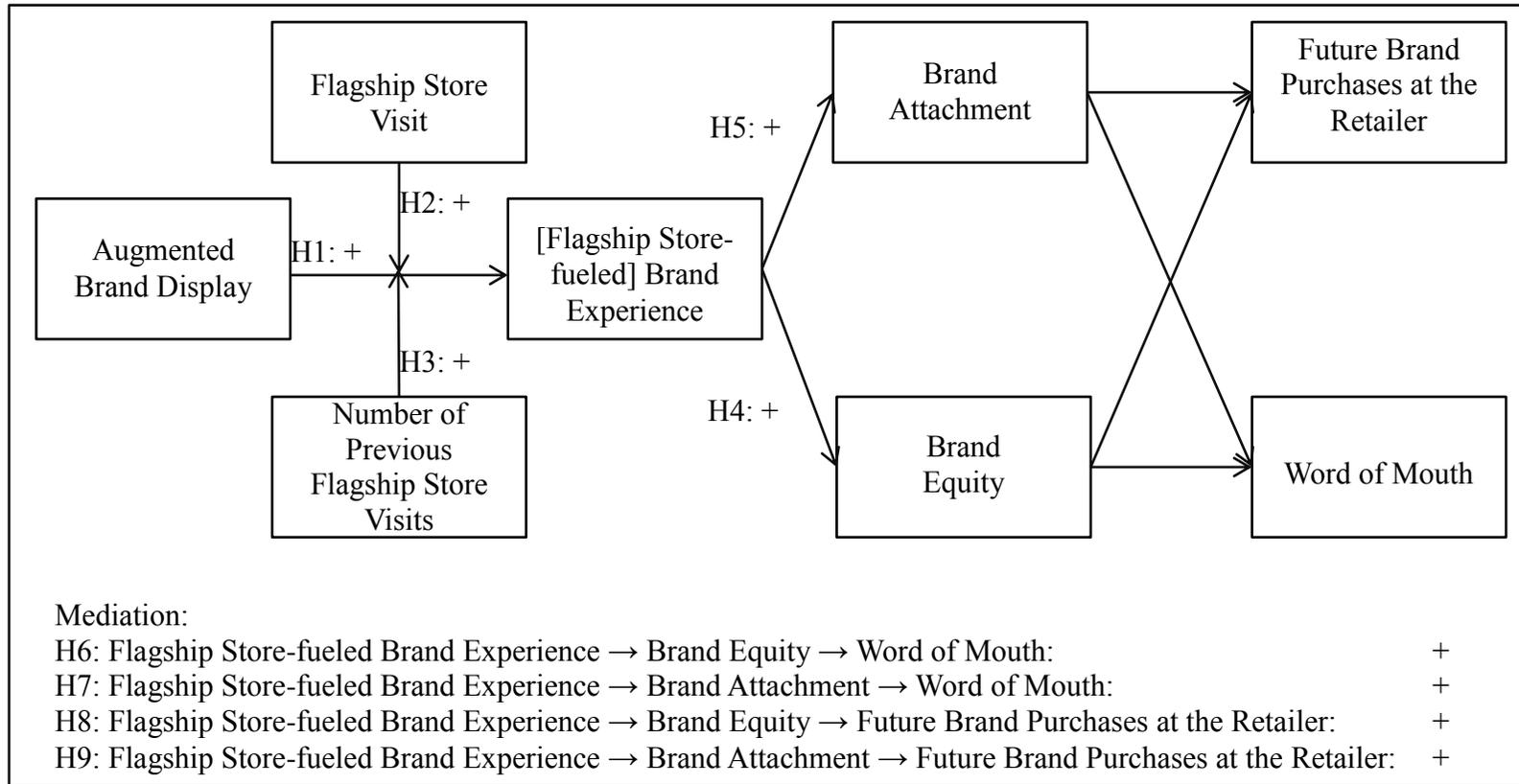


Figure 2: Conceptual framework.

### **2.2.2 Creating Flagship Store-Fueled Brand Experience**

According to Brakus et al. (2009), brand experience is conceptualized as consumers' subjective, internal responses, such as feelings, sensations, cognitions, and behaviors that are evoked by brand-related stimuli. According to the authors, these stimuli include marketing-related brand aspects, such as packaging, design, and marketing communication. In addition, the authors maintain that brand experiences must be more holistic than sub-experiences, such as those through product, service, or retail experiences, where the experience is limited to a specific brand component. Thus, brand experience is an extension of marketing products or services (Pine and Gilmore, 1998). It is the outcome of the interplay between a customer's emotional, intellectual, and physical activities, triggered by one's senses through all exposed brand stimuli and brand components (Brakus et al., 2009; Pine and Gilmore, 1998; Schmitt, 1999; Verhoef et al., 2009).

In the context of flagship store research, pre-visit brand experience can be regarded as the outcome of the emotional, intellectual, and physical stimuli that one attaches to the brand, obtained through previous contact with advertising activities or product use. Khan and Rahman's (2015) review of brand experience research supports the idea that brand experiences are stimulated by numerous antecedents. These antecedents can include product-based attributes, such as brand name or product quality (Alserhan and Alserhan 2012; Srinivasan and Till 2002); consumer touchpoints, such as service staff, physical stores, or invoice processes (Ismail, 2011; Khan and Rahman, 2015); and the storytelling of advertisements (Escalas 2004; Lundqvist et al. 2012). Similarly, Lasalle and Britton (2002) maintain that brand experiences are the outcome of a series of interactions with a brand. As Verhoef et al. (2009) point out, prior experiences can influence future experiences, as cues stored in consumers' minds and are triggered by stimuli in current situations. We define brand experience as internal consumer responses expressed through feelings, sensations, cognitions,

and behaviors (Brakus et al., 2009) that are stimulated and acquired through the marketing activities of the focal brand and consumers' touchpoints with the brand prior to visiting the flagship store. After the flagship store visit, this brand experience is enriched by the augmented brand display elements presented within the store (Kim, Lee, and Suh 2015). Hence, we argue that the augmented brand display in flagship stores stimulates exciting brand experience and transforms it into a flagship store-fueled brand experience.

### **2.2.3 The Augmented Brand Display and Its Conversion into Flagship Store-Fueled Brand Experience**

In our case, the augmented brand display is made up of four components that stimulate brand experience. One such component is how the consumer perceives the brand's quality value. Quality value refers to the product's ability to serve the consumer's expected needs (Golder, Mitra, and Moorman 2012; Sweeney and Soutar 2001). Traits that express a brand's quality value could be the brand name (Dawar and Parker, 1994), ingredients, haptics, taste and/or smell (Tiwari and Singh 2012), information about the manufacturing processes that allow a consistent product performance across new product purchases of the same brand (Golder et al., 2012), or even its complementary use with other brands (Kahn and Wansink, 2004). If consumers have been in contact with marketing activities or product attributes that address the quality value, they possess knowledge that could stimulate brand experience (Frank et al. 2014). For instance, the taste of a product could stimulate enjoyment (feelings/sensations) or the ingredients could stimulate thoughts of healthiness (cognitions), while consistent product performance could stimulate the thought of purchasing the product again (behavior).

Another augmented brand display element that could generate brand experience is the variety of products offered. Product variety signals competence (Berger, Draganska, and Simonson 2007) and can serve specialized through product variations or complementary offers in the

consumption process (Kahn and Wansink 2004). This in turn triggers the feelings, sensations, cognitions, and behaviors that form brand experience (Brakus et al., 2009).

A third component of the augmented brand display that must be considered is the flagship store's atmosphere. A store's atmosphere could stimulate consumers' brand experiences (Babin and Attaway 2000), even when the national brand has no influence upon the atmosphere of the retail stores in which its products are primarily sold (Vahie and Paswan 2006). Product displays, stocking style, lighting, music, or even the store's cleanliness can lead to emotions and cognitions that affect a consumer's purchase and consumption processes (Donovan et al. 1994; Turley and Milliman 2000), thereby stimulating brand experiences (Brakus et al., 2009).

Lastly, a fourth component for an augmented brand display is the service quality associated with the brand. Consumers form an impression of the service quality from their contact with sales staff in retail stores or brand representatives from customer hotlines and social media platforms (e.g., Grace and O'Cass, 2004; Lemke et al., 2011; Padgett and Allen, 1997). The availability, friendliness, or problem-solving competence of the service enables consumers to judge the service quality of a brand (Brady et al. 2005). Even if the service is not performed by brand-affiliated personnel, as is generally the case for FMCG brands that use retailers as their main distribution channel, the service quality still induces feelings, cognitions, or behavioral responses (components of brand experience; Brakus et al., 2009) that are connected to the brand of interest (Grace and O'Cass 2004; Ismail 2011). Altogether, these four components form the augmented brand display, which creates brand experiences prior to entering a flagship store.

In the flagship store itself, the augmented brand display is tailored to the brand and directed as desired toward consumers. Different theme zones in which consumers can engage with components of the augmented brand display transform into stronger brand experiences

(Kozinets et al. 2002), which we refer to as flagship store-fueled brand experiences. For instance, information about the brand's manufacturing processes or history signals quality to consumers, as a rich history improves the perception of competence (Borghini et al. 2009; Hollenbeck, Peters, and Zinkhan 2008). This in turn strengthens the emotional or cognitive components of brand experience. Furthermore, offering exclusive flagship store products or a larger variety of products stimulates consumers' perception that the brand is better able to serve their needs (Manlow and Nobbs 2013) and is therefore likely to trigger cognitive and behavioral components of brand experience (Brakus, Schmitt, and Zarantonello 2009). Store lighting, colors, or even the materials used in product display racks could create an atmosphere that enhances the consumer's state of emotional well-being (Doyle et al. 2008). In addition, engaging with the flagship store's staff who serve as brand ambassadors enables consumers to experience new services. The more knowledgeable the staff is, the likelier it is that cognitive or behavioral components of brand experience will be activated for the consumer (Doyle et al., 2008; Khan and Rahman, 2015). Therefore, Hypotheses 1 and 2 are posed as follows:

**H1:** The augmented brand display creates positive brand experiences.

**H2:** The flagship store visit fosters the creation of brand experience through an augmented brand display, leading to flagship store-fueled brand experiences.

However, consumers have limited processing resources: not all stimuli from a flagship store-fueled brand experience can be taken in at once (Ehrenberg 2000; Schiffman, Kanuk, and Hansen 2008). Therefore, consumers can decode the stimuli more thoroughly if they are processed consecutively, adding to their experience base step by step rather than en masse, because more cognitive resources are available to interpret the thus far unidentified stimuli (Erdem et al. 1999; van Osselaer and Alba 2000). As Hollenbeck et al. (2008) state, repeat visits to experiential stores, such as flagship stores, enable a continued acquisition of new

stories about the brand; consumers can then compare these new stories with previously learned and experienced ones, updating any perceptions as necessary. For the augmented brand display, consumer learning through repeated flagship store visits could impact the acquisition of stimuli for flagship store-fueled brand experience: as Gregan-Paxton and John (1997) as well as El Houssi, Morel, and Hultink (2009) explain, consumers tend to recognize the previously learned stimuli in their knowledge base first. This implies that multiple flagship store visits facilitate stimuli recognition and add to the flagship store-fueled brand experience base. Consequently, Hypothesis 3 is presented as follows:

**H3:** The effect of the augmented brand display on flagship store-fueled brand experience is reinforced by previous flagship store visits.

#### **2.2.4 Flagship Store-Fueled Brand Experience, Brand Cognitions, and Brand-Relationship Strength**

As Dolbec and Chebat (2013) demonstrate, brand experience influences brand equity and brand attachment. There exist numerous conceptualizations for brand equity (Christodoulides and de Chernatony 2010), with some interpreting it as comprising the brand as a whole and others only subsets of it, such as a brand's services, products, or advertising (e.g., Baker and Saren, 2016; Sethuraman, 2003). The most prominent conceptualizations are presented by Keller (1993), who includes the strength of the brand image and brand awareness, and Aaker (1996, 1991), who claims that brand equity consists of up to 10 sub-dimensions. In this paper, we understand brand equity to be synonymous with brand cognition, which is in line with Keller's (1993) conclusion of brand equity. Hence, we conceptualize brand equity as the brand's newly denoted superiority by consumers (Dolbec and Chebat, 2013). We hypothesize that the improved product display, the larger variety of products and services, as well as the brand stories told in flagship stores (which taken together we refer to as "augmented brand

display”) all stimulate brand experiences. Consumers then translate these as signs of improved brand superiority (Delgado-Ballester and Fernandez Sabiote 2015; Dolbec and Chebat 2013; Hollenbeck, Peters, and Zinkhan 2008; Penaloza 1998) and ideally lead to the perception that the brand is superior to competing offers (Keller 1993; Yoo and Donthu 2001).

The brands portrayed in the current flagship store literature either are strong market players to which consumers naturally devote a large brand equity or have industry characteristics that imply high personal relevance in terms of luxury and exclusivity (e.g., Hollenbeck et al., 2008; Penaloza, 1998). An example of the latter are up-market fashion brands that sell exclusively through their own stores, resulting in almost automatic associations with superiority (Arrigo 2015; Dolbec and Chebat 2013; Doyle et al. 2008; Manlow and Nobbs 2013). In the FMCG setting, where there are numerous competing offers, consumers are likely to devote brand equity to many brands (Cuneo et al., 2012; Szymanowski and Gijbsbrechts, 2012). It is therefore questionable whether flagship store-fueled brand experiences enable the creation of brand equity for an FMCG brand. Hence, we adapt the hypothesis from Dolbec and Chebat (2013) to posit Hypothesis 4:

**H4:** The flagship store-fueled brand experience increases the consumer’s brand equity devoted to the focal brand.

A further aspect, ideally influenced by flagship store-fueled brand experience, is brand attachment (Dolbec and Chebat 2013). Brand attachment refers to one’s connection to a particular brand, which is shaped by how one’s self-concept fits with the brand’s personality. This enables the relationship between a brand and its potential consumers to be strengthened (Hung 2014; Park et al. 2010; Thomson, MacInnis, and Whan Park 2005). As Brakus et al. (2009, pg. 64) state, “a trait judgment about a brand’s sincerity, excitement, competence, sophistication, or ruggedness can be facilitated when the consumer attends to specific sensory,

affective, intellectual, or behavioral experiences”. By demonstrating the brand’s values and intended meaning through an augmented brand display, the resulting flagship store-fueled brand experiences could better match consumers’ perceptions of the self with the brand, leading to increased brand attachment (Hollenbeck, Peters, and Zinkhan 2008; Swaminathan, Stilley, and Ahluwalia 2009). Moreover, brand narratives have been shown to foster the integration of a brand into one’s self-concept (Escalas 2004). In the FMCG context, brands are less likely to evoke brand attachment, as the variety of competing offers at retail stores, coupled with the wide array of advertisements, vastly dilutes the congruity of one’s self-concept with a brand’s personality, especially given that consumers recognize only marginal differences at the product level (Garsvaite and Caruana 2014). Therefore, it is debatable whether flagship store-fueled brand experiences create stronger brand attachment in an FMCG setting. Therefore, we adapt Dolbec and Chebat’s (2013) idea to develop Hypothesis 5:

**H5:** The flagship store-fueled brand experience increases a consumer’s brand attachment to the focal brand.

### **2.2.5 Brand Equity, Brand Attachment, and Favorable Consumer Reactions**

As demonstrated by traditional consumer behavior theories, experiences and cognitions influence one’s intended behavior toward a brand (Jacoby 2002). However, none of the existing studies on flagship stores draw a link to favorable consumer reactions. When flagship stores are being used as marketing tools for creating consumer loyalty and to widen awareness of the brand for greater market success (Doyle et al. 2008), it is essential to also generate sales at main distribution channels and to spread the flagship store’s advertising effect. Historically, FMCG national brands have regarded retailers as main distribution channels, as retail chains have been able to guarantee market proximity to end-consumers and efficient logistics.

Recently, however, increased competition has forced many national brands to engage in direct consumer touchpoints, as retailers' private label policies force them to fight for shelf space (Amrouche and Yan 2012; Parker et al. 1997; Quelch and Harding 1996). Margins of FMCG food and grocery brands are at least three times lower than those of fashion brands or durable goods (Damodaran 2016), making it harder for them to cover the costs for flagship stores. Therefore, the revenue and advertising effect for covering the costs of operating flagship stores needs to come from traditional distribution channels: the retailers. The favorable consumer reactions that arise from visiting a FMCG national brand flagship store should lead to positive word of mouth and increased loyalty to the brand at the retailers' shelves. Word of mouth is conceptualized as consumers' personal communications about a brand to their social communities and peer groups. This communication is seen as a credible reference for interpersonal advice on consumption (Cowley 2014; de Matos and Rossi 2008). Thus, word of mouth is a beneficial consumer reaction to a flagship store visit, as it spreads positive flagship store-fueled brand experiences and results in strengthened brand cognition for non-visitors of a flagship store (Mason 2008). According to Lovett et al. (2013), brand equity is a distinct driver of word of mouth. Environments that enable experiences are more likely to create strong, immediate word of mouth, as consumers gather more memorable and distinguished impressions to share (Berger and Schwartz 2011; de Matos and Rossi 2008). As we argue, flagship stores for FMCG national brands enable brand experiences that create brand equity in the form of perceived superiority. This distinguishes the brand from competitors and should stimulate consumers to talk about the brand more often. Thus, Hypothesis 6 is formulated as follows:

**H6:** Brand equity mediates the effect of flagship store-fueled brand experience on word of mouth.

A second driver of word of mouth is brand attachment, which drives consumers' needs to express themselves with brand names to others (Wien and Olsen 2014), thus reinforcing their membership to a peer group or social community (Brown et al. 2005; Saenger, Thomas, and Johnson 2013). Positive experiences with a brand, such as flagship store-fueled brand experiences, foster the development of brand attachment (Delgado-Ballester and Fernandez Sabiote, 2015; Jahn, Gaus, and Kiessling, 2012); in turn, these experiences and brand attachment foster immediate word of mouth, as consumers have more interesting stories to tell from their brand experience and self-identification (Berger and Schwartz 2011; Cowley 2014; Saenger, Thomas, and Johnson 2013). Hence, the more consumers incorporate the brand into their self-concepts, the more likely they are to spread verbal information about it, leading to advertising spillovers (Allsop, Bassett, and Hoskins 2007) and reinforcing the continued operation of flagship stores for a brand. In the FMCG industry, where the consumption of products is mostly personal and intimate, making a statement about one's self through the brand does not generally occur through a readily visible brand name or logo. Therefore, a conversation about one's experiences with a brand and its benefits is the only advertising spillover effect of flagship stores in the FMCG industry that can reach potential consumers (Debenedetti, Oppewal, and Arsel 2014). By these arguments, we arrive at Hypothesis 7:

**H7:** Brand attachment mediates the effect of flagship store-fueled brand experience on word of mouth.

Aside from word of mouth, the FMCG national brand should also benefit from positive consumer reactions to flagship store visits that strengthen sales at the traditional retailers. As mentioned earlier, lower margins in an FMCG setting make covering the costs of operating a flagship store more difficult, and privately owned distribution is unlikely to create a market proximity that can substitute for sales made at traditional retailers. However, the flagship

store-fueled brand experience could translate into brand equity in the form of perceived superiority (Christodoulides and de Chernatony 2010; Delgado-Ballester and Fernandez Sabiote 2015). This should then translate into an improved position in consumers' evoked sets, leading to additional intended future purchases at traditional retailers (Cobb-Walgren, Ruble, and Donthu 1995; Ding and Tseng 2015; Keller 2013; Tharmi and Senthilnathan 2012). Hence, Hypothesis 8 is stated as follows:

**H8:** Brand equity mediates the effect of flagship store-fueled brand experience on consumers' future brand purchases at the retailer.

Reviewing the meaning of brand attachment, one is more likely to consume brands that are perceived to fit one's self-concept, as sympathy and familiarity enable one to narrow down the choices available at points of sale (Esch et al. 2006; Stokburger-Sauer et al. 2012). Increased brand attachment through brand experiences from a flagship store visit (Dolbec and Chebat 2013; Hollenbeck, Peters, and Zinkhan 2008) could lead to intended purchases at the traditional retailer, as evaluating the product becomes easier when comparing the brand with one's own characteristics (Escalas and Bettman 2003; Thomson, MacInnis, and Whan Park 2005). While Brakus et al. (2009) argue for a direct link between brand experiences and loyalty, Iglesias et al. (2011) provide evidence that the creation of loyalty through purchases requires an affective commitment that is fostered by brand experiences. One form of affective commitment is brand attachment (Jahn, Gaus, and Kiessling 2012; Ramaseshan and Stein 2014). As argued previously, the creation of brand attachment in the FMCG industry is more difficult than in others; therefore, it remains uncertain whether flagship store-fueled brand experiences create brand attachment that fosters future purchases at the retailers. Consequently, Hypothesis 9 is formulated as follows:

**H9:** Brand attachment mediates the effect of flagship store-fueled brand experience on consumers' future brand purchases at retailers.

## **2.3 Method**

### **2.3.1 Flagship Store Case Examples**

The quantitative analysis was conducted with a well-known German cosmetics national brand that operates internationally. Within Germany, the brand operates several flagship stores, each of which is identical in store design, service, and assortment variety. To better generalize our findings, the analysis was repeated with a national chocolate brand. Both brands operate their flagship stores in metropolitan German cities. In addition to the standard product ranges sold through retailers, their flagship stores carry further product variations and exclusive product lines. To display brand information, all flagship stores include interactive video walls that allow consumers to gather knowledge about the manufacturing processes and brand history. Furthermore, the stores offer package customization and product individualization. Although the FMCG national brands have their core competences in different categories, a comparison is possible because both national brands' flagship stores contain similar attractions. It is important to note that the managers of each company emphasize the core meaning of the flagship store as an advertising tool, rather than a substitute for traditional sales channels.

### **2.3.2 Operationalization of Constructs and Questionnaire Design**

To operationalize the constructs in the questionnaire, we chose measurement scales that are well-known and widely applied in the retailing context, as a pre-test was not allowed at either of the flagship stores. All constructs were answered by stating degrees of agreement on 7-point Likert scales, ranging from 1 ("strongly disagree") to 7 ("strongly agree"). To prevent common method bias, we offered an additional "don't know" option in case respondents felt unable to answer a particular question accurately (MacKenzie and Podsakoff 2012).

The augmented brand display was measured using an individual scale for each subcomponent identified: we applied Kahn and Wansink's (2004) scale for assortment variety, while Baker et

al.'s (1994) scale was used for store atmosphere. The service quality subcomponent was operationalized by Brady et al.'s (2005) SERVQUAL item interpretation, and for product quality, we adopted Sweeney and Soutar's (2001) subscale from their concept of consumer-perceived value.

For brand experience, we applied Brakus, Schmitt, and Zarantonello's (2009) most recognized four-dimensional scale, namely sensory/affective experience, behavioral experience, and intellectual experience (e.g., Ding and Tseng, 2015; Iglesias et al., 2011; Nysveen and Pedersen, 2013).

Brand attachment was measured using a scale developed by Park et al. (2010), while for brand equity, we chose the overall brand equity scale advanced by Yoo, Donthu, and Lee (2000) as well as Yoo and Donthu (2001). As brand equity can be interpreted as a sign of superiority, the items were rephrased to form a contrast between the focal national brands and their main competitors, which were selected by each brand's manager. For each case, a private label brand and another national brand were chosen as superiority reference cases.

For word of mouth, one of the favorable consumer reactions, we chose Carpenter's (2008) scale, which has already been applied in the retailing context. Future brand purchases at the retailer was measured using Chaudhuri and Holbrook's (2001) two-item scale, which measures future purchase loyalty intentions. However, measuring a construct by only two items can be ill-advised, as it would be unclear whether the items express the construct, especially without a pretest (Bagozzi and Yi 2012; Hair et al. 2009). Therefore, we added two items from Yoo, Donthu, and Lee's (2000) scale of brand loyalty, which captures purchase intentions and fit using the formulations of Chaudhuri and Holbrook (2001). We proceeded this way to ensure that there would be enough items to capture the construct of future brand purchases at the retailers. Again, the item phrases were adapted in comparison to each focal

brand's main competitors in order to capture the intended future brand purchases for the focal national brands and not for the category per se.

The moderator, namely number of flagship store visits, was determined by a single item asking for pre-defined group memberships: first visit, second visit, third to fifth visit, or more than five visits. The moderator was recoded as dummy variables for each number of previous flagship store visits. Furthermore, it functions as an additional control variable in the calculation steps to capture possible bias.

The influence of the flagship store visit on the relationship of augmented brand display and brand experience was dummy coded: 0 represents pre-visit and 1 represents post-visit. To capture the augmented brand display as well as the brand experience that consumers already had, we handed out a questionnaire with the items corresponding to these two constructs to respondents before they entered the flagship stores. Respondents received a tracking number. When they returned the tracking number on their way out, respondents were asked to fill out a second questionnaire, containing the items of augmented brand display and brand experience again (flagship store-fueled brand experience) as well as all items for the remaining constructs. This post-visit questionnaire could then be matched with the pre-visit one based on the tracking number.

In addition, demographic items, namely age, gender, education, and net income, were used to characterize the sample and were later applied as control variables in the calculations.

Detailed examples of all items in the study can be found in Table 5, Appendix B. The questionnaires were conducted on iPads, allowing the questions to be randomized. For programming, we used Sawtooth SSI Web programming suite with mobile device optimization.

### **2.3.3 Sample Characteristics**

Respondents were selected randomly and could choose whether to participate in the study. To overcome language barriers, only German consumers were recruited. The instructors wore a university logo with “academic research” written on their apparel in order to minimize any possible effects of previous contact with each brand’s own market research,.

Respondents who answered both questionnaires in obvious patterns or rushed through them in order to receive the free gift were removed from the sample. In addition, those that choose the “none” option more than 10 percent of the time were omitted as well. After the elimination process, 416 valid respondents for the cosmetics national brand and 192 valid respondents for the chocolate national brand remained. Table 2 below provides a detailed demographics characterization. As a consultation with the marketing managers for each national brand indicated that the characteristics fit their target groups well, our sample can be deemed suitable for the ongoing analysis.

Demographic Characteristics of the Sample:	Cosmetics National Brand (N = 416)		Chocolate National Brand (N = 192)	
	<i>n</i>	%	<i>n</i>	%
Age range of participants:				
< 25	113	27.2	56	29.2
25–35	90	21.6	63	32.8
36–45	61	14.7	22	11.5
46–55	76	18.3	26	13.5
56–65	48	11.5	15	7.8
65 <	27	6.5	9	4.7
Not stated	1	0.2	1	0.5
Sex:				
Female	326	78.4	135	70.3
Male	90	21.6	57	29.7
Net income (in €):				
< 1000	61	14.7	35	18.2
1000–1999	89	21.4	40	20.8
2000–2999	58	13.9	34	17.7
3000–3999	45	10.8	22	11.4
4000 <	71	17.1	28	14.7
Not stated	92	22.1	33	17.2
Number of Flagship Store Visits:				
1st	123	29.6	94	49.0
2nd	106	25.5	40	20.8
3rd to 5th	95	22.8	41	21.4
More than five times	92	22.1	17	8.8
Education:				
Secondary school	18	4.3	3	1.6
Junior high school	63	15.1	21	10.9
High school	100	24.1	46	24.0
Apprenticeship	96	23.1	45	23.4
University	117	28.1	69	35.9
Not stated	22	5.3	8	4.2

Table 2: Demographic characteristics.

### 2.3.4 Measurement Methods and Calculation Steps

Given that our study's purpose was to capture the effect of a flagship store visit, it was necessary to collect data on each consumer's augmented brand display and brand experience before the flagship store visit and then to collect the data to these constructs afterwards, along with brand equity, brand attachment, and favorable consumer reactions. Therefore, to

validate our constructs in reliability and discriminant validity, we calculated four confirmatory factor analyses using AMOS 22 for each brand, containing the constructs of interest before and after the flagship store visit.

Because two of our constructs, namely augmented brand display and brand experience, are composed of sub-dimensions to which the corresponding items would ideally assign, we treated them as second-order constructs in the confirmatory factor analyses (Bagozzi and Heatherton 1994). According to Jarvis, MacKenzie, and Podsakoff (2003), the integration of second-order constructs can be problematic, as formative and reflective measurement techniques imply different construct meanings. Generally, reflective measurement techniques are more accurate, result in better construct identification, and deliver fit indices for assessing the usage of the construct in ongoing analyses (Bagozzi and Yi 2012; Edwards 2011). Furthermore, as brand experience is originally a reflective construct (Brakus, Schmitt, and Zarantonello 2009), we capture all second-order constructs using reflective measurement. Table 3 shows the results of the confirmatory factor analyses for the cosmetics national brand, while Table 4 contains these results for the chocolate national brand. Both tables include data from both before and after the flagship store visits.

Confirmatory Factor Analyses for the Cosmetics National Brand								
	Pre-Visit Constructs		Post-Visit Constructs					
	Augmented Brand Display	Brand Experience	Augmented Brand Display	[Flagship Store-fueled] Brand Experience	Brand Equity	Brand Attachment	Word of Mouth	Future Brand Purchases at the Retailer
Cronbach's Alpha	.89	.95	.96	.94	.95	.93	.92	.92
Average Variance Extracted (AVE)	.72	.64	.71	.76	.83	.76	.81	.73
Maximum Shared Variance	.30	.30	.49	.69	.71	.69	.56	.71
Composite Reliability	.91	.88	.91	.93	.95	.94	.93	.92
Maximum Reliability (H)	.92	.89	.99	.99	.96	.98	.99	.98
Correlations and Squared AVE on the Diagonal								
Augmented Brand Display	.84		.84					
[Flagship Store-fueled] Brand Experience	.55	.80	.60	.87				
Brand Equity			.65	.63	.91			
Brand Attachment			.55	.83	.69	.87		
Word of Mouth			.46	.73	.66	.75	.90	
Future Brand Purchases at the Retailer			.70	.64	.84	.71	.64	.85
Fit								
Chi <sup>2</sup> /df		1.95			2.26			
CFI		.96			.94			
SRMR		.06			.06			
RMSEA		.05			.05			

Table 3: Results of the confirmatory factor analyses for the cosmetics national brand.

Confirmatory Factor Analyses for the Chocolate National Brand								
	Pre-Visit Constructs		Post-Visit Constructs					
	Augmented Brand Display	Brand Experience	Augmented Brand Display	[Flagship Store-fueled] Brand Experience	Brand Equity	Brand Attachment	Word of Mouth	Future Brand Purchases at the Retailer
Cronbach's Alpha	.91	.90	.95	.94	.95	.95	.93	.87
Average Variance Extracted (AVE)	.68	.77	.68	.79	.82	.79	.83	.66
Maximum Shared Variance	.31	.31	.31	.78	.62	.78	.64	.62
Composite Reliability	.89	.93	.89	.94	.95	.95	.94	.88
Maximum Reliability (H)	.90	.97	.99	.99	.96	.98	.99	.98
Correlations and Squared AVE on the Diagonal								
Augmented Brand Display	.82		.83					
[Flagship Store-fueled] Brand Experience	.56	.87	.63	.89				
Brand Equity			.56	.63	.90			
Brand Attachment			.47	.88	.64	.89		
Word of Mouth			.45	.78	.65	.80	.91	
Future Brand Purchases at the Retailer			.56	.57	.79	.65	.70	.81
Fit								
Chi <sup>2</sup> /df		1.55			1.70			
CFI		.95			.92			
SRMR		.07			.07			
RMSEA		.05			.06			

Table 4: Results of the confirmatory factor analyses for the chocolate national brand.

The confirmatory factor analyses resulted in acceptable fit indices. The  $\chi^2/df$  is below 3, the CFI is at the acceptable value of .92 for ongoing analyses, the SRMR is below .07, and the RMSEA is in the acceptable range of below .06 (Bagozzi and Yi 2012; Hair et al. 2009; Iacobucci 2010; Marsh, Hau, and Wen 2004).

Regarding the item loadings, all items with a  $\beta$  coefficient below .60 as well as those that were insignificant ( $p > .05$ ) were omitted from the analysis. All intended constructs were formed. Furthermore, we ensured that exactly the same items remained in both samples.

All constructs met the given threshold levels for validity and reliability according to Hair et al. (2009): in each case, composite reliability is above .80, maximum reliability is above the threshold of .85, and Cronbach's Alpha is in a good range, above .80. These results indicate a solid reliability. The average variance extracted for each construct is above .50 and below the maximum shared variance in all confirmatory factor analyses. Furthermore, the square root of the average variance extracted is below the inter-construct correlations in each confirmatory factor analysis. Hence, the constructs are discriminant from one another in each condition.

To apply the constructs in ongoing regression analyses, we aggregated the items as described by Bagozzi and Heatherton (1994) to form a single construct value, thereby reducing the model's complexity. Although this technique might reduce the statistical accuracy, it is a simple method and is applicable if conducted with a good model fit of the confirmatory factor analyses, as in this case (Little et al. 2002).

We then divided our conceptual framework into three calculation steps with individual regressions in order to validate our hypotheses with regression analyses. Regression step 1 contains the moderated regression of the influence of augmented brand display on brand experience from the flagship store visit (H1 and H2), using the data on augmented brand display and brand experience from before and after the flagship store visit. Regression step 2 contains the regression of the augmented brand display on brand experience, moderated by

the number of flagship store visits (H3), using only data from after the flagship store visit. Regression step 3 tests the direct effects of a flagship store-fueled brand experience on brand equity and brand attachment as well as the mediated effects on favorable consumer reactions (H4 to H9). The data consists only of the constructs captured after the flagship store visits, enabling us to identify the direct effects and mediated effects of a flagship store-fueled brand experience. For moderated and mediated regression, we use the PROCESS macro (Hayes 2013), a macro widely used and accepted in marketing to test for moderation and mediation effects in regression analyses (Borau et al. 2015). For our regression steps 1 and 2, we applied PROCESS model 1, while regression step 3 used PROCESS model 4 (Hayes 2013). The bootstrap samples were set to 10,000 for robust results.

## **2.4 Results**

Figure 2 below illustrates the results of our regression analyses with the corresponding paths. A detailed summary of each regression step and a repeated calculation with covariates for robustness checks (Hair et al. 2009; Hayes 2013) can be found in Tables 6 and 7 in Appendix C.

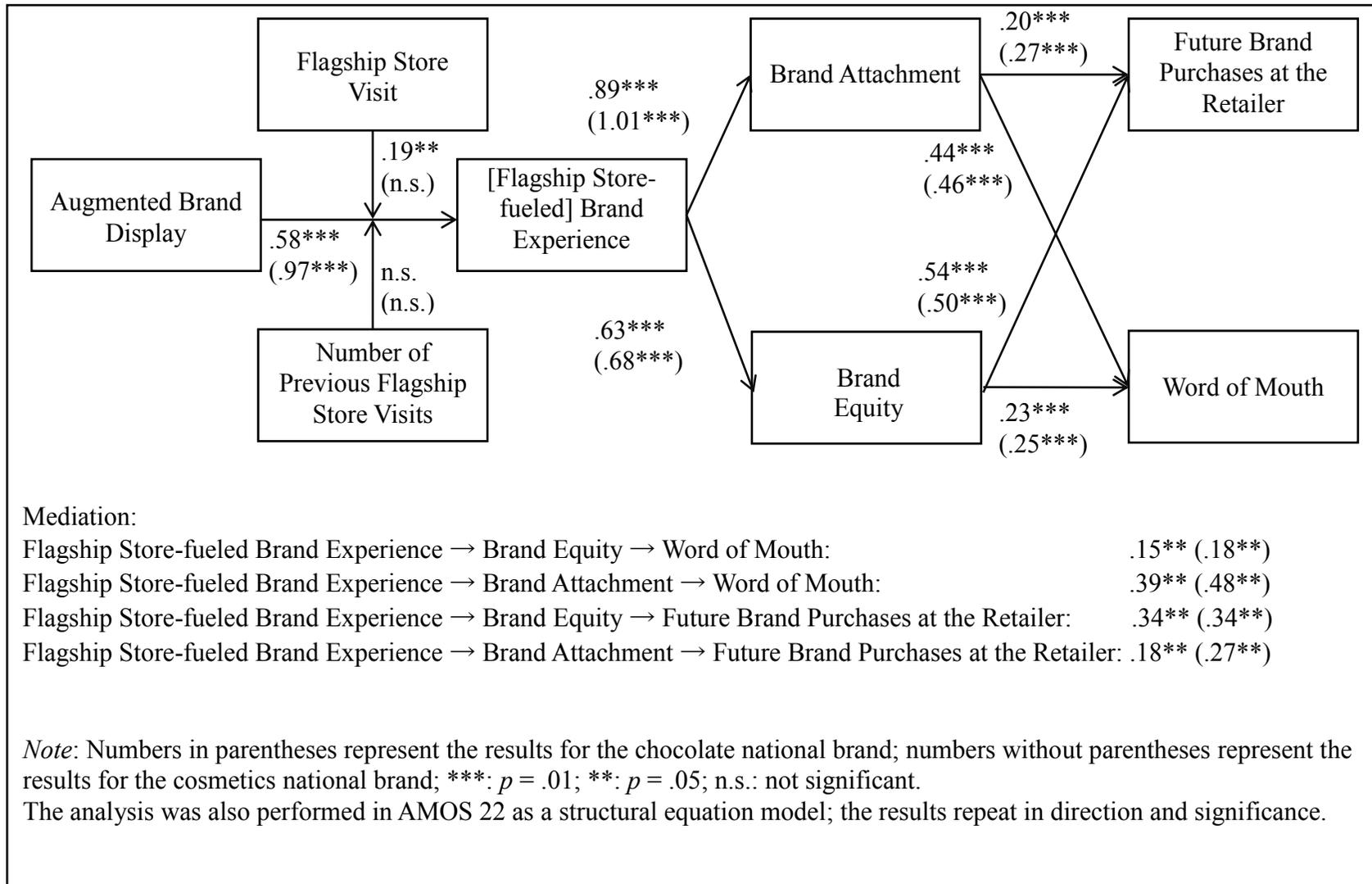


Figure 3: Direct and indirect effects from the regression analyses.

H1 proposes that the augmented brand display creates brand experience in an FMCG context. This positive influence is backed by significant regression coefficients of  $b = .58$  ( $p < .01$ ) for the cosmetics national brand and  $b = .97$  ( $p < .01$ ) for the chocolate national brand, thus supporting H1. As these results hold for the regressions with covariates, they are robust.

Hypothesis 2 proposes that the positive influence of the augmented brand display on brand experience is enhanced when engaging with the flagship store, i.e., a flagship store visit creates even stronger brand experiences (flagship store-fueled brand experiences). With significant a regression coefficient for the moderation of  $b = .19$  ( $p < .05$ ) for the cosmetics national brand, we partially accept H2.

Conducting a simple slope analysis to further probe these results, we find that the influence of the augmented brand display increases from  $b = .58$  ( $p < .01$ ) at the conditional effect before the flagship store visit to  $b = .77$  ( $p < .01$ ) at the conditional effect after the flagship store visit. Hence, the flagship store visit leads to a stronger influence of the augmented brand display on brand experience, inherently creating flagship store-fueled brand experiences.

In contrast, the regression coefficient for the moderation is neither positive nor significant for the chocolate national brand ( $b = -.17$ ;  $p = .30$ ). Hence, a visit to a flagship store of the chocolate national brand does not enhance the influence of the augmented brand display on the creation of brand experience. As repeating the regression with covariates delivers the same results, the results are robust.

H3 postulates a positive influence of the number of previous flagship store visits on the creation of flagship store-fueled brand experience via the augmented brand display. While we find for the cosmetics national brand that a positive influence appears at the third visit ( $b = .31$ ;  $p < .10$ ), this effect is significant after the second flagship store visit for the chocolate national brand ( $b = .66$ ;  $p < .05$ ). However, these results fail the robustness check with covariates, as the regression coefficients of the moderation turned out to be insignificant.

Hence, we must reject H3 for both brands, meaning that previous flagship store visits do not enhance the creation of brand experience via the augmented brand display.

H4 proposes that flagship store-fueled brand experience (brand experience after the flagship store visit) increases consumers' brand equity. Significant regression coefficients of  $b = .63$  ( $p < .01$ ) for the cosmetics national brand and  $b = .68$  ( $p < .01$ ) for the chocolate national brand validate H4 in both cases. These results hold in the regressions with covariates and are therefore robust.

H5 proposes that flagship store-fueled brand experience increases one's brand attachment to a FMCG national brand. With significantly positive regression coefficients of  $b = .89$  ( $p < .01$ ) for the cosmetics national brand and  $b = 1.01$  ( $p < .01$ ) for the chocolate national brand, H5 is accepted in both cases. Even with covariates in the regressions, the effects remain positive and significant and are therefore robust.

H6 proposes that the effect of flagship store-fueled brand experience on word of mouth is mediated through brand equity. With significant indirect coefficients of  $b = .15$  (lower 95% CI = .08, upper 95% CI = .21) for the cosmetics national brand and  $b = .18$  (lower 95% CI = .08, upper 95% CI = .29) for the chocolate national brand, H6 is validated in both cases and remains significant with covariates in the regression. Furthermore, the direct effects of brand equity on word of mouth are validated for both brands. With a significant path coefficient of  $b = .23$  ( $p < .01$ ), the positive impact of brand equity on word of mouth is given for the cosmetics national brand. A similar result applies to the chocolate national brand ( $b = .25$ ;  $p < .01$ ); even with covariates, the results remain highly significant.

Similarly, H7 postulates that the effect of flagship store-fueled brand experience on word of mouth is mediated through brand attachment. Again, for both the cosmetics national brand ( $b = .39$ ; lower 95% CI = .27, upper 95% CI = .51) and the chocolate national brand ( $b = .48$ ; lower 95% CI = .30, upper 95% CI = .68), the indirect effect is validated and remains

significant in the model with covariates. Hence, H7 can be accepted. In addition, with significant regression coefficients of  $b = .44$  ( $p < .01$ ) for the cosmetics national brand and  $b = .47$  ( $p < .01$ ) for the chocolate national brand, it can be confirmed that brand attachment fosters word of mouth after a flagship store visit in both cases. These direct coefficients remain significant after integrating covariates.

H8 proposes that the effect of flagship store-fueled brand experience on consumers' future brand purchases at their regular grocery retailer is mediated through brand equity. The results of the analysis reveal that H8 can be accepted in both cases. For the cosmetics national brand, the indirect effect has a significant regression coefficient of  $b = .32$  (lower 95% CI = .25, upper 95% CI = .40), while for the chocolate national brand, the indirect effect has a significant regression coefficient of  $b = .34$  (lower 95% CI = .23, upper 95% CI = .45). This is particularly important, as the direct effects of flagship store fueled-brand experience on future purchases at retail stores is insignificant in both cases ( $b = .04$ ;  $p = .37$ , for the cosmetics national brand;  $b = -.07$ ;  $p = .36$  for the chocolate national brand). As regressions with covariates reveal similar results, the results are robust. Furthermore, the direct effects of brand equity on future brand purchases at the retailers are significant; regression coefficients of  $b = .54$  ( $p < .01$ ) for the cosmetics national brand and  $b = .50$  ( $p < .01$ ) for the chocolate national brand indicate a positive influence of brand equity on future purchase intentions at grocery retailers that arises from flagship store visits. These results are robust, as the regressions with covariates deliver similar coefficients and significances.

Lastly, H9 proposes that the effect of flagship store-fueled brand experience on consumers' future purchases of the brand at retail stores is positively mediated through brand attachment. Significant regression coefficients of the indirect effect for both the cosmetics national brand ( $b = .18$ ; lower 95% CI = .10, upper 95% CI = .26) and the chocolate national brand ( $b = .27$ ; lower 95% CI = .13, upper 95% CI = .45) lead to the acceptance of H9 in both cases. Again,

this is of particular importance, as the direct effect of brand experience on consumers' future purchases of the brand at the retailer is insignificant in both cases ( $b = .04$ ;  $p = .37$ , for the cosmetics national brand;  $b = -.07$ ;  $p = .36$  for the chocolate national brand). These results align with the results from the regressions with covariates. In addition, we find significant direct effects of brand attachment on future purchases at the retailer with regression coefficients of  $b = .20$  ( $p < .01$ ) for the cosmetics national brand and  $b = .27$  ( $p < .01$ ) for the chocolate national brand. The robustness of these results is demonstrated by the regression with covariates.

## **2.5 Concluding Discussion, Theoretical Implications, and Future Directions**

Our results contribute to the theoretical understanding of flagship store-fueled brand experience creation and its effect on brand cognitions, consumer-brand relationship strength, and favorable consumer reactions. We demonstrate that national brand flagship stores in the FMCG industry positively affect brand experiences and stimulate favorable consumer reactions. This is particularly important for national brands of the FMCG industry, as the majority of sales through retailers are likely not able to be replaced by company-operated distribution channels (Amrouche and Yan 2012). In addition, national brands in the FMCG industry are placed under great pressure by the increasing consumer acceptance of private label brands (Cuneo et al., 2012; Vahie and Paswan, 2006). Therefore, it is vital that a flagship store visit stimulates future brand purchases at the retailers and generates word of mouth through brand experience, brand equity, and consumer-brand relationships (brand attachment). It is further important for covering the costs of operating a flagship store and to strengthen the national brand's position in relation to competing brands and private labels. In addition, our findings reveal that flagship stores are not limited to the realm of premium services or luxury and fashion brands from the industries that have primarily been associated

with successful flagship store concepts (e.g., Dolbec and Chebat, 2013; Doyle et al., 2008; Kozinets et al., 2002; Manlow and Nobbs, 2013). Our results from the two national brands from different FMCG categories reveal that the actual flagship store visit had two different effects on brand experience: visiting the cosmetics brand's store enabled the creation of a strengthened flagship store-fueled brand experience, while a visit to the chocolate brand's store only reinforced brand experiences. These contrasting findings are surprising and raise awareness of the strategic interpretation of flagship stores: while flagship stores can drive brand experience, they can also merely reinforce brand experiences. Nonetheless, in our FMCG setting, we find positive effects of operating flagship stores for brand experience reinforcement and acceleration. What remains unknown is what prevented the chocolate brand's flagship store from creating flagship store-fueled brand experiences. One possibility is that the in-store attractions, information, or entertainment are not different enough from what consumers know from advertisement and previous interactions with the brand. Therefore, our findings highlight that the effectiveness of flagship stores must be investigated and verified between industries and even within categories in terms of flagship store-fueled brand experience creation. As the qualitative and quantitative findings in the current marketing literature (e.g., Diamond et al., 2009; Dolbec and Chebat, 2013; Manlow and Nobbs, 2013) cannot be completely generalized and transferred, we encourage researchers to examine the effectiveness of flagship stores in further industries in which the operation of flagship stores is seen as rather unusual.

Furthermore, our findings encourage the research field of flagship stores to identify in-store attractions and assess their impact on creating brand experiences for types of brands or products (e.g., Sands et al., 2009; Yoon, 2013). In this research, we were unable to gather information about which specific in-store attractions create an improved augmented brand display and strengthen flagship store-fueled brand experience. As the in-store attractions that

influence the augmented brand display could vary among industries, it could be interesting to identify further drivers of the augmented brand display.

We find evidence that recurring visits and inherently the acquisition of new stimuli from the augmented brand display do not necessarily create an even stronger flagship store-fueled brand experience. This implies that the creation of brand experience in flagship stores is not a dynamic, time-dependent process, which is contradictory to the commonly held but unverified view of brand experience dynamics (e.g., Verhoef et al., 2009). One explanation for this could be that consumers recognize all stimuli of flagship store-fueled brand experiences through the augmented brand display simultaneously.

We also found that flagship store-fueled brand experience has a strong impact on creating brand attachment. This finding is consistent with that of Dolbec and Chebat (2013), even though FMCG brands usually lose out to higher involvement products in obtaining consumers' attachment, such as in the fashion or furniture industries. A positive effect is also found with brand equity, which we conceptualized as superiority. Consequently, flagship stores in the FMCG industry present suitable communication vehicles and marketing-tools for creating positive brand cognitions and brand-relationships with potential consumers. Hence, the resulting larger brand attachment and brand equity achieved from flagship store-fueled brand experience (cosmetics national brand) and reinforced brand experience (chocolate national brand) foster favorable consumer reactions to the brand. This encourages word of mouth, as consumers' experience enlarge personal identification with the brand (Park et al., 2010). While Dolbec and Chebat (2013) capture this relationship theoretically and predict its application to flagship stores, this study is the first to quantify the effect of brand attachment on word of mouth in flagship stores. It is important to note that the influence of brand attachment on word of mouth is greater than the gain from brand equity. This outcome can be explained by a common desire to express belonging to a certain peer group or lifestyle by

spouting expertise about an identity-defining brand, while being unwilling to expose the actual process of consumption (Brown et al. 2005; Jayasankaraprasad and Kumar 2012; Saenger, Thomas, and Johnson 2013). Therefore, flagship stores in the fast-moving consumer goods industry enable spillover effects for advertising the brand (Keller and Fay 2012). As we found, the effect of flagship store-fueled brand experience on word of mouth is mediated through brand attachment and brand equity, emphasizing the importance of the experiences made in flagship stores for generating word of mouth (Dolbec and Chebat 2013; Riivits-Arkonsuo and Leppiman 2014). This can occur through either increased brand experience (cosmetics national brand) or reinforced brand experience (chocolate national brand), which then translate into favorable consumer reactions.

Furthermore, our findings reveal that in industries in which sales are generated primarily through retailers, flagship stores foster future sales. Hence, operating an experiential store, such as a flagship store, enables a brand to generate potential revenue streams in traditional distribution channels. Our results indicate that both brand attachment and brand equity enable the stimulation of intended future brand purchases at retail stores. These conclusions are consistent with results of revenue stream antecedents (Keller and Lehmann 2003; Mishra, Dash, and Cyr 2014; Park et al. 2010). However, our dependent variable (future brand purchases at the retailer) only measures intended consumer reactions. It would be interesting to find out how strongly the flagship store visit changes actual behavior. In our research setting, privacy guidelines prohibited us from collecting longitudinal data on the behavior of flagship store visitors. In a setting where this would be permitted, we encourage researchers to monitor consumers to verify our findings through actual behavioral outcomes. In addition, we were unable to capture direct sales from the flagship store itself. The number of products sold and the height of the sales slip would be of interest for uncovering a flagship store's effect on direct sales and revenue.

Lastly, it is important to note that flagship store-fueled brand experience does not directly influence a consumer's intention to purchase the brand at retail stores in the future (Brakus et al., 2009; Dolbec and Chebat, 2013). The effect of flagship store-fueled brand experience on future purchases and loyalty comes from increased brand equity and brand attachment. This mediation through brand relationships and brand cognition constructs is supported by Iglesias et al. (2011). Hence, the implication is that future research on brand experience in experiential stores should integrate and identify the vehicles of brand experience rather than directly linking brand experience to increased consumer loyalty and revenue streams.

## **2.6 Managerial Implications**

The results of this research should be of interest to brand managers who operate flagship stores or intend to employ flagship stores as marketing communication tools. Our findings demonstrate that reimbursed brand experiences and accelerated flagship store-fueled brand experiences affect consumer loyalty through intended future brand purchases at the retailer. This implies that flagship stores are likely to enable sales in other distribution channels or create consumer touchpoints, thus helping to cover the costs of operating the flagship store and designing its augmented brand display. However, brand managers must consider that the positive effects of reimbursed brand experience and flagship store-fueled brand experience on future brand purchases happen indirectly through brand attachment and brand equity. At both national FMCG brands, the direct effect was insignificant (see Appendix C, Tables 6 and 7). The mechanism implies that brand managers must create brand experiences through the augmented brand display, which should encourage a consumer to bond with the brand and associate it with the self or foster an image of superiority via brand equity that positions the brand as being the best in the consumer's evoked set. Brand experiences that successfully connect with consumers include, for example, sociocultural components and meet the

expectations of flagship store visitors (e.g., Borghini et al., 2009). To generate an image of superiority through brand equity, managers could employ attractions that display the product's manufacturing process or its ability to authentically enhance the brand's quality value (e.g., Jones et al., 2010).

A further aspect that brand managers should consider when assessing the effectiveness of operating flagship stores is that reinforced brand experiences and flagship store-fueled brand experiences are created by the augmented brand display in flagship stores. In our case, emphasis has been put on service quality, product quality value, product variety, and the flagship store's atmosphere. Highly significant loadings onto our higher-order construct augmented brand display reveal that consumers perceive a brand's flagship store as more complex than can be assessed by a simple store image measure. This implies that brand managers should not just care about the flagship store's appearance and atmospherics but that brand related core strength, such as product variety, quality value, and services are displayed best in the flagship store.

In addition, our findings show that reoccurring visits to the flagship store do not further leverage the effect of the augmented brand display on reimbursed brand experience and flagship store-fueled brand experience. Surprisingly, the visit-frequency moderators turned out to be insignificant in our setting (see Appendix C, Table 6), although qualitative customer statements might suggest that recurring visits affect the creation of brand experience (e.g., Hollenbeck et al., 2008). Our results imply that brand managers should focus on communicating the augmented brand display in flagship stores in such a way that can be understood and acquired by consumers on the first visit. To do so, consumers must be able to easily engage with elements of the augmented brand display and not miss them.

Lastly, our model for assessing the effectiveness of flagship stores and the process of gathering data before and after the flagship store visit should encourage practitioners to

quantitatively capture the augmented brand display, the creation of flagship store-fueled brand experience and its transformation through brand attachment and brand equity into future purchase intentions and word of mouth, for making better decisions for their flagship stores in the respective industries.

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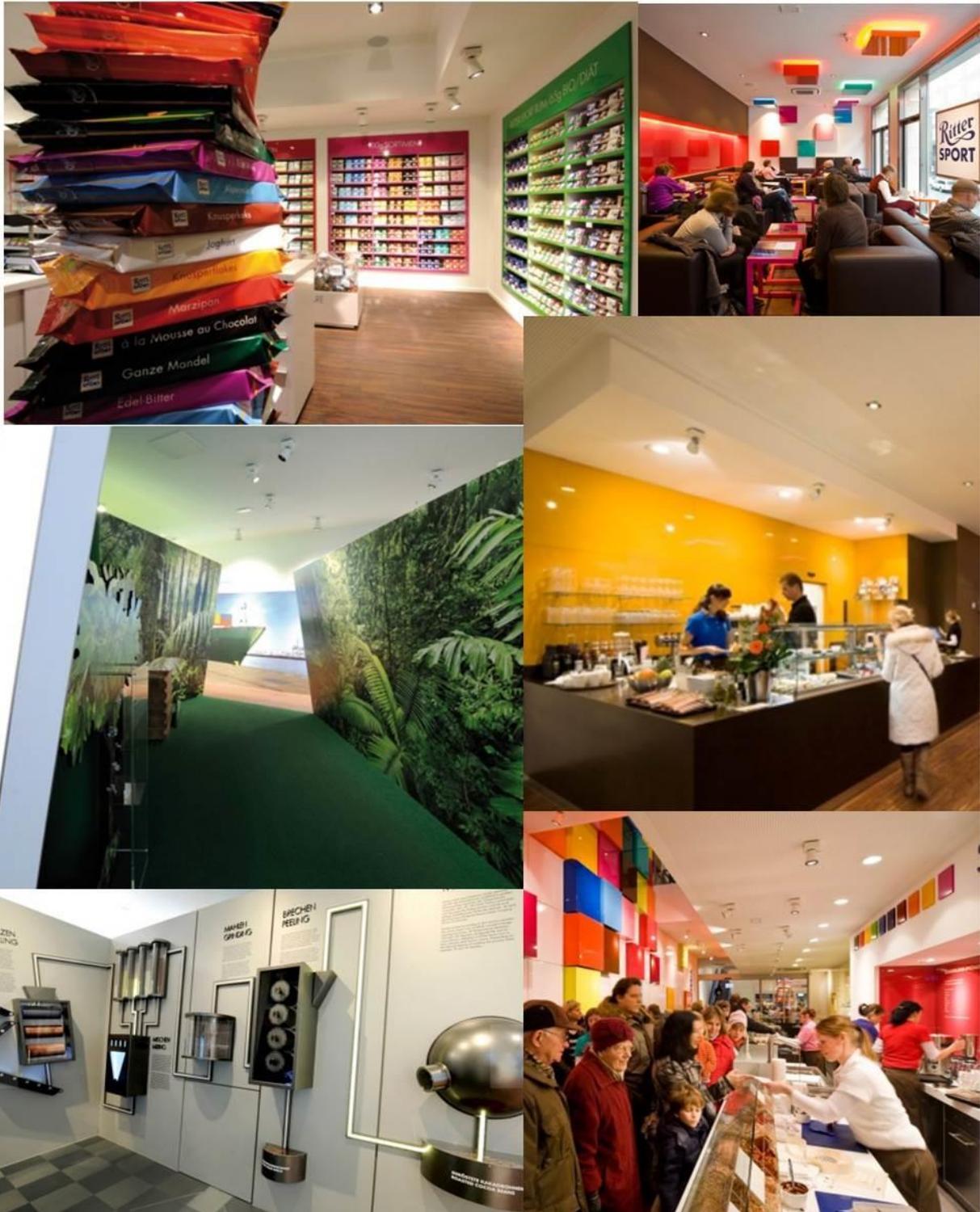
## 2.8 Appendix A Paper 1



Example 1: Kölln Haferland Flagship Store (pictures retrieved from <http://www.koelln-haferland.de/> on June 28<sup>th</sup> 2016).



Example 2: Nivea Haus Flagship Store (pictures retrieved from <https://www.nivea.de/nivea-haus/nivea-haus-0237/?gclid=CLiUufLtys0CFdTnGwod4CUE6Q> on June 28<sup>th</sup> 2016).



Example 3: Ritter Sport Bunte Schokowelt Flagship Store (pictures retrieved from <http://www.ritter-sport.de/de/besuchen/berlin.html> on June 28<sup>th</sup> 2016).

## **2.9 Appendix B Paper 1**

[Tables and figures are on the next page.]

Construct/Indicator	Cosmetics National Brand						Chocolate National Brand					
	Pre-Visit Constructs			Post-Visit Constructs			Pre-Visit Constructs			Post-Visit Constructs		
	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted
<b>Augmented Brand Display</b>		<b>.91</b>	<b>.72</b>		<b>.91</b>	<b>.71</b>		<b>.89</b>	<b>.68</b>		<b>.89</b>	<b>.68</b>
<b>Quality</b>	<b>.88</b>	<b>.89</b>	<b>.58</b>	<b>.89</b>	<b>.93</b>	<b>.68</b>	<b>.85</b>	<b>.87</b>	<b>.54</b>	<b>.89</b>	<b>.87</b>	<b>.53</b>
• BRAND has consistent quality.	.76			.81			.75			.75		
• BRAND has good ingredients.	.76			.82			.74			.73		
• BRAND has well-made packaging.	.79			.79			.73			.72		
• BRAND is efficiently in use.	.81			.85			.64			.64		
• BRAND smells good.	.67			.80			.71			.71		
• BRAND performs consistently.	.79			.89			.82			.82		
<b>Store Atmosphere</b>	<b>.84</b>	<b>.92</b>	<b>.74</b>	<b>.81</b>	<b>.92</b>	<b>.74</b>	<b>.89</b>	<b>.90</b>	<b>.68</b>	<b>.85</b>	<b>.90</b>	<b>.69</b>
• The store is a pleasant place to shop.	.84			.89			.82			.82		
• The store has a pleasant atmosphere.	.88			.91			.82			.81		
• The store is clean inside.	.81			.75			.81			.81		
• The store is attractive from the inside.	.90			.88			.85			.85		

Table 5: Items, standardized factor loadings, average variance extracted, and composite reliability.

Construct/Indicator	Cosmetics National Brand						Chocolate National Brand					
	Pre-Visit Constructs			Post-Visit Constructs			Pre-Visit Constructs			Post-Visit Constructs		
	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted
<i>Service Quality</i>	<b>.79</b>	<b>.91</b>	<b>.57</b>	<b>.75</b>	<b>.95</b>	<b>.71</b>	<b>.76</b>	<b>.94</b>	<b>.68</b>	<b>.74</b>	<b>.94</b>	<b>.68</b>
• The staff is trustworthy.	.83			.87			.82			.82		
• The staff is able to answer my questions.	.82			.90			.88			.88		
• The staff is never too busy to respond to my requests.	.81			.82			.87			.87		
• The staff has my best interests at heart.	.76			.81			.78			.77		
• The staff understands my specific needs and tries to satisfy these very well.	.79			.85			.79			.79		
• I receive enough personal attention from the staff.	.66			.83			.77			.77		
• The behavior of the staff instills confidence in me.	.66			.82			.84			.84		
• The staff is competent.	.69			.83			.84			.84		

Table 5 (continued): Items, standardized factor loadings, average variance extracted, and composite reliability.

Construct/Indicator	Cosmetics National Brand						Chocolate National Brand					
	Pre-Visit Constructs			Post-Visit Constructs			Pre-Visit Constructs			Post-Visit Constructs		
	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted
<b>Assortment Variety</b>	<b>.88</b>	<b>.84</b>	<b>.57</b>	<b>.92</b>	<b>.90</b>	<b>.70</b>	<b>.79</b>	<b>.80</b>	<b>.50</b>	<b>.81</b>	<b>.80</b>	<b>.51</b>
• This assortment of the BRAND gives me a lot of variety to enjoy.	.83			.89			.76			.75		
• This assortment of the BRAND gives me at least one product I like.	.80			.81			.69			.70		
• This assortment of the BRAND offers more ways to enjoy it.	.70			.78			.63			.65		
• The BRAND's assortment offers a large variety.	.69			.87			.75			.74		

Table 5 (continued): Items, standardized factor loadings, average variance extracted, and composite reliability.

Construct/Indicator	Cosmetics National Brand						Chocolate National Brand					
	Pre-Visit Constructs			Post-Visit Constructs			Pre-Visit Constructs			Post-Visit Constructs		
	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted
<b>[Flagship Store-fueled] Brand Experience</b>		<b>.88</b>	<b>.64</b>		<b>.93</b>	<b>.76</b>		<b>.93</b>	<b>.77</b>		<b>.94</b>	<b>.79</b>
<i>Sensual</i>	<b>.86</b>	<b>.86</b>	<b>.75</b>	<b>.84</b>	<b>.92</b>	<b>.85</b>	<b>.81</b>	<b>.96</b>	<b>.93</b>	<b>.78</b>	<b>.96</b>	<b>.93</b>
• BRAND makes a strong impression on my visual sense or other senses.	.84			.94			.98			.98		
• I find BRAND interesting in a sensory way.	.89			.90			.95			.95		
<i>Emotional</i>	<b>.85</b>	<b>.75</b>	<b>.61</b>	<b>.92</b>	<b>.86</b>	<b>.75</b>	<b>.98</b>	<b>.82</b>	<b>.70</b>	<b>.95</b>	<b>.83</b>	<b>.71</b>
• BRAND induces feelings and sentiments.	.85			.88			.85			.86		
• BRAND is an emotional brand.	.70			.85			.82			.82		
<i>Behavioral</i>	<b>.74</b>	<b>.90</b>	<b>.75</b>	<b>.86</b>	<b>.94</b>	<b>.83</b>	<b>.83</b>	<b>.92</b>	<b>.79</b>	<b>.88</b>	<b>.92</b>	<b>.79</b>
• I engage in physical actions and behaviors when I use BRAND.	.88			.92			.89			.89		
• BRAND results in bodily experiences.	.84			.89			.85			.85		
• BRAND is action oriented.	.87			.93			.93			.92		

Table 5 (continued): Items, standardized factor loadings, average variance extracted, and composite reliability.

Construct/Indicator	Cosmetics National Brand						Chocolate National Brand					
	Pre-Visit Constructs			Post-Visit Constructs			Pre-Visit Constructs			Post-Visit Constructs		
	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted
<i>Intellectual</i>	.74	.82	.70	.88	.82	.70	.87	.78	.64	.94	.76	.61
• I engage in a lot of thinking when I encounter BRAND.	.83			.87			.91			.88		
• BRAND stimulates my curiosity and problem solving.	.74			.80			.67			.67		
<i>Brand Attachment</i>					.94	.76					.95	.79
• To what extent is BRAND part of you and who you are?				.87						.88		
• To what extent do you feel personally connected to BRAND?				.93						.94		
• To what extent do you feel emotionally bonded to BRAND?				.94						.94		

Table 5 (continued): Items, standardized factor loadings, average variance extracted, and composite reliability.

Construct/Indicator	Cosmetics National Brand						Chocolate National Brand					
	Pre-Visit Constructs			Post-Visit Constructs			Pre-Visit Constructs			Post-Visit Constructs		
	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted
<b>Brand Equity</b> <ul style="list-style-type: none"> <li>• To what extent is BRAND part of you and represents your personality?</li> <li>• To what extent does BRAND say something to other people about who you are?</li> <li>• It makes sense to consume BRAND instead of any other brand, even if they are the same.</li> <li>• Even if another brand has the same features as BRAND, I would prefer BRAND</li> </ul>				.93						.92		
				.66						.74		
					.95	.83					.95	.82
				.87						.82		
				.95						.93		

Table 5 (continued): Items, standardized factor loadings, average variance extracted, and composite reliability.

Construct/Indicator	Cosmetics National Brand						Chocolate National Brand					
	Pre-Visit Constructs			Post-Visit Constructs			Pre-Visit Constructs			Post-Visit Constructs		
	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted
<p>• If there is another brand as good as BRAND, I prefer BRAND.</p> <p>• If another brand is not different from BRAND in any way, it seems smarter to consume BRAND.</p> <p><i>Word of Mouth</i></p> <p>• I will mention BRAND to others quite frequently.</p> <p>• I will tell more people about BRAND than I have told about other brands.</p> <p>• It makes me proud to buy BRAND, so I tell other people about it.</p>				.89						.90		
				.94						.96		
					.93	.81					.94	.83
				.92						.98		
				.93						.95		
			.85						.80			

Table 5 (continued): Items, standardized factor loadings, average variance extracted, and composite reliability.

Construct/Indicator	Cosmetics National Brand						Chocolate National Brand					
	Pre-Visit Constructs			Post-Visit Constructs			Pre-Visit Constructs			Post-Visit Constructs		
	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Standardized Factor Loading	Composite Reliability	Average Variance Extracted
<i>Future Purchase at Retailer</i> • I will buy BRAND over competing NATIONAL BRAND and PRIVATE LABEL the next time I buy cosmetic products. • I intend to keep purchasing BRAND. • BRAND would be my first choice at a grocery retailer. • I will buy BRAND, even if NATIONAL BRAND and PRIVATE LABEL are available at the grocery retailer.				.91	.92	.73				.94	.88	.66
				.91						.92		
				.77						.64		
				.82						.70		

Note: BRAND, NATIONAL BRAND, and PRIVATE LABEL are place markers

Table 5 (continued): Items, standardized factor loadings, average variance extracted, and composite reliability.

## **2.10 Appendix C Paper 1**

[Tables and figures are on the next page.]

Hypothesis	Path		Cosmetics National Brand					Chocolate National Brand						
			<i>b</i>	<i>SE b</i>	<i>t</i>	<i>p</i>	95% CI [lower; upper]	<i>R</i> <sup>2</sup>	<i>b</i>	<i>SE b</i>	<i>t</i>	<i>p</i>	95% CI [lower; upper]	<i>R</i> <sup>2</sup>
Step 1:	<i>Model</i>					***		.23				***		.26
	Constant		1.13	.39	2.89	***	.49; 1.77		-1.31	.75	-1.76	*	-2.54; .08	
H1:	Augmented Brand Display (ABD)	→ Brand Experience	.58	.07	8.76	***	.47; .69		.97	.92	7.43	***	.76; 1.19	
	Flagship Store Visit (FSV)	→ Brand Experience	-1.14	.52	-2.18	**	-2.00; -.28		.76	.92	.83	.41	.76; 1.19	
H2:	ABD x FSV	→ Brand Experience	.19	.09	2.09	**	.04; .33		-.17	.16	-1.03	.30	-.44; .10	
	<i>Model with Covariates</i>					***		.23				***		.29
	Constant		1.58	.44	3.55	***	.84; 2.34		-1.39	.78	-1.79	*	-2.67; -.11	
H1:	Augmented Brand Display (ABD)	→ Brand Experience	.56	.07	8.36	***	.45; .68		.93	.13	7.14	***	.72; 1.15	
	Flagship Store Visit (FSV)	→ Brand Experience	-1.18	.52	-2.27	**	-2.04; -.33		.66	.91	.73	.47	-.84; 2.17	
H2:	ABD x FSV	→ Brand Experience	.19	.09	2.18	**	.05; .34		-.15	.16	-.94	.35	-.42; .11	
	Sex (Female)	→ Brand Experience	-.08	.10	-.78	.43	-.24; .09		.17	.12	1.39	.16	-.03; .37	
	Age	→ Brand Experience	.04	.03	1.41	.16	-.01; .08		.13	.04	3.36	***	.06; .19	
	Net Income	→ Brand Experience	-.04	.02	-1.76	*	-.08; .00		-.07	.03	-2.28	**	-.13; -.02	
	Education	→ Brand Experience	-.04	.03	-1.36	.17	-.09; .01		.02	.05	.47	.64	-.06; .10	
	Number of Flagship Store Visits	→ Brand Experience	-.01	.04	-.29	.77	-.07; .05		-.05	.05	-.90	.37	-.14; .04	

Table 6: Results of direct effects for cosmetics national brand and chocolate national brand.

Hypothesis	Path	Cosmetics National Brand						Chocolate National Brand					
		<i>b</i>	<i>SE b</i>	<i>t</i>	<i>p</i>	95% <i>CI</i> [lower; upper]	<i>R</i> <sup>2</sup>	<i>b</i>	<i>SE b</i>	<i>t</i>	<i>p</i>	95% <i>CI</i> [lower; upper]	<i>R</i> <sup>2</sup>
Step 2:	<i>Model</i>				***		.28				***		.27
	Constant	.69	.53	1.30	.20	-.19; 1.56		.02	.78	.02	.98	-1.53; 1.57	
	Augmented Brand Display (ABD) → Brand Experience	.66	.09	6.99	***	.50; .81		.70	.14	5.00	***	.43; .98	
	Second Flagship Store Visit (2FSV) → Brand Experience	-1.24	1.04	-1.19	.23	-2.95; .48		-3.69	1.84	-2.00	**	-7.33; -.05	
	Third to Fifth Flagship Store Visit (3FSV) → Brand Experience	-1.94	1.03	-1.88	*	-3.65; -.24		-.31	1.50	-.21	.83	-3.28; 2.65	
	More than Five Flagship Store Visits (5FSV) → Brand Experience	-.95	1.01	-.94	.35	-2.62; .71		.01	1.81	.01	.99	-3.56; 3.58	
H3:	ABD x 2FSV → Brand Experience	.19	.18	1.08	.28	-.10; .49		.66	.32	2.06	**	.03; 1.29	
H3:	ABD x 3FSV → Brand Experience	.31	.18	1.73	*	.01; .60		.02	.27	.08	.93	-.51; .55	
H3:	ABD x 5FSV → Brand Experience	.16	.17	.94	.35	-.12; .45		.04	.32	.11	.91	-.60; .67	
	<i>Model with Covariates</i>				***		.28				***		.29
	Constant	1.10	.58	1.91	*	.15; 2.05		-.57	.93	-.61	.54	-2.09; .96	
	Augmented Brand Display (ABD) → Brand Experience	.65	.09	6.91	***	.50; .81		.73	.14	5.13	***	.50; .97	
	Second Flagship Store Visit (2FSV) → Brand Experience	-.97	1.05	-.92	.36	-2.69; .76		-2.93	1.92	-1.52	.13	-6.11; .25	
	Third to Fifth Flagship Store Visit (3FSV) → Brand Experience	-1.74	1.04	-1.67	.10	-3.45; .02		.11	1.52	.07	.94	-2.40; 2.62	
	More than Five Flagship Store Visits (5FSV) → Brand Experience	-.95	1.02	-.93	.35	-2.63; .73		.41	1.82	.22	.82	-2.60; 3.41	
H3:	ABD x 2FSV → Brand Experience	.15	.18	.83	.41	-.15; .45		.52	.34	1.56	.12	-.03; 1.08	
H3:	ABD x 3FSV → Brand Experience	.28	.18	1.55	.12	-.02; .57		-.07	.27	-.27	.79	-.52; .38	
H3:	ABD x 5FSV → Brand Experience	.16	.17	.93	.35	-.13; .45		-.06	.32	-.18	.86	-.59; .48	
	Sex (Female) → Brand Experience	-.08	.15	-.53	.60	-.33; .17		.18	.19	.94	.35	-.14; .49	
	Age → Brand Experience	.05	.05	.93	.35	-.04; .13		.11	.06	1.85	*	.01; .20	
	Net Income → Brand Experience	-.06	.04	-1.69	*	-.12; .00		-.07	.05	-1.35	.18	-.15; .02	
	Education → Brand Experience	-.04	.04	-1.09	.27	-.10; .02		.04	.07	.55	.58	-.08; .16	

Table 6 (continued): Results of direct effects for cosmetics national brand and chocolate national brand.

Hypothesis	Path	Cosmetics National Brand						Chocolate National Brand					
		<i>b</i>	<i>SE b</i>	<i>t</i>	<i>p</i>	95% <i>CI</i> [lower; upper]	<i>R</i> <sup>2</sup>	<i>b</i>	<i>SE b</i>	<i>t</i>	<i>p</i>	95% <i>CI</i> [lower; upper]	<i>R</i> <sup>2</sup>
Step 3:	<i>Model</i>				***		.35				***		.39
	Constant	2.14	.19	11.04	***	1.76; 2.52		1.92	.26	7.54	***	1.42; 2.43	
H4:	Brand Experience → Brand Equity	.63	.04	15.01	***	.55; .71		.68	.06	11.00	***	.56; .80	
	<i>Model with Covariates</i>				***		.37				***		.40
	Constant	2.30	.37	.623	***	1.57; 3.02		1.76	.48	3.65	***	.81; 2.27	
H4:	Brand Experience → Brand Equity	.61	.04	14.54	***	.53; .69		.68	.06	10.72	***	.55; .80	
	Sex (Female) → Brand Equity	-.20	.15	-1.38	.17	.49; .09		.26	.18	1.43	.15	-.10; .62	
	Age → Brand Equity	.13	.04	3.16	***	.05; .20		.01	.06	.07	.94	-.11; .12	
	Net Income → Brand Equity	-.02	.03	-.59	.55	-.09; .05		.01	.05	-.06	.95	-.10; .09	
	Education → Brand Equity	-.06	.05	-1.24	.22	-.15; .03		-.07	.07	-.98	.33	-.21; .07	
	Number of Flagship Store Visits → Brand Equity	.06	.05	1.06	.29	-.05; .16		.09	.08	1.11	.27	-.07; .25	

Table 6 (continued): Results of direct effects for cosmetics national brand and chocolate national brand.

Hypothesis	Path	Cosmetics National Brand						Chocolate National Brand					
		<i>b</i>	<i>SE b</i>	<i>t</i>	<i>p</i>	95% <i>CI</i> [lower; upper]	<i>R</i> <sup>2</sup>	<i>b</i>	<i>SE b</i>	<i>t</i>	<i>p</i>	95% <i>CI</i> [lower; upper]	<i>R</i> <sup>2</sup>
H5:	<i>Model</i>					***	.63				***	.68	
	Constant		.23	.16	1.44	.15	-.08; .53				***	-1.12; -.30	
	Brand Experience	→ Brand Attachment	.89	.03	26.36	***	.83; .96				***	.91; 1.11	
H5:	<i>Model with Covariates</i>					***	.64				***	.70	
	Constant		.09	.30	.29	.77	-.50; .67				.16	-1.31; .21	
	Brand Experience	→ Brand Attachment	.89	.03	26.22	***	.82; .96				***	-.90; 1.10	
	Sex (Female)	→ Brand Attachment	-.13	.12	-1.13	.26	-.37; .10				.10	-.05; .52	
	Age	→ Brand Attachment	.12	.03	3.76	***	.06; .18				.50	-.06; .12	
	Net Income	→ Brand Attachment	.03	.03	.90	.37	-.03; .08				.42	-.11; .05	
	Education	→ Brand Attachment	-.02	.04	-.49	.63	-.09; .05				*	-.22; .00	
	Number of Flagship Store Visits	→ Brand Attachment	-.01	.04	-.27	.79	-.10; .07				.32	-.06; .19	

Table 6 (continued): Results of direct effects for cosmetics national brand and chocolate national brand.

Hypothesis	Path		Cosmetics National Brand					Chocolate National Brand						
			<i>b</i>	<i>SE b</i>	<i>t</i>	<i>p</i>	95% <i>CI</i> [lower; upper]	<i>R</i> <sup>2</sup>	<i>b</i>	<i>SE b</i>	<i>t</i>	<i>p</i>	95% <i>CI</i> [lower; upper]	<i>R</i> <sup>2</sup>
	<i>Model</i>					***		.61				***		.69
	Constant		-.43	.20	-2.19	**	-.82; -.04		-.38	.26	-1.45	.15	-.89; .14	
H6:	Brand Experience	→ Word of Mouth	.31	.06	5.02	***	.19; .43		.29	.09	3.11	***	.11; .47	
	Brand Attachment	→ Word of Mouth	.44	.06	7.39	***	.32; .55		.47	.08	6.03	***	.32; .63	
H7:	Brand Equity	→ Word of Mouth	.23	.05	4.82	***	.14; .33		.26	.06	4.08	***	.13; .39	
	<i>Model with Covariates</i>					***		.61				***		.71
	Constant		-.33	.35	-.94	.35	-1.02; .36		-.73	.42	-1.76	*	-1.55; .09	
	Brand Experience	→ Word of Mouth	.31	.06	4.92	***	.19; .43		.31	.09	3.35	***	.13; .50	
H6:	Brand Attachment	→ Word of Mouth	.44	.06	7.31	***	.32; .56		.46	.08	5.84	***	.30; .61	
H7:	Brand Equity	→ Word of Mouth	.23	.05	4.80	***	.14; .33		.25	.06	3.92	***	.12; .37	
	Sex (Female)	→ Word of Mouth	.12	.13	.93	.35	-.14; .39		.02	.15	.15	.88	-.27; .32	
	Age	→ Word of Mouth	.00	.04	.07	.94	-.07; .07		.04	.05	.95	.34	-.05; .13	
	Net Income	→ Word of Mouth	-.02	.03	-.77	.44	-.09; .04		.04	.04	.98	.33	-.04; .12	
	Education	→ Word of Mouth	-.03	.04	-.68	.50	-.11; .05		-.05	.06	-.91	.36	-.17; .06	
	Number of Flagship Store Visits	→ Word of Mouth	-.03	.05	-.56	.57	-.12; .07		.19	.07	2.88	***	.06; .33	

Table 6 (continued): Results of direct effects for cosmetics national brand and chocolate national brand.

Hypothesis	Path	Cosmetics National Brand						Chocolate National Brand					
		<i>b</i>	<i>SE b</i>	<i>t</i>	<i>p</i>	95% <i>CI</i> [lower; upper]	<i>R</i> <sup>2</sup>	<i>b</i>	<i>SE b</i>	<i>t</i>	<i>p</i>	95% <i>CI</i> [lower; upper]	<i>R</i> <sup>2</sup>
	<i>Model</i>				***		.64				***		.60
	Constant	1.73	.17	11.33	***	1.43; 2.02		2.13	.22	9.53	***	1.69; 2.57	
	Brand Experience → Future Brand Purchases at the Retailer	.04	.05	.89	.37	-.05; .14		-.07	.08	-.93	.36	-.23; .08	
H9:	Brand Attachment → Future Brand Purchases at the Retailer	.20	.05	4.40	***	.11; .29		.27	.07	3.98	***	.14; .40	
H8:	Brand Equity → Future Brand Purchases at the Retailer	.54	.04	14.55	***	.46; .61		.50	.05	9.14	***	.39; .61	
	<i>Model with Covariates</i>				***		.65				***		.64
	Constant	1.77	.27	6.68	***	1.25; 2.30		1.68	.35	4.77	***	.98; 2.37	
	Brand Experience → Future Brand Purchases at the Retailer	.04	.05	.81	.42	-.05; .13		-.09	.08	-1.15	.25	-.25; .07	
H9:	Brand Attachment → Future Brand Purchases at the Retailer	.19	.05	4.24	***	.10; .28		.27	.07	4.11	***	.14; .40	
H8:	Brand Equity → Future Brand Purchases at the Retailer	.53	.04	14.41	***	.46; .60		.50	.05	9.37	***	.39; .60	
	Sex (Female) → Future Brand Purchases at the Retailer	-.27	.10	-2.66	**	-.47; -.07		-.17	.13	-1.35	.18	-.42; .08	
	Age → Future Brand Purchases at the Retailer	.03	.03	1.10	.27	-.02; .09		.09	.04	2.37	**	.02; .17	
	Net Income → Future Brand Purchases at the Retailer	-.02	.02	-.98	.33	-.07; .02		.02	.03	.73	.47	-.04; .09	
	Education → Future Brand Purchases at the Retailer	.08	.03	2.40	**	.01; .14		.04	.05	.77	.44	-.06; .14	
	Number of Flagship Store Visits → Future Brand Purchases at the Retailer	.00	.04	-.08	.94	-.08; .07		.12	.06	2.18	**	.01; .24	

Note: \*\*\*:  $p < .01$ ; \*\*:  $p < .05$ ; \*:  $p < .10$

Table 6 (continued): Results of direct effects for cosmetics national brand and chocolate national brand.

Hypothesis	Path			Cosmetics National Brand			Chocolate National Brand					
				<i>b</i>	<i>SE b</i>	95% CI [lower; upper]	<i>b</i>	<i>SE b</i>	95% CI [lower; upper]			
Step 3:	<i>Without Covariates:</i>											
H6:	Brand Experience	→	Brand Equity	→	Word of Mouth	.15	.03	.08; .21	.18	.05	.08; .29	
H7:	Brand Experience	→	Brand Attachment	→	Word of Mouth	.39	.06	.27; .51	.48	.10	.30; .68	
H8:	Brand Experience	→	Brand Equity	→	Future Brand Purchases at the Retailer	.34	.04	.26; .42	.34	.05	.23; .44	
H9:	Brand Experience	→	Brand Attachment	→	Future Brand Purchases at the Retailer	.18	.04	.10; .26	.27	.08	.13; .45	
	<i>Covariates: Age, Gender, Net Income, Education, and Number of Flagship Store Visits:</i>											
H6:	Brand Experience	→	Brand Equity	→	Word of Mouth	.14	.03	.08; .21	.17	.05	.07; .27	
H7:	Brand Experience	→	Brand Attachment	→	Word of Mouth	.39	.06	.27; .51	.46	.10	.28; .65	
H8:	Brand Experience	→	Brand Equity	→	Future Brand Purchases at the Retailer	.32	.04	.25; .40	.34	.06	.23; .45	
H9:	Brand Experience	→	Brand Attachment	→	Future Brand Purchases at the Retailer	.17	.04	.10; .25	.27	.08	.13; .43	

Table 7: Results of indirect effects for cosmetics national brand and chocolate national brand.

### **3. BRAND EXPERIENCE DYNAMICS DURING FLAGSHIP STORE VISITS AND THE GENERATION OF COMPLEMENTARY SALES (Paper 2)**

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#### **3.1 Introduction**

The delivery of extraordinary brand experiences within the purchase, consumption, or complementary service process has evolved into a key competitive differentiator (e.g., LaSalle and Britton 2002; Schmitt 1999; Schmitt, Brakus, and Zarantonello 2014; Verhoef et al. 2009). One means of delivering such brand experiences is the operation of flagship stores (e.g., Dolbec and Chebat 2013; Kozinets et al. 2002). Owned and operated by a single brand, flagship stores physically demonstrate the holistic brand meaning to consumers through a mixture of staged brand stories, brand-tailored atmospheres, and themes, while also often displaying manufacturing processes, offering an all-encompassing assortment, and providing brand-related services that go beyond customer care (e.g., Arrigo 2015; Borghini et al. 2009; Haenlein and Kaplan 2009; Kozinets et al. 2002; Moore and Doherty 2007). It is most notably luxury and prestige brands that use flagship stores in their experiential marketing strategies (e.g., Dion and Arnould 2011; Dolbec and Chebat 2013). In doing so, they secure an extraordinary brand experience and reflect the brand's justification for its price premium (Atwal and Williams 2009; Borghini et al. 2009; Hudders, Pandelaere, and Vyncke 2013; Parment 2008; Verhoef, Langerak, and Donkers 2007). More recently, however, mundane brands have begun to follow the lead set by luxury brands (Nierobisch et al. 2017).

Although we have a good understanding of experiential consumption in flagship stores (e.g., Borghini et al. 2009; Kozinets et al. 2002; McGrath, Sherry, and Diamond 2013) as well as the resulting post-visit brand perception (e.g., Dolbec and Chebat 2013; Nierobisch et al. 2017), there remain questions regarding flagship store effectiveness. For example, prevailing research has failed to consider brand experience perceptions that exist before a consumer enters the flagship store. However, as we know that brand experiences have a dynamic nature (Schmitt, Brakus, and Zarantonello 2014; Verhoef et al. 2009) and update at brand touch points (Lemon and Verhoef 2016), it is more likely that a flagship store visit would update brand experience rather than create it from scratch.

In addition, strong and positive brand experiences are commonly regarded as antecedents to consumer loyalty (e.g., Brakus, Schmitt, and Zarantonello 2009; Walsh et al. 2011). However, in cases where brands operate flagship stores as supplements to their existing distribution networks, it is likely that the stores disproportionately attract already brand-loyal consumers (Hollenbeck, Peters, and Zinkhan 2008; McGrath, Sherry, and Diamond 2013). Hence, brand loyalty might be a driver and not only an outcome of flagship store visit perception and brand experience. Taken together, there is reason to believe that existing research has overstated flagship store effectiveness. Moreover, the flagship store experience might differ based on pre-existing brand loyalty and the intentionality of the visit (Keller 1993; Lemon and Verhoef 2016; McGrath, Sherry, and Diamond 2013).

This study controls for the influence of previously established brand experience and therefore allows for a more realistic assessment of the extent to which a flagship store visit can help update brand experience. Furthermore, it examines the effects of brand loyalty and the intentionality of a consumer's visit (planned versus unplanned) to advance our understanding of how a consumer experiences a flagship store's augmented brand display (Nierobisch et al. 2017). Last but not least, the study investigates a flagship store's potential to generate sales.

Existing research has not yet addressed this issue, presumably because flagship stores are primarily seen as communication vehicles that improve brand perceptions (Borghini et al. 2009; Dolbec and Chebat 2013; Hollenbeck, Peters, and Zinkhan 2008). However, the generation of revenue can be vital for covering the expenses incurred in staging the brand physically through flagship stores. Even more importantly, examining sales helps to determine whether flagship stores result in a substitution of sales from traditional distribution channels (Amrouche and Yan 2012; Haenlein and Kaplan 2009). This matter is particularly important for brand managers who intend to operate flagship stores but want to avoid harming brand-retailer partnerships or scaring off potential distributors. Thus, integrating the effects of post-visit brand experience on direct sales adds to the understanding of the flagship store's functional range (e.g., Kozinets et al. 2002; McGrath, Sherry, and Diamond 2013). Taken together, this research contributes to a more holistic understanding of the processes underlying flagship store visits and the economic impact for brands that operate flagship stores.

### **3.2 Theoretical Background and Hypotheses**

#### **3.2.1 The Flagship Store's Augmented Brand Display and Its Conversion into Post-Visit Brand Experience**

According to Brakus et al. (2009), brand experience is defined as a consumer's set of subjective, internal responses, such as feelings, sensations, cognitions, and behaviors, evoked by brand-related stimuli. Whereas for subexperiences – such as those encountered through product consumption, services, or retailers – the experience is limited to a specific brand component or part of the customer journey (Lemon and Verhoef 2016), brand experiences are more holistic and combine subexperiences connected to the focal brand (Grewal, Levy, and Kumar 2009; Schmitt 1999). Thus, brand experience contains multiple cues that enable a

distinct differentiation from competing brands in consumer memory (Pine and Gilmore 1998).

In contrast to brand attitudes and brand perceptions, brand experience requires either the use of the brand or previous contact with brand touch points, such as advertisements, social media, or services (Brakus, Schmitt, and Zarantonello 2009; Lemon and Verhoef 2016).

Flagship stores offer a number of attractive brand features that may lead to improved post-visit brand experience. In particular, they enable consumers to gather brand-tailored information and form cues about all facets of the brand (Dolbec and Chebat 2013; Kozinets et al. 2002). The brand-tailored information and brand features staged in flagship stores could be the brand's history (Hollenbeck, Peters, and Zinkhan 2008), brand ideology (Borghini et al. 2009), demonstrations of manufacturing processes for quality standards, or complementary services (Dolbec and Chebat 2013). These are further emphasized via brand-tailored architectural design and store atmosphere (Klein et al. 2016; Puccinelli et al. 2009). Because all these brand features and information sources contribute to a richer display of the brand, the term "augmented brand display" has been suggested to refer to the physically staged brand facets and atmospheric elements (Nierobisch et al. 2017).

There is evidence that the augmented brand display in flagship stores improves a consumer's brand experience (Borghini et al. 2009; Dolbec and Chebat 2013; Kozinets et al. 2002; McGrath, Sherry, and Diamond 2013; Nierobisch et al. 2017). However, it is likely that pre-existing brand experience formed at previous brand touch points (e.g., advertisements, brand shopping at retailers, information from social media, visits to mono-brand stores, or word of mouth from friends) affects the perception and decoding of what is displayed at the flagship store (Lemon and Verhoef 2016; McGrath, Sherry, and Diamond 2013; Zenetti and Klapper 2016). As Verhoef et al. (2009) point out, brand experience in period  $t$  could be influenced by pre-existing brand experience from period  $t-1$ . The persistence of pre-existing brand experience is evident, for example, in visitor comments at the Coca-Cola Museum: "My wife

and I like to come here; it is something like our eighth or ninth time here. We always compare our stories about the brand and how it played such a big role in our lives” (Hollenbeck, Peters, and Zinkhan 2008, p. 343). McGrath, Sherry, and Diamond (2013, p. 23) provide further indication of the influence of pre-existing brand experiences on decoding stimuli for updating current brand experience, citing a woman’s reaction to the House of Barbie: “[...] around 587 different Barbie dolls, which you cannot see this spectacular scene in some other places where Barbie was sold. Oh my god, I hope I can own all of the Barbie dolls.” As the examples demonstrate, pre-existing brand experience is likely to influence the perception and decoding of the flagship store’s augmented brand display and its transformation into post-visit brand experience. If pre-existing brand experience is already strong, the flagship store’s augmented brand display should have a smaller effect on transforming updating into post-visit brand experience. It is therefore necessary to assess the “true” impact that the augmented brand display has on new, post-visit brand experience. Given previous findings (Dolbec and Chebat 2013; Nierobisch et al. 2017), we still expect a positive and significant effect, albeit of smaller magnitude.

**H1:** The flagship store’s augmented brand display increases post-visit brand experience, even after controlling for the influence of pre-existing brand experience.

### **3.2.2 Transforming Pre-Existing Brand Experience into Post-Visit Brand Experience**

Combining Hypothesis 1 with the notion that pre-existing brand experience impacts how the flagship store is perceived, we can theorize that the flagship store’s augmented brand display mediates pre-existing brand experience into post-visit brand experience. This mediation

highlights the unique contribution that a flagship store's augmented brand display makes to a consumer's post-visit brand experience.

**H2:** Pre-existing brand experience is updated into post-visit brand experience through the perception of the flagship store's augmented brand display.

We further argue that the effects of pre-existing brand experience on the perception of brand touch points is likely to be influenced by consumer-brand relationships (van Doorn et al. 2010; Klein et al. 2016; Verhoef et al. 2009). Brand loyalty can be regarded as the ultimate result of consumer-brand relationships (Oliver 1999). Although brand experience research claims that brand loyalty is an outcome of positive brand experience (Brakus, Schmitt, and Zarantonello 2009; Srivastava and Kaul 2016; Walsh et al. 2011), we argue that brand loyalty itself moderates the effect that pre-existing brand experience has on perceptions of the flagship store's augmented brand display. Consumers who are brand loyal are likely to patronage that brand's distribution channels and touch points more frequently (Wallace, Giese, and Johnson 2004). Consequently, we argue that flagship stores attract already brand loyal consumers. However, this matter seems no problem as brand loyal consumers can update their brand perception and brand experience even after many reoccurring visits, as more details become visible in an augmented brand display (Hollenbeck, Peters, and Zinkhan 2008).

Brand loyalty results from forming an attitude towards a brand, which is developed through an iterative process of updating one's information and brand knowledge base following contact with brand touch points and consumption (Oliver 1999; Yi and La 2004). Loyal consumers generally have a greater interest in acquiring new brand information on a regular basis (Keller 1993). They should then also tend to be more open when engaging with the flagship store's augmented brand display and depend less on their pre-existing brand experience, as these consumers can focus more on what is newly displayed to them by the

augmented brand display. This matter should enhance their brand perception. Thus, the persisting impact of pre-existing brand experience on post-visit brand experience via the flagship store's augmented brand display is attenuated among highly loyal visitors.

**H3:** Increasing brand loyalty enhances the updating of brand experience within flagship stores.

A further moderator of the effect of pre-existing brand experiences on the perception of a flagship store's augmented brand display could be whether the visit to the flagship store was planned. Brands that operate flagship stores often advertise their stores in magazines, in tourist guides, on their own brand web pages, and on social media channels. In certain cases, flagship stores even become attractions for the particular metropole (Borghini et al. 2009; Kozinets et al. 2002). If consumers plan to visit a brand's flagship store, pre-existing brand experiences are likely to be brought to the forefront of their minds (Boulding et al. 1993; Grewal et al. 2003), even forming expectations for the brand touch point encounter (Lemon and Verhoef 2016). This suggests that the perception of the flagship store's augmented brand display depends greatly on pre-existing brand experience. Hence, the persistence of pre-existing brand experience is stronger when the visit is planned, implying that the brand experience updating is weaker.

**H4:** The updating of brand experience is attenuated if the flagship store visit is planned.

### **3.2.3 The Augmented Brand Display, Post-Visit Brand Experience, and the Generation of Complementary Sales**

In the literature addressing experiential stores and flagship stores in particular, there is a consensus regarding their purpose for marketing communication rather than for selling goods to consumers (Borghini et al. 2009; Dolbec and Chebat 2013; Kozinets et al. 2002; de Lassus

and Freire 2014; Schmitt 1999). Nonetheless, operating flagship stores induces high costs (Moore, Doherty, and Doyle 2010). To reduce the financial burden of flagship stores, most brands offer exclusive flagship store product lines alongside the brand's standard assortment that can be bought at traditional retailers or other third-party distributors (McGrath, Sherry, and Diamond 2013).

However, for brands selling their products predominantly through retailers or other third-party distributors, the sale of goods through their own stores can be problematic: In established and competitive partnerships, the flagship stores could be regarded as threats to the partners, as consumers might substitute their want-satisfaction at the brand's own stores (Amrouche and Yan 2012; Parment 2008; Pei and Yan 2015). If the traditional retailers and distribution partners feel threatened by flagship stores, their shelf space could be reallocated to private label brands or competing national brands (Geyskens, Gielens, and Gijsbrechts 2010). As brand experience leads to intended brand loyalty (Brakus, Schmitt, and Zarantonello 2009), it is also likely that brand experience updated in the flagship store stimulates immediate, direct sales. Furthermore, consumers engaged in experiential marketing often purchase products on the spot, as the information and experiences available improve their evaluation abilities and many desire memorabilia from their visit (Puccinelli et al. 2009). As flagship store visits can be regarded as special events, it is likely that consumers favor purchasing products that elicit memories of the occasion. Such brand-related memories can be secured through the purchase of exclusive flagship store products.

**H5:** The perception of the flagship store's augmented brand display, via increased post-visit brand experience, increases sales of exclusive flagship store products rather than sales of the standard assortment that is also available elsewhere.

### **3.3 Method**

#### **3.3.1 Description of the Flagship Store**

A national brand of the cosmetics industry that sells its products primarily through retailer chains in the fast-moving consumer goods industry in Germany agreed to let us approach their flagship store visitors for the purpose of our study. The cosmetics national brand operates flagship stores in major German cities, generally located next to prestigious fashion, car, or furniture brands. The cosmetics brand is in the lower to medium price range.

The flagship store's brand display contains a video wall informing consumers about the quality and manufacturing process of the brand's products, the standard products that are available at retailers' shelves, as well as certain product lines that are available exclusively at flagship stores. In addition, beauticians acting as sales advisors and brand ambassadors are available to offer visitors recommendations, and consumers can personalize their packaging with pictures or slogans. The architectural and interior design is tailored to the brand, with the brand's colors and packaging shapes present throughout the flagship store.

#### **3.3.2 Data-Gathering Process and Sample Characteristics**

During a one-week period, 1,100 visitors to the flagship store were willing to participate in our study. To avoid picking up cultural influences as a moderator for the perception of the flagship store's augmented brand display (Diamond et al. 2009; McGrath, Sherry, and Diamond 2013), we only approached German consumers. Consumers were approached with questionnaires both before entering the flagship store and after leaving it. In the pre-visit questionnaire, we asked consumers about their pre-existing brand experience, their brand loyalty, and whether the flagship store visit was planned. Then in the post-visit questionnaire, we asked consumers to fill out items concerning their perception of the flagship store's augmented brand display, post-visit brand experience, and purchase of any products.

Interviewers looked at the items purchased to classify them as either standard assortment or exclusive flagship store products. A tracking number enabled us to match the respective answers from both time points.

Consumers who answered only one questionnaire, responded in obvious patterns, rushed through, or chose the “don’t know” option more than 10% of the time were removed from the study, leaving 416 valid responses in our sample. A detailed demographics characterization is provided in Table 8 below. After consulting the responsible brand manager, we determined that the characteristics fit the target group well. Furthermore, the majority of visitors is female and in the age range up to 45 years, well-educated, and generates income to spend on cosmetics. Without prejudice, these characteristics commonly apply well to consumers of cosmetic brands. Consequently, the sample is regarded as suitable for further analysis.

Demographic characteristics of the sample ( <i>N</i> = 416)	<i>n</i>	%	Demographic characteristics of the sample ( <i>N</i> = 416)	<i>n</i>	%
Sex:			Net income (in €):		
Female	326	78.4	< 1000	61	14.7
Male	90	21.6	1000–1999	89	21.4
Age range of participants:			2000–2999	58	13.9
< 25	113	27.2	3000–3999	45	10.8
25–35	90	21.6	4000 <	71	17.1
36–45	61	14.7	Not stated	92	22.1
46–55	76	18.3	Education:		
56–65	48	11.5	Secondary school	18	4.3
65 <	27	6.5	Junior high school	63	15.1
Not stated	1	0.2	High school	100	24.1
Intentionality of visit:			Apprenticeship	96	23.1
Unplanned	234	56.3	University	117	28.1
Planned	182	43.7	Not stated	22	5.3

Table 8: Demographics of the sample.

### 3.3.3 Measures

We used established scales and, if necessary, adapted item formulation to the research context of flagship stores. Brand experience is conceptualized as a second-order construct, reflecting

the sensual/affective, intellectual, and behavioral components of brand experience (Brakus, Schmitt, and Zarantonello 2009) that a flagship store visit should address. Participants were asked to answer the questions both before and after their visit in order to measure pre-existing and post-visit brand experience, respectively. Cronbach's alpha ranges from .74 to .94, indicating sufficient reliability of the items used.

Like brand experience, a flagship store's augmented brand display contains facets in accordance to our case example: assortment variety, store atmosphere, staff service quality, and product quality. For assortment variety (Cronbach's  $\alpha = .91$ ), we implemented the four-item scale by Kahn and Wansink (2004). We applied five items by Baker et al. (1994) to assess store atmosphere (Cronbach's  $\alpha = .93$ ), while staff service quality (Cronbach's  $\alpha = .96$ ) was measured with eight SERVQUAL items, as employed by Brady et al. (2005). For product quality (Cronbach's  $\alpha = .93$ ), we used five items from Sweeney and Soutar (2001). In particular, consumers are able to test products within the flagship store. Therefore, the items for product quality were chosen out of the consumer perceived value by Sweeney and Soutar (2001), due to the items' holistic product quality measurement (i.e., from packaging to smell and consistency).

Consumers' brand loyalty prior to entering the flagship store (Cronbach's  $\alpha = .89$ ) was assessed with three items taken from Yoo and Donthu (2001). We measured all constructs on seven-point Likert scales, ranging from 1 ("strongly disagree") to 7 ("strongly agree"). To reduce common method bias, we added a "don't know" option and randomized the item order (MacKenzie and Podsakoff 2012).

We measured planned visit by asking consumers whether the visit was planned (0 = not planned, 1 = planned). Standard assortment and exclusive flagship store product sales were dummy coded as well (0 = not purchased, 1 = purchased). We were not allowed to collect or use information about the amount of money spent or the specific products purchased.

### 3.3.4 Construct Validation

We validated our multi-item measures via confirmatory factor analysis (CFA). This analysis entailed specifying a model that included our measures of pre-existing brand experience, brand loyalty, the flagship store's augmented brand display, and post-visit brand experience while also factoring in the correlation with the dummy-coded item measures of planned visit, standard assortment product sales, and exclusive flagship store product sales. To account for autocorrelation of the pre-existing and post-visit brand experience constructs, we correlated the error terms of the respective items.

The CFA results indicate a satisfactory degree of fit ( $\chi^2 (986) = 1,832.85$ ;  $p < .01$ ; root mean square error of approximation = .04; standardized root mean square residual = .07; comparative fit index = .95; Iacobucci 2010). In addition, all items display strong loadings on their specified latent constructs (all .66 or greater). Composite reliabilities (all .88 or greater) and average variance extracted (ranging from .70 to .88) exceed suggested thresholds (Fornell and Larcker 1981). Fornell and Larcker's (1981) test of shared variance between pairs of latent constructs reveals that our measures display adequate discriminant validity. To assess the possibility of common method bias, we performed Harman's one-factor test. With 40.56% of the variance explained by a single factor, Harman's one-factor test is below the threshold of 50 % (Podsakoff et al. 2003), indicating that common method bias does not appear to be a problem. A detailed display of item loadings, reliability, convergent validity, and discriminant validity (see Table 9) as well as construct correlations (Table 10) can be found in Appendix A.

### 3.4 Results

We estimated our model parameters using regression(-based mediation) analysis (Aiken and West 1991; Hayes 2013). As advised by Bagozzi and Heatherton (1994), we calculated the means of our multi-item measures as well as the second-order constructs brand experience and flagship store's augmented brand display. The results of our regression analyses can be observed in Figure 4 below as well as in Tables 11 and 12 of Appendix B.

First, we regressed post-visit brand experience on augmented brand display while controlling for pre-existing brand experience. The results reveal that the flagship store's augmented brand display has a positive and significant effect on post-visit brand experience ( $b = .235$ ,  $p < .001$ ). The effect is significant despite the strong influence of pre-existing brand experience ( $b = .876$ ,  $p < .001$ ), thus supporting Hypothesis 1. When we do not control for the persisting effect of pre-existing brand experience, the effect of the flagship store's augmented brand display increases markedly to  $b = .773$  ( $p < .001$ ). This finding illustrates the extent to which previous research may have exaggerated the impact of flagship stores. The results indicate that a flagship store's augmented brand display affects post-visit brand experience, though not as notably as suggested by previous research (e.g., Dolbec and Chebat 2013; Nierobisch et al. 2017).

In Hypothesis 2 we argued that the flagship store's augmented brand display would mediate the updating of brand experience (i.e., the path from pre-existing brand experience to post-visit brand experience via the flagship store's augmented brand display). Using the PROCESS macro for SPSS (Hayes 2013), we observed a positive and significant indirect effect ( $b = .092$ , lower 95% confidence interval [CI] = .052, upper 95% CI = .139), thus supporting Hypothesis 2.

In Hypotheses 3 and 4, we further argued that the mediation is moderated by brand loyalty and the intentionality of the visit. Hypothesis 3 proposed that the influence of pre-existing

brand experience on the perception of the flagship store's augmented brand display is smaller among brand-loyal consumers, while Hypothesis 4 suggested that the indirect effect is stronger among consumers who planned the flagship store visit. Moderated mediation analysis (PROCESS Model 9) shows significant interactions between pre-existing brand experience and brand loyalty ( $b = -.051$ ,  $p = .008$ ) as well as the intentionality of the visit ( $b = .127$ ,  $p = .051$ ). In line with Hypothesis 3, the indirect effect of pre-existing brand experience on post-visit brand experience via the flagship store's augmented brand display is smaller among loyal consumers (one standard deviation above the mean;  $b = .024$ , lower 95% CI =  $-.004$ , upper 95% CI =  $.065$ ) than for less loyal consumers (one standard deviation below the mean;  $b = .059$ , lower 95% CI =  $.025$ , upper 95% CI =  $.111$ ). When the flagship store visit was planned, the indirect effect was observed to be larger ( $b = .071$ , lower 95% CI =  $.039$ , upper 95% CI =  $.111$ ) than when the visit was unplanned ( $b = .041$ , lower 95% CI =  $.015$ , upper 95% CI =  $.081$ ). For both moderators, the index of partial moderated mediation (Hayes 2015) was marginally significant (brand loyalty:  $b = -.012$ , lower 90% CI =  $-.026$ , upper 90% CI =  $-.001$ ; planned visit:  $b = .030$ , lower 90% CI =  $.003$ , upper 90% CI =  $.066$ ). This implies that the updating of brand experience was more substantial for loyal consumers and when the visit was unplanned, thus supporting Hypotheses 3 and 4.

Hypothesis 5 postulated that the perception of the flagship store's augmented brand display via post-visit brand experience fosters the sale of exclusive flagship store products rather than the sale of standard products (i.e., products of the brand that are available for sale elsewhere). Mediation analysis (PROCESS Model 4) resulted in an insignificant direct effect of the flagship store's augmented brand display on exclusive flagship store sales ( $b = .244$ ,  $p = .228$ ), while the indirect effect (i.e., the path from flagship store's augmented brand display to exclusive flagship store sales via post-visit brand experience) was observed to be significant and positive ( $b = .061$ , lower 95% CI =  $.011$ , upper 95% CI =  $.142$ ). Hence, post-visit brand

experience fully mediates the effect of the flagship store's augmented brand display on the sale of exclusive products. In contrast, the indirect effect on the sale of standard assortment products was non-significant ( $b = .015$ , lower 95% CI =  $-.025$ , upper 95% CI =  $.066$ ), thus supporting Hypothesis 5.

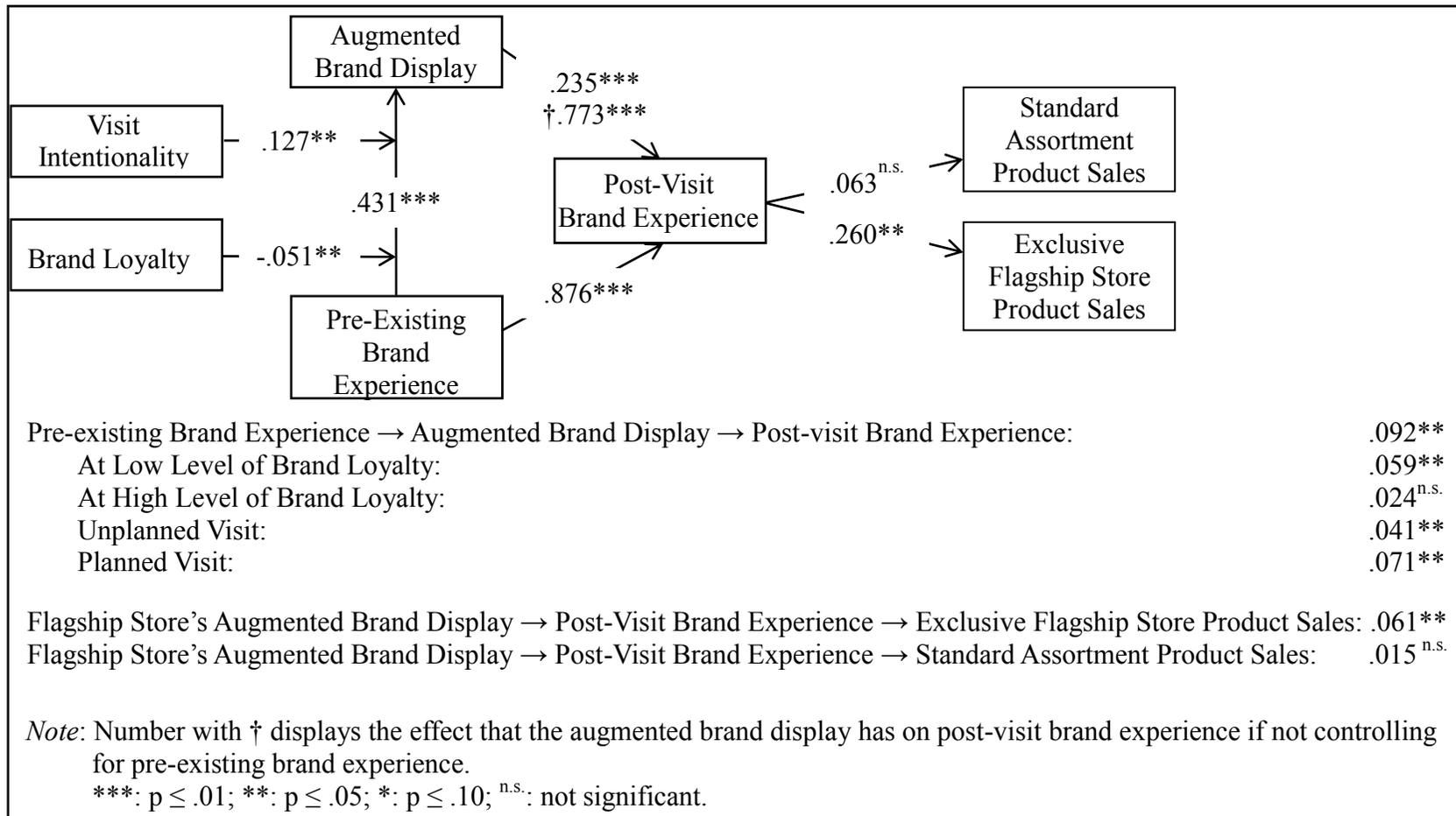


Figure 4: Results.

### 3.5 Discussion

There is an emerging literature that acknowledges the role of flagship stores in brand and marketing communication (e.g., Borghini et al. 2009; Dolbec and Chebat 2013; Kozinets et al. 2002). However, we still have limited knowledge about a flagship store's potential to update consumer-perceived brand experience and generate sales. The results of this study indicate that a flagship store's augmented brand display has an influence on post-visit brand experience that persists after controlling for pre-existing brand experience (H1). This finding supports the generally held assumption that flagship stores are effective means of brand communication (Borghini et al. 2009; Hollenbeck, Peters, and Zinkhan 2008; Kozinets et al. 2002). At the same time, the results of this study suggest that the incremental effect of the flagship store's augmented brand display is smaller than previously assumed (Dolbec and Chebat 2013; Nierobisch et al. 2017). Instead, post-visit brand experience has a significant overlap with the pre-existing brand experience that consumers hold when entering the flagship store (van Doorn et al. 2010; Verhoef et al. 2009). Without accounting for the influence of pre-existing brand experience, the effect of experiential stores on brand experience will be overemphasized. This matter demonstrates the postulated importance of integrating consumers' past experiences with the brand into operating flagship stores for marketing communication and retailing (Diamond et al. 2009; McGrath, Sherry, and Diamond 2013). Overall, the findings suggest that flagship stores can help to update brand experience perceptions but will not fundamentally change them.

The results were able to find support for our hypotheses that the flagship store's augmented brand display mediates the updating of brand experience (H2) and that this effect is boosted by high brand loyalty (H3) and attenuated when the flagship store visit is planned (H4). Although literature on brand experience and experiential stores has primarily framed brand loyalty and behavioral intentions as outcomes of store visits (e.g., Dolbec and Chebat 2013;

Klein et al. 2016; Kumar and Kim 2014; Nierobisch et al. 2017), the present findings indicate that devoted brand loyalty and behavioral intentions also have a conditional influence on how a flagship store's augmented brand display is perceived by consumers. The decreased effect of pre-existing brand experience on loyal consumers' perception of the augmented brand display suggests that they are more open to what is displayed in the store. These results are in line with research maintaining that loyal and attached consumers are more likely to update their brand knowledge at each brand touch point (Campbell and Keller 2003; Fedorikhin, Park, and Thomson 2008).

A similar rationale applies to unplanned flagship store visits: In such cases, consumers are less likely to form expectations of what might be displayed inside the store. It can be assumed that some element of surprise helps spontaneous visitors to experience the flagship store more openly. This argument is backed by current postulations in experience research proposing that consumers who plan on engaging with a brand use past experiences for forming perceptions and expectations of the new brand encounter to a greater degree than those who do not (Lemon and Verhoef 2016).

Lastly, the present results add to the strategic and economic understanding of flagship stores for brands that largely distribute through retailers or other third-party distributors. The results state support for the idea that post-visit brand experience mediates the perception of the flagship store's augmented brand display on the sale of exclusive flagship store products instead of promoting the sale of standard products that are available at retailers or other third-party distribution partners. By fostering exclusive product sales that are complementary in nature rather than substitutes of the standard assortment offered at retailers, brands can limit the threat of losing shelf space or even becoming delisted. Thus, a brand that operates flagship stores is unlikely to cannibalize external sales. At the same time, the direct sale of products not available outside the flagship store can still partially cover its operating costs. This finding

highlights the conceptual understanding of flagship stores as drivers of brand experience and antecedents to improved consumer-brand identification, better brand perceptions, or increased future loyalty (Dolbec and Chebat 2013; Kozinets et al. 2002; Nierobisch et al. 2017; Srivastava and Kaul 2016).

### **3.6 Concluding Contribution and Future Directions**

#### **3.6.1 Theoretical Implications**

The present study contributes to the existing branding and retailing literature in four distinct ways. First, our results provide evidence that flagship stores do enable brand experience creation, but that the influence is smaller than suggested by previous research. Second, we empirically confirmed the proposition that brand experience creation depends on pre-existing brand experience (e.g., Brakus, Schmitt, and Zarantonello 2009; Lemon and Verhoef 2016). Third, we shed light on the process that links pre-existing and post-visit brand experience with a flagship store's augmented brand display while also identifying brand loyalty and intentionality of the store visit as moderators of the mechanism. Whereas increasing brand loyalty decreases the impact that pre-existing brand experience has on perceiving a flagship store's augmented brand display, the effect increases if consumers planned the visit. Our fourth contribution is demonstrating some economic benefits of flagship store operation. This study provides evidence that brand experience not only stimulates future brand loyalty (e.g., Brakus, Schmitt, and Zarantonello 2009; Srivastava and Kaul 2016) but also contributes to sales of exclusive flagship store products. Our findings emphasize flagship stores as complementary communication and distribution channels rather than substitutes for or threats to traditional brand outlets, retailers, or other third-party distributors. This research thus contributes to the understanding of not only the strategic function of flagship stores but also

how a brand can justify the operation of flagship stores to possibly threatened distribution partners.

### **3.6.2 Managerial Implications**

When planning a flagship store, managers face the task of designing the augmented brand display. Debates often take place between the marketing and sales departments about how much actual selling should take place inside the flagship store. Viewing our results in such a light, we can consider a flagship store as an entertaining communication tool that fosters brand experience creation, which then translates into sales of exclusive flagship store products. This implies that managers should design an assortment that particularly applies to flagship stores and differs from what the brand sells elsewhere.

To effectively execute the flagship store's augmented brand display, brand managers should have knowledge of or anticipate consumers' pre-existing brand experience. This pre-existing brand experience influences a less loyal consumer's perception of the augmented brand display to a greater extent than a loyal consumer's perception. Hence, if the brand wants to reinforce known brand experience, it should aim to attract less loyal consumers to the flagship store. In contrast, if the brand wants to alter or enable new brand experience, managers should try to attract particularly loyal consumers, as they are more open to experiencing the brand in a new way.

In addition, brand managers must consider that the effect of pre-existing brand experience depends on the intentionality of a consumer's visit. If brand managers want to build upon pre-existing brand experience, they are advised to advertise the flagship store. Consumers who plan the flagship store visit are less open to perceiving the augmented brand display than visitors who enter the flagship store spontaneously. On the other hand, if brand managers prefer to reduce the effect of pre-existing brand experience on perception of the flagship

store's augmented brand display, advertising the flagship store should be avoided. Moreover, the greater openness of consumers spontaneously visiting the stores further justifies the placement of a brand's flagship store in central, metropolitan locations, where consumers are more likely to enter the store on an impulse.

### **3.6.3 Limitations and Future Research Directions**

This study examined a volume cosmetics national brand of fast-moving consumer goods. Although cosmetics lie on the greater involvement end in the volume fast-moving consumer goods setting, purchasing a facial cream for a few dollars is different from buying haute couture fashion or a sports car for several thousand dollars (Kujala and Johnson 1993). For improved generalizability, we encourage research to test our model in different industries.

The present quantitative study applies a more dynamic model to researching the effectiveness of flagship stores. However, there might be further moderators and mediators that could be implemented to help in understanding the cause-effect relationships inside flagship stores.

Lastly, we aggregated the displayed brand meaning to the flagship store's augmented brand display construct because the layout and design of the focal flagship store did not allow to assess the components individually. However, future research could test the effects of individual augmented brand display components on creating brand experience in experiential stores (Lemon and Verhoef 2016; Prahalad and Ramaswamy 2004).

### 3.7 References Paper 2

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### 3.8 Appendix A Paper 2

Construct/Indicator	Standardized Factor Loading	Composite Reliability	Average Variance Extracted	Cronbach's Alpha
<b>Brand Loyalty</b>		<b>.88</b>	<b>.70</b>	<b>.89</b>
• I consider myself to be loyal to BRAND.	.88			
• BRAND would be my first choice.	.84			
• I would not buy other brands if BRAND were available at a store.	.80			
<b>Pre-Existing Brand Experience</b>		<b>.94</b>	<b>.83</b>	<b>.90</b>
<b>Sensual/Affective</b>	<b>.80</b>	<b>.81</b>	<b>.53</b>	<b>.84</b>
• BRAND makes a strong impression on my visual sense or other senses.	.66			
• I find BRAND interesting in a sensory way.	.70			
• BRAND induces feelings and sentiments.	.82			
• BRAND is an emotional brand.	.71			
<b>Behavioral</b>	<b>.95</b>	<b>.89</b>	<b>.73</b>	<b>.89</b>
• I engage in physical actions and behaviors when I use BRAND.	.87			
• BRAND results in bodily experiences.	.83			
• BRAND is action oriented.	.87			
<b>Intellectual</b>	<b>.97</b>	<b>.71</b>	<b>.56</b>	<b>.73</b>
• I engage in a lot of thinking when I encounter BRAND.	.76			
• BRAND stimulates my curiosity and problem solving.	.73			
<b>Augmented Brand Display</b>		<b>.91</b>	<b>.71</b>	<b>.96</b>
<b>Quality</b>	<b>.89</b>	<b>.93</b>	<b>.68</b>	<b>.93</b>
• BRAND has a consistent quality.	.82			
• BRAND has good ingredients.	.80			
• BRAND has well-made packaging.	.78			
• BRAND is efficient in use.	.85			
• BRAND smells good.	.81			
• BRAND performs consistently.	.89			
<b>Store Atmosphere</b>	<b>.82</b>	<b>.92</b>	<b>.70</b>	<b>.93</b>
• The store is a pleasant place to shop.	.88			
• The store has a pleasant atmosphere.	.90			
• The store is clean inside.	.75			
• The store is attractive from the inside.	.74			
• The store is attractive from the outside.	.89			

Table 9: Standardized factor loading, composite reliability, average variance extracted, and Cronbach's alpha.

<b>Construct/Indicator</b>	<b>Standardized Factor Loading</b>	<b>Composite Reliability</b>	<b>Average Variance Extracted</b>	<b>Cronbach's Alpha</b>
<b><i>Service Quality</i></b>	<b>.75</b>	<b>.94</b>	<b>.72</b>	<b>.96</b>
• The staff is trustworthy.	.84			
• The staff is able to answer my questions.	.89			
• The staff is never too busy to respond to my requests.	.81			
• The staff has my best interests at heart.	.79			
• The staff understands my specific needs and tries to satisfy these very well.	.84			
• I receive enough personal attention from the staff.	.87			
• The behavior of the staff instills confidence in me.	.86			
• The staff is competent.	.87			
<b><i>Assortment Variety</i></b>	<b>.88</b>	<b>.91</b>	<b>.72</b>	<b>.91</b>
• This assortment of the BRAND offers a lot of variety for me to enjoy.	.91			
• This assortment of the BRAND gives me at least one product I like.	.84			
• This assortment of the BRAND offers more ways to enjoy it.	.77			
• The BRAND's assortment offers a large variety.	.86			
<b><i>Post-Visit Brand Experience</i></b>		<b>.96</b>	<b>.88</b>	<b>.94</b>
<b><i>Sensual/Affective</i></b>	<b>.88</b>	<b>.87</b>	<b>.63</b>	<b>.83</b>
• BRAND makes a strong impression on my visual sense or other senses.	.74			
• I find BRAND interesting in a sensory way.	.74			
• BRAND induces feelings and sentiments.	.86			
• BRAND is an emotional brand.	.83			
<b><i>Behavioral</i></b>	<b>.96</b>	<b>.94</b>	<b>.84</b>	<b>.94</b>
• I engage in physical actions and behaviors when I use BRAND.	.88			
• BRAND results in bodily experiences.	.84			
• BRAND is action oriented.	.87			
<b><i>Intellectual</i></b>	<b>.97</b>	<b>.82</b>	<b>.70</b>	<b>.83</b>
• I engage in a lot of thinking when I encounter BRAND.	.88			
• BRAND stimulates my curiosity and problem solving.	.79			
<i>Note: "BRAND" is a place marker</i>				

Table 9 (continued): Standardized factor loading, composite reliability, average variance extracted, and Cronbach's alpha.

	Pre-Existing Brand Experience	Augmented Brand Display	Post-Visit Brand Experience	Brand Loyalty	Planned Visit	Standard Assortment Product Sales	Exclusive Flagship Store Product Sales
Pre-Existing Brand Experience	1.00						
Augmented Brand Display	.48***	1.00					
Post-Visit Brand Experience	.81***	.52***	1.00				
Brand Loyalty	.49**	.56***	.47***	1.00			
Planned Visit	.13***	.11**	.12**	.14***	1.00		
Standard Assortment Product Sales	.10**	.21***	.14***	.16**	.12**	1.00	
Exclusive Flagship Store Product Sales	.14**	.14***	.17***	.07 <sup>n.s.</sup>	.15***	.37***	1.00

Note: \*\*\*:  $p < .01$ ; \*\*:  $p < .05$ ; \*:  $p < .10$ ; <sup>n.s.</sup>: not significant

Table 10: Construct correlations.

### **3.9 Appendix B Paper 2**

[Tables and figures are on the next page.]

Hypotheses	Model: $R^2 = .68; p < .001$			<i>b</i>	<i>p</i>		
	Constant			-.913	.001		
H1:	Augmented Brand Display	→	Post-Visit Brand Experience	.235	.001		
	Pre-Existing Brand Experience	→	Post-Visit Brand Experience	.876	.001		
	Model $R^2 = .27; p < .001$			<i>b</i>	<i>p</i>		
	Constant			-.052	.888		
H1 <sub>control</sub> :	Augmented Brand Display	→	Post-Visit Brand Experience	.773	.001		
	Model: $R^2 = .38; p < .001$			<i>b</i>	<i>p</i>		
	Constant			2.560	.001		
	Pre-Existing Brand Experience (PBEX)	→	Augmented Brand Display	.431	.001		
	Brand Loyalty (BL)	→	Augmented Brand Display	.481	.001		
	PBEX x BL	→	Augmented Brand Display	-.051	.008		
	Planned Visit (PV)	→	Augmented Brand Display	-.556	.070		
	PBEX x PV	→	Augmented Brand Display	.127	.051		
	<i>Indirect and Conditional Indirect Effect:</i>			<i>b</i>	<i>LL 95% CI</i>	<i>UL 95% CI</i>	
H2:	Pre-Existing Brand Experience	→	Augmented Brand Display → Post-Visit Brand Experience <sup>a</sup>	.092	.052	.139	
H3:	At Low Level of Brand Loyalty <sup>a</sup>			.059	.025	.111	
	At High Level of Brand Loyalty <sup>a</sup>			.024	-.004	.065	
H4:	At Unplanned Visit			.041	.015	.081	
	At Planned Visit			.071	.039	.011	
	<i>Index of Partial Moderated Mediation:</i>			<i>b</i>	<i>LL 90% CI</i>	<i>UL 90% CI</i>	
	Pre-Existing Brand Experience	→	Augmented Brand Display → Post-Visit Brand Experience				
	Brand Loyalty			-.012	-.026	-.001	
	Planned Visit			.030	.003	.066	

Note: All parameter estimates are based on PROCESS Model 9 (Hayes 2013), except when noted. <sup>a</sup>: To ease the presentation, parameter estimates are based on PROCESS Model 4 (indirect effect) and PROCESS Model 7 (conditional indirect effects).

Table 11: Linear regression analyses.

Hypothesis	Model: -2LL = 366.107; Model LL = 14.077; Nagelkerke $R^2$ = .06; Cox & Snell $R^2$ = .03; $p < .001$			<i>b</i>	<i>p</i>		
	Constant			-4.095	.001		
	Post-Visit Brand Experience	→	Exclusive Flagship Store Product Sales	.260	.022		
	Augmented Brand Display	→	Exclusive Flagship Store Product Sales	.224	.228		
	<i>Indirect Effect:</i>			<i>b</i>	<i>LL 95% CI</i>	<i>UL 95% CI</i>	
H5:	Augmented Brand Display	→	Post-Visit Brand Experience → Exclusive Flagship Store Product Sales	.061	.011	.142	
	Model: -2LL = 494.479; Model LL = 20.676; Nagelkerke $R^2$ = .07; Cox & Snell $R^2$ = .05; $p < .001$			<i>b</i>	<i>p</i>		
	Constant			-4.040	.001		
	Post-Visit Brand Experience	→	Standard Assortment Product Sales	.063	.475		
	Augmented Brand Display	→	Standard Assortment Product Sales	.506	.001		
	<i>Indirect Effect:</i>			<i>b</i>	<i>LL 95% CI</i>	<i>UL 95% CI</i>	
H5:	Augmented Brand Display	→	Post-Visit Brand Experience → Standard Assortment Product Sales	.015	-.025	.066	

Note: All parameter estimates are based on PROCESS Model 4 (indirect effects; Hayes 2013).

Table 12: Logistic regression analyses.

## **4. WHEN FLAGSHIP STORES BACKFIRE – IDENTIFYING BRAND EXPERIENCE DILUTING AND CREATING IN-STORE ATTRACTIONS (Paper 3)**

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[with Dr. Steffen Jahn; Prof. Dr. Waldemar Toporowski; Prof. Dr. Till Dannewald.]

### **4.1 Introduction**

In response to increasingly intense competition, more brands have begun to create direct consumer touch points, such as flagship stores. Often located in exclusive metropolitan locations for representation purposes, flagship stores are owned and operated by the manufacturer brand. They are meant to deliver new brand experiences through the display and offering of the whole product portfolio, brand history, manufacturing processes, or brand-related services (e.g., Arrigo 2015; Borghini et al. 2009; Kozinets et al. 2002). Thus, a flagship store is not a traditional distribution channel, but rather a communication tool in which the sale of goods plays a secondary role and emphasis is placed on creating an experiential marketing customer journey that meets the requirements of an intensively experience-based brand consumption (Lemon and Verhoef 2016; Schmitt 1999). Existing research has developed typologies of flagship store concepts and provided a description of experiential consumption in these stores (e.g., Borghini et al. 2009; Kozinets et al. 2002; Manlow and Nobbs 2013). In addition, studies have examined the purpose of flagship stores from a management perspective (e.g., Doyle et al. 2008; Hollenbeck et al. 2008; Plazibat and Brajevic 2011). Moving beyond descriptive aspects, Dolbec and Chebat (2013) were the first to develop and quantitatively test a model comparing the greater flagship store brand experience to that of traditional stores. Later, Nierobisch, Toporowski, Dannewald, and Jahn

(2017) provided quantitative evidence that the actual flagship store visit accelerates the influence of brand experience on brand perception, consumer-brand relationships, and future brand loyalty.

Taking this prior research all together, one easily gets the impression that flagship stores create exceptional experiences for consumers, leading to long-lasting, loyal, and intense brand-consumer relationships that deliver competitive advantage to the brand. However, examples of failed flagship stores do exist (BBC NEWS 2016; McGrath, Sherry, and Diamond 2013; Ryan 2016). Despite this detail, the delivery of brand experience remains unquestioned. What remains to be quantitatively captured, however, is the degree of change in brand experience from a flagship store visit. Therefore, we conducted a pilot study to identify the degree to which a flagship store visit increases perceived brand experience. We asked 129 consumers to rate their brand experiences before and after their flagship store visit. The flagship stores were operated and owned by a national chocolate brand manufacturer and by a national cosmetics brand manufacturer. Both brands are well-known in Germany and internationally. Both brands were suitable for a study, as fast-moving consumer goods contain strong brands but also are of lower involvement than in comparison to durable and luxury goods, such as fashion, cars, or information technology. Thus, the flagship store visit should have a sustainable impact on visitors' brand experience from everyday consumption.

Surprisingly, the results of the pilot study show a significant decrease in brand experience [ $\beta = -.269$ ;  $p = .016$ ] with a nonsignificant covariate of brand, indicating that the results apply for the flagship stores of both brands. In light of the aforementioned studies that praise the brand experience creation process in flagship stores (e.g., Borghini et al. 2009; Dolbec and Chebat 2013; Hollenbeck et al. 2008), the results of the pilot study raise the following question:

*What drives or even dilutes brand experience creation within flagship stores?*

A decline in brand experience could imply that the consumer did not engage with the in-store attractions of a flagship store deeply enough to receive a benefit that would be added to the existing brand experience base and brand picture in his or her mind. A high degree of engagement with the staged brand meaning is essential for effectively creating brand experiences at consumer touch points (Kozinets et al. 2002; Lemon and Verhoef 2016; Schmitt 1999). Therefore, in this research the effect of in-store attractions within flagship stores that together constitute an augmented brand display for enriching brand experience (Nierobisch et al. 2017) is analyzed.

To identify drivers and reducers of brand experience in flagship stores, the current literature concerning flagship stores and in-store attractions is examined. This information is then used to categorize possible drivers or reducers of flagship store-fueled brand experience. In a next step, a theory-driven classification of the in-store attractions from the portrayed flagship store case examples was tested on a sample of 49 consumers. Finally, the resulting categorization of these in-store attractions to identify the effects on brand experience creation or dilution is applied on a sample of 565 visitors to the portrayed flagship store case examples. A generalized linear model (SPSS GENLIN) is used to compare average brand experience before and after the flagship store visit, according to the in-store attractions with which consumers had engaged.

This study thus contributes to a better understanding of the in-store attractions that make a flagship store a special brand touch point for experiential marketing in customer journeys (Borghini et al. 2009; Lemon and Verhoef 2016). Furthermore, it helps to assess the costly staged brand gestalt within flagship stores, allowing managers to determine the optimal allocation of resources in operating such experiential stores. Lastly, this study also enables the formation of pathways that visitors should take in order to maximize the experience benefit from visiting a brand's flagship store.

The remainder of this article begins with the development of the theoretical and conceptual framework, including the development of hypotheses. The article goes on to describe the research design, including the operationalization of constructs, data-gathering procedure, and descriptive sample characteristics. Then, the results are presented and the findings are discussed in contrast to the relevant literature before drawing concluding implications for research and management as well as proposing future research directions.

## **4.2 Theoretical Framework**

### **4.2.1 Brand Experience and Flagship Stores**

In today's branding landscape, competition among price, quality, advertising, and services as parameters of a brand's marketing mix is omnipresent. This matter makes it harder to differentiate a brand from its competitors, based solely on these parameters (Ailawadi et al. 2009; Srinivasan and Srivastava 2010). Today, consumers evaluate brands based on factors aside from quality and price – predominately by the delivery of experiences through brands that are bound to their lives (Hudders, Pandelaere, and Vyncke 2013; Lanier and Rader 2015). Brand experience is conceptualized as the subjective, internal consumer responses (sensations, feelings, and cognitions) and behavioral responses evoked by brand-related stimuli (Brakus, Schmitt, and Zarantonello 2009). In its conceptualization, brand experience seems to have an overlap with the consumer's brand attitude, which also consists of emotional/affective, cognitive, and behavioral components (Breckler 1984; Ostrom 1969). Nonetheless, brand experience already begins to evolve from a single brand encounter (Schmitt 2010; Verhoef et al. 2009), while attitude formation requires long-lasting and repetitive encounters with a brand and is therefore more stable over time (Kotler and Keller 2012). Hence, brand experience from brand touch points or communication activities can be

regarded as an antecedent of brand attitude formation (Borghini et al. 2009; Dolbec and Chebat 2013).

Brand-related stimuli that evoke brand experience can be brand touch points – such as retailers, brand-owned stores, or any marketing communication activities during the customer journey – or a brand’s products, through functionality and enjoyment, e.g., packaging, taste, design, sound, or even smell (Brakus, Schmitt, and Zarantonello 2009; Lemon and Verhoef 2016). Flagship stores are a brand’s best and most representative brand touch point to consumers (Doyle et al. 2008). As they unite brand-related stimuli in a physical brand touch point, flagship stores offer consumers an all-encompassing environment that enables them to experience the brand more thoroughly via an augmented brand display. The augmented brand display delivers product information, consumer-brand stories, brand history, or customized and intensive services, as well as exclusive products (Borghini et al. 2009; Kozinets et al. 2002; Manlow and Nobbs 2013; McGrath, Sherry, and Diamond 2013). While an augmented brand display can reinforce or even increase brand experience (Nierobisch et al. 2017), it remains unknown which particular in-store attractions that address components of an augmented brand display drive or dilute brand experience.

#### **4.2.2 Categorization Approaches of Experiential In-Store Attractions**

Kozinets et al. (2002) deliver a typology of flagship stores according to the thematic impression of visitors and intended brand meaning display. From their four store types, one could evolve a thematic categorization of in-store attractions that relates to the topic of the overall brand message: Landscape-themed in-store attractions would relate to the brand’s natural environment, while those with a marketscape theme would concern the inclusion of sociocultural values. Likewise, cyberscape-themed in-store attractions would have to do with the intermixture of e-commerce and brick-and-mortar retailing, whereas in-store attractions

with a mindscape theme would relate to connecting (virtual) reality with how brand fans mentally conceive the brand. This possible in-store classification scheme would help to determine the thematic direction in which the brand experience is shifted.

In their qualitative study of Louis Vuitton flagship stores, Manlow and Nobbs (2013) name two store components that form brand experiences, namely functional symbolic drivers (e.g., the utility of products) and experiential symbolic drivers (e.g., the brand culture and brand image). This categorization addresses how in-store attractions form a brand picture and product consumption benefits (Delgado-Ballester and Fernandez Sabiote 2015). However, it does not divulge the unique contribution of brand experience dilution or creation. Furthermore, while experiential symbolic and functional symbolic drivers are perfectly relevant for luxury brands, mundane brands may lack experiential symbolic drivers, as they generally serve utility deficits.

Hollenbeck, Peters, and Zinkhan (2008) argue that brand experience in experiential stores is enabled by informing consumers about the brand and evoking positive emotions through the display of informative sceneries, such as the focal brand's history, strategic vision, or evolution of its products. Citing the case of American Girl Place, Borghini et al. (2009) add that staging the brand in differently formed sceneries, often enabling the consumer to interact with the scene and brand, facilitates the formation of brand experience through co-creation, as one's emotions, imagination, and creativity are stimulated around the brand's products, its core values, and brand development over time.

Brands that operate flagship stores alongside primary distribution through retailers and third parties should use their flagship stores to present the brand to consumers rather than to substitute sales, which could harm relationships with primary distribution partners (Doyle et al. 2008; Lemon and Verhoef 2016; Nierobisch et al. 2017). Therefore, the categorization of in-store attractions to inform consumers and foster emotions about the brand, thus stimulating

new brand experience, seems appropriate. In doing so, we differentiate in-store attractions in terms of the way that consumers are informed about the brand, i.e., the extent to which the information is self-acquired or simply displayed and the degree to which consumers are part of the information acquisition and creation process (Schmitt 1999). The latter is of particular interest: Co-creation stimulates brand experience dimensions (i.e., sensory, affective, intellectual, and behavioral; Brakus, Schmitt, and Zarantonello 2009) more profoundly, as consumers relate more to their individual, personal needs and are more engaged in the process of acquiring and comprehending information about the brand (Nysveen and Pedersen 2014).

#### **4.2.3 Effects of Experiential In-Store Attractions on Brand Experience**

*Informative attractions* are the sceneries inside flagship stores that tell stories with which consumers engage via visual recognition (e.g., Hollenbeck et al. 2008). Information is thus communicated unidirectionally from the brand to the customer. The acquisition of new brand information and emotions that are converted into brand experience depends on how the information is decoded and understood as well as on the degree to which the information is new to the consumer. In the chocolate brand's flagship store addressed here, the informative attraction is a chocolate trail, where consumers can observe the manufacturing process of chocolate bars from the cacao bean to the final product. The brand wants its customers to envision the brand's high-quality manufacturing and sourcing. The cosmetics brand's flagship store has a walk-in beach ball installed, where movies about cosmetic applications are shown. In addition, the brand offers a staircase informing about the brand's history and product development over the past decades.

Given that this information is not communicated elsewhere, we assume that engaging with informative attractions stimulates brand experience. For instance, engaging with a brand's history encourages the visitor to appreciate the brand's social power and meaning to

generations of consumers, fostering a greater familiarity with the brand (Chang and Tung 2015; Crosno, Freling, and Skinner 2009). Given that familiarity is a positive feeling towards a brand (Keller 1993), at least the affective component of brand experience should be stimulated (Schmitt 2010). In addition, displaying transparent manufacturing and sourcing processes conveys the quality and sustainability efforts of the brand, possibly stimulating the intellectual or even the behavioral dimension of brand experience dimension, as consumers might be inspired to rethink the importance of quality and sustainability and therefore act more responsibly in the future by consuming the focal brand (Liu et al. 2014; Marchand and Walker 2008).

As the aforementioned examples illustrate, interacting with informative attractions could stimulate brand experience dimensions.

*Interactive attractions* require the consumer to physically engage with them in order to acquire information about the brand and create new brand experience. The consumer-brand communication process is thus reciprocal. Reciprocal engagement enables the customer to co-create value that adds to his knowledge base not only via visual recognition but also through mental and physical activity (Prahalad and Ramaswamy 2004; Schmitt 1999). Thus, interactive attractions enable greater involvement with the brand and the information is better processed (Nysveen and Pedersen 2014). In addition, as brand information is virtually personalized through co-creation, consumers experience greater personal identification with it. Furthermore, as individual needs and interests can be considered in the information acquisition process (Brodie et al. 2011; Minkiewicz, Evans, and Bridson 2014), flagship store visitors are likely to have a brand experience that is more individualized and tailored to their needs. The two flagship stores addressed in this research implement various interactive, co-creation attractions. The chocolate brand has a chocolate personalization bar, where the consumer can create his or her own product from various ingredients, and an in-store café that

delivers a product enjoyment and composition that goes beyond the traditional consumption (Borghini et al. 2009). At the cosmetics brand's flagship store, customers are offered personalized packaging for a facial cream and professionally conducted massages with the brand's products. Both flagship stores allow customers to co-create a customized product or service via interactive attractions (Schmitt 1999). Designing a product or being part of a service enables consumers to connect information learned about the brand with existing knowledge and store it even more profoundly, linking it to memories of consumption or life (Wind and Rangaswamy 2001). It is therefore likely that such co-creation triggers the affective, intellectual, and behavioral components of brand experience in particular (Brakus, Schmitt, and Zarantonello 2009).

A third attraction of flagship stores concerns *special product lines* of the brand. Flagship stores enable the brand to show, test, and demonstrate special products (i.e., exclusive and limited products) to consumers without risking wasting the marketing budget on media or traditional distribution channels (Doyle et al. 2008). Special products enable consumers to realize the capabilities of the brand in terms of quality and future directions for product development (Gofman et al. 2010; Quelch 1987) and can also satisfy the consumer's desire to elicit envy in others, as the product remains exclusive to a certain circle (i.e., the visitors of the flagship store). Furthermore, special products could improve brand perception, as scarcity signals an upmarket image (Brown 2001; Wu and Lee 2016). It then follows that special products in flagship stores could increase the consumer's brand experience, as the demonstration of capable product quality, future products, or induced scarcity stimulates the consumer to think (e.g., about how well the brand could satisfy needs; intellectual dimension of brand experience), feel (e.g., that the brand suits status satisfaction; affective/emotional dimension of brand experience), or act (e.g., to try or talk about exclusive and limited products; behavioral dimension of brand experience). Both brands addressed here offer three

types of special products in their flagship stores: The cosmetics brand offers a product line with special ingredients, a product line for infants, and fan merchandise (e.g., towels, fashion items, and bathing accessories). The chocolate brand offers a lactose-free product line, an organic product line, and fan merchandise (e.g., fashion items, bags, and pottery).

Given the aforementioned capability of *informative in-store attractions*, *interactive in-store attractions*, and *special products* in flagship stores to stimulate brand experience, we hypothesize the following:

**H1:** Engaging with informative in-store attractions increases the brand experience of flagship store visitors.

**H2:** Engaging with interactive in-store attractions increases the brand experience of flagship store visitors.

**H3:** Engaging with special products increases the brand experience of flagship store visitors.

Furthermore, we argue that the interplay of in-store attractions in flagship stores increases brand experience creation even further, as consumers are then faced with more stimuli of brand experience (Brakus, Schmitt, and Zarantonello 2009). Hence, we add the following hypothesis:

**H4:** Engaging jointly with in-store attractions increases the brand experience of flagship store visitors even more.

Table 13 below summarizes the aggregated in-store attractions of the flagship stores discussed here:

Attraction Type	Chocolate Brand	Cosmetics Brand
Informative In-Store Attractions	<ul style="list-style-type: none"> <li>● Chocolate path that educates visitors about manufacturing and sourcing of chocolate.</li> </ul>	<ul style="list-style-type: none"> <li>● Display about the brand's history.</li> <li>● Advice about skin-type application techniques.</li> </ul>
Interactive In-Store Attractions	<ul style="list-style-type: none"> <li>● Customization bar for creating own chocolate.</li> <li>● Café for enjoying chocolate and dishes made with chocolate.</li> </ul>	<ul style="list-style-type: none"> <li>● Customization of brand's packaging with own pictures and slogans.</li> <li>● Massages with the brand's products.</li> </ul>
Special Products	<ul style="list-style-type: none"> <li>● Organic chocolate.</li> <li>● Lactose-free chocolate.</li> <li>● Merchandise (fashion and pottery).</li> </ul>	<ul style="list-style-type: none"> <li>● Special ingredients product line.</li> <li>● Infant product line.</li> <li>● Merchandise (fashion and bathing accessories).</li> </ul>

Table 13: Aggregated in-store attractions of flagship stores studied.

### 4.3 Method

To validate the hypothesized contribution of in-store attractions in flagship stores, we gathered two additional samples to our pilot study, mentioned in the introduction. Study 1 focuses on validating our categorization of in-store attractions, while Study 2 concerns our hypotheses.

#### 4.3.1 Validating the Chosen In-Store Attraction Categorization Approach

To validate our theory-driven categorization approach of informative and interactive in-store attractions in flagship stores and to compare the flagship stores of two brands from different fast-moving consumer goods categories (i.e., chocolate and cosmetics), we conducted a short online questionnaire. Participants were asked to rate the in-store attractions identified according to their informative and interactive appeal. Based on pictures of the attractions, the consumers rated them on two single items: “The in-store attraction is informative, e.g., gives me information about the brand” and “The attraction is interactive, e.g., enables me to interact

with the brand.” The participants were given response options on a seven-point Likert scale, ranging from “1 = strongly disagree” to “7 = strongly agree.” We grouped the in-store attractions according to the categorization theme determined and conducted a mean comparison. Within a day, we ended up with 49 respondents. The results reveal that the respondents perceived informative in-store attractions as more informative and interactive in-store attractions as more interactive than the other in-store attractions. With a significant mean difference of 1.14 ( $p = .001$ ), informative in-store attractions were perceived to be more informative than the remaining ones. Similarly, with a significant mean difference of .56 ( $p = .009$ ), interactive in-store attractions were perceived to be more interactive than the remaining ones. Therefore, the theory-based approach for categorizing the in-store attractions, in order to make the two brands’ flagship stores comparable, functions well. Table 15 in Appendix A presents these results.

#### **4.3.2 Research Design for Hypothesis Testing and Operationalization of Constructs**

Like in our pilot study in the introduction, flagship store visitors were approached before and after the flagship store visit with a questionnaire. A tracking number enabled us to match the respective answers. While the first questionnaire focused on the consumer’s pre-existing brand experience, the second questionnaire asked about consumers’ post-visit brand experience, the perceived service quality, and the in-store attractions with which the consumers engaged. Participation in the questionnaire was voluntary, resulting in a total of 565 valid responses (320 for the cosmetics brand and 245 for the chocolate brand). Table 14 below presents the demographic characterization of the sample. The majority of the participants was female, below 46 years of age, well-educated, and generates income to conduct shopping trips and to consume chocolate or cosmetics goods regularly. After

consulting with each brand's brand manager, it was further determined that these sample characteristics fit the brands' target group well. We therefore regard the sample as suitable for the ongoing analyses.

Demographic Characteristics of the Sample	Cosmetics Brand		Chocolate Brand		Total Sample	
	<i>n</i>	%	<i>n</i>	%	<i>N</i>	%
<b>Sex:</b>						
Female	238	74.38	162	66.12	400	70.80
Male	82	25.63	83	33.88	165	29.20
<b>Age range of participants:</b>						
< 25	87	27.19	73	29.80	160	28.32
25–35	85	26.56	82	33.47	167	29.56
36–45	40	12.50	31	12.65	71	12.57
46–55	60	18.75	34	13.88	94	16.64
56–65	28	8.75	15	6.12	43	7.61
65 <	19	5.94	9	3.67	28	4.96
Not stated	1	0.31	1	0.41	2	0.35
<b>Net income (in €):</b>						
< 1000	49	15.31	32	13.06	81	14.34
1000–1999	64	20.00	48	19.59	112	19.82
2000–2999	54	16.88	39	15.92	93	16.46
3000–3999	40	12.50	31	12.65	71	12.57
4000 <	48	15.00	47	19.18	95	16.81
Not stated	65	20.31	48	19.59	113	20.00
<b>Education:</b>						
Secondary school	6	1.88	5	2.04	11	1.95
Junior high school	48	15.00	30	12.24	78	13.81
High school	76	23.75	53	21.63	129	22.83
Apprenticeship	73	22.81	50	20.41	123	21.77
University	102	31.88	96	39.18	198	35.04
Not stated	15	4.69	11	4.49	26	4.60

Table 14: Demographics of the sample.

To measure pre-existing brand experience and post-visit brand experience, we used the well-established, four-dimensional brand experience scale by Brakus et al. (2009). The service quality of the staff at the flagship stores was measured with eight items from the SERVQUAL scale by Brady, Knight, Cronin, Hult, and Keillor (2005). All constructs were measured on a seven-point Likert scale.

To calculate scores for engagement with interactive in-store attractions, informative in-store attractions, and special products, respondents were asked to indicate the individual attractions with which they engaged. We calculated scores by adding up the indications per respondent in each in-store attraction's category. Afterwards, we transformed the scores into binary variables by applying a median split (0 = no engagement and 1 = high engagement). The median split was performed to equalize the differing number of in-store attractions that fall in the aforementioned categories (see Table 13 for details), thereby avoiding differently scaled scores. According to Iacobucci, Posavac, Kardes, Schneider, and Popovich (2015), the median split can be used for simplicity in interpreting results and effects as long as the variables remain not strongly correlated, although power for the analysis is reduced. Therefore, we performed a confirmatory factor analysis to validate the latent constructs and identify the correlation with the binary variables. All items of the latent constructs loaded onto their respective factors significantly with a minimum coefficient of .60. To account for autocorrelation of the two brand experience constructs, we correlated the error terms of the respective items. Following Iacobucci (2010), the measurement model fit is acceptable [ $\chi^2/df = 2.67$ ; RMSEA = .05; CFI = .94; AGFI = .87; SRMR = .05]. The latent constructs, pre-existing brand experience [Cronbach's  $\alpha = .87$ ; composite reliability = .92; average variance extracted = .74], post-visit brand experience [Cronbach's  $\alpha = .91$ ; composite reliability = .94; average variance extracted = .79], and service quality [Cronbach's  $\alpha = .93$ ; composite reliability = .92; average variance extracted = .61] are reliable and discriminant, as

thresholds are exceeded: Composite reliability is above .70, Cronbach's  $\alpha$  is above .70, and the average variance extracted is above .50, while the square root of the average variance extracted is above the inter-construct correlations (Hair et al. 2009). Table 16 in Appendix A lists these results.

We then calculated mean factor values for the latent constructs pre-existing brand experience, post-visit brand experience, and service quality by using Bagozzi and Heatherton's (1994) full aggregation technique. This is done to test for change in brand experience. Therefore, we conducted a within-subjects design ANOVA to determine whether the respondents in the sample had a significant change in brand experience from the flagship store visit, while controlling for each brand (Tabachnick and Fidell 2007). Second, we calculated the difference between post-visit brand experience and pre-existing brand experience, hereafter referred to as  $\Delta$ brand experience. A positive and significant difference indicates an increase in brand experience. To account for the influence of engaging with the categories of in-store attractions, we used the binary variables as independent variables and  $\Delta$ brand experience as the dependent variable in a general linear model, while controlling for brand and service quality (McCullagh and Nelder 1989; Tabachnick and Fidell 2007). This two-step calculation approach was chosen for its simplicity in displaying results and interpretation. A mixed-design general linear model would reveal the same results, but it would bear the difficulty of interpreting at least four-way interactions in regard to our hypotheses and have no regression coefficients (Field 2014; Hair et al. 2009).

#### **4.3.3 Calculating the Dependent Variable $\Delta$ Brand Experience**

To test the effects of a flagship store visit and the contribution of in-store attractions on diluting or creating brand experience, we had to calculate the dependent variable. As we asked flagship store visitors about their brand experience at two time points – before and after

the flagship store visit – we could calculate the change in brand experience. The within-subjects design ANOVA, with flagship store visit as the within-subjects factor and brand as the between-subjects factor, indicates that a significant dilution in brand experience ( $\Delta$ brand experience =  $-.246$ ;  $p = .001$ ) occurs from the flagship store visit. Again, we found that brand has a nonsignificant effect. For both brands, the flagship store visit dilutes brand experience, isolated from the in-store attractions with which consumers engaged. Given the significant mean difference from before and after the flagship store visit, we were able to calculate the dependent variable  $\Delta$ brand experience for the ongoing calculation steps. Table 17 in Appendix A illustrates the results.

#### **4.4 Results**

To test how brand experience is diluted or created, we performed a generalized linear model (SPSS GENLIN) with  $\Delta$ brand experience as our dependent variable and engaging with informative in-store attractions, interactive in-store attractions, special products, and interactions as independent variables. Furthermore, to determine whether the robustness of the results, we controlled for service quality and brand as covariates on the dependent variable. The service provided by a flagship store's staff is tailored to the specifics of the focal brand's products and brand image (Manlow and Nobbs 2013). Moreover, the staff holds more extensive knowledge of the brand's meaning, vision, and manufacturing processes, which can be shared with customers. Thus, a flagship store's staff can be seen as brand ambassadors (Gelb and Deva 2014; Manlow and Nobbs 2013). By providing good service quality, the staff can bolster a flagship store's in-store attractions. Therefore, we use service quality as an additional and important covariate.

The results to our hypotheses are jointly presented in Table 18 in Appendix B of this paper. In all regressions, the confidence interval is set to 95%. In circumstances, in which the result

turned significant on the 10% level, the 90% confidence interval is given in addition within the following paragraphs.

H1 postulates that engaging with informative attractions increases the brand experience of flagship store visitors. With a nonsignificant regression coefficient ( $b = -.461$ ;  $p = .314$ ), we found that engaging with informative attractions within flagship stores does not increase brand experience. Therefore, H1 can be rejected.

H2 proposes that engaging with interactive attractions increases the brand experience of flagship store visitors. With a significant regression coefficient in the 90% confidence interval ( $b = .120$ ; lower 90% CI = .001, upper 90% CI = .801;  $p = .100$ ), we found a positive effect. Furthermore, the mean of  $\Delta$ brand experience reaches a positive value ( $M = .120$ ), indicating that post-visit brand experience was larger than pre-existing brand experience when engaging with interactive in-store attractions. Hence, engaging with interactive attractions increases the consumer's brand experience, and H2 can be accepted.

H3 states that engaging with special products increases the brand experience of flagship store visitors. With a nonsignificant regression coefficient ( $b = .041$ ;  $p = .811$ ), H3 must be rejected. Hence, it appears that engaging with special products neither dilutes nor creates brand experience.

H4 postulates that engaging jointly with the in-store attractions creates brand experience even more strongly. By looking at the two-way interaction effects, we found that none of the two-way interactions resulted as significant. However, the three-way interaction, meaning that consumers engaged with all three attractions during their flagship store visit, results in a significant positive regression coefficient at the 95% confidence interval ( $b = .457$ ;  $p = .023$ ).

Taking a closer look at the mean of  $\Delta$ brand experience when consumers engaged with all in-store attractions, we found a positive value ( $M = .176$ ). Again, this positive value indicates that post-visit brand experience was greater than pre-existing brand experience. In conclusion,

we can accept H4 only partly and must add that brand experience is only created if visitors engage with all in-store attractions. Nevertheless, if a visitor fails to engage with an in-store attraction, brand experience is neither significantly diluted nor created. Figure 5 illustrates the results graphically.

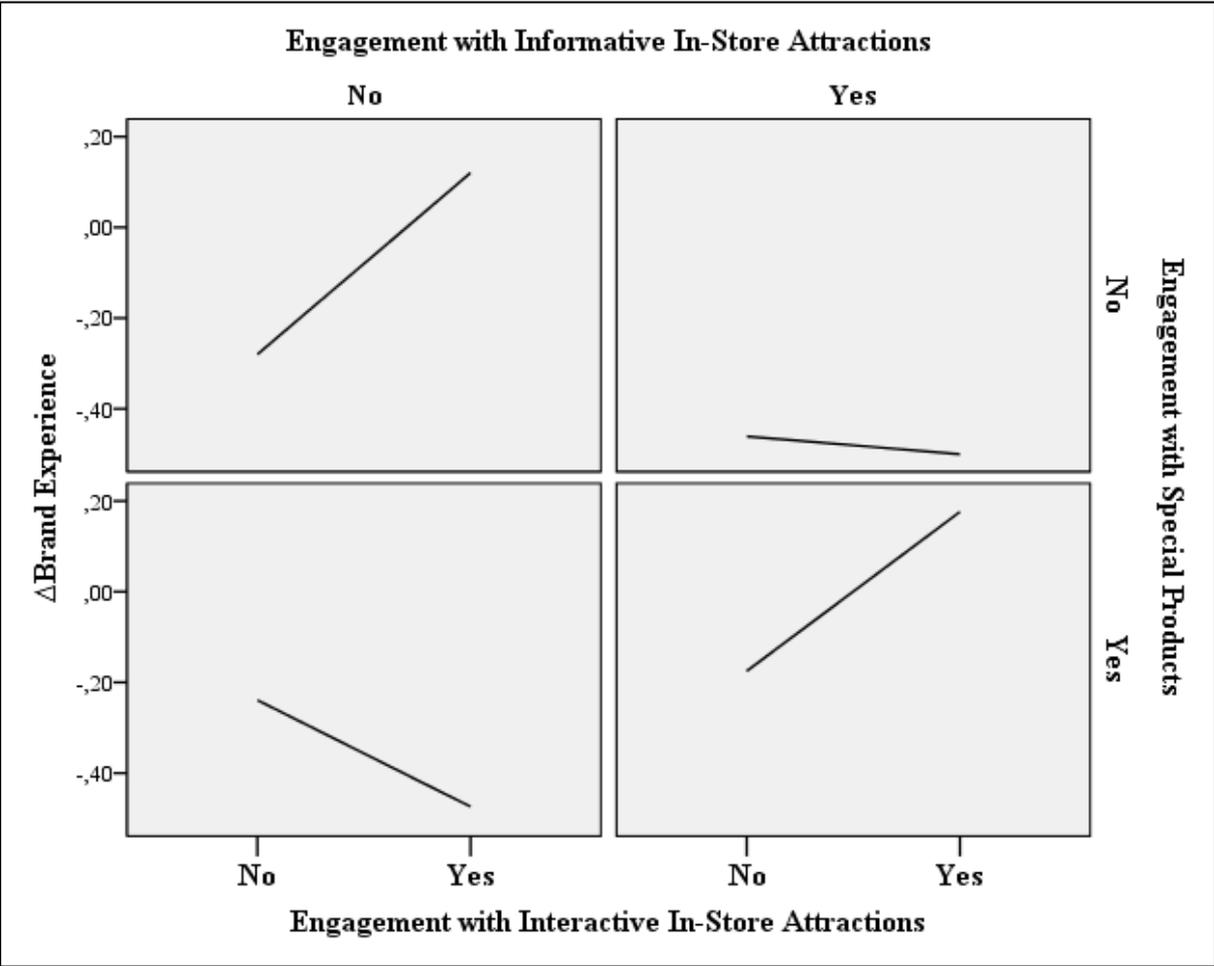


Figure 5: Δbrand experience by engagement with in-store attractions.

Lastly, it is important to note that brand as a covariate has a nonsignificant effect on the value of Δbrand experience. However, we find that increasing service quality has a significant positive effect on brand experience creation ( $b = .207; p = .001$ ), validating the importance of the human factor in flagship stores (Gelb and Deva 2014; Manlow and Nobbs 2013).

## 4.5 Concluding Discussion

There is an extensive body of emerging literature highlighting the importance of brand experience for modern marketing communication (e.g., Lemon and Verhoef 2016; Zarantonello and Schmitt 2010) and emphasizing the outstanding role of experiential stores in the form of flagships to drive brand experience (e.g., Borghini et al. 2009; Dolbec and Chebat 2013; Manlow and Nobbs 2013; Nierobisch et al. 2017). The results of our study contribute to the understanding of what drives and dilutes brand experience in flagship stores. Quantitatively comparing pre-existing brand experience with post-visit brand experience attests that flagship store visits do not increase brand experience per se. We validate the possible negative effect of visiting a flagship store that McGrath, Sherry, and Diamond (2013) postulate in their qualitative study of the House of Barbie. However, we also reveal which in-store attractions drive brand experience to higher levels than prior to the flagship store visit. In particular, we find that engaging with interactive attractions drives brand experience (H2). Interactive attractions were characterized with the benefit of consumer co-creation, meaning that consumers take part in the value creation to receive a personally tailored product or service (Tynan, McKechnie, and Chhuon 2010). Such a customized product or service – in the form of massages, product packaging, ingredients and taste, or the composition of an enjoyment through a café in our case – enables the consumer to experience the brand differently than they would through traditional advertisements and retailers. A potentially stronger identification with the brand or simply the perception that the brand better satisfies one's needs evokes one's sensual and emotional, intellectual, and behavioral experience components more intensively, therefore increasing the whole brand experience. Our results are consistent with existing assumptions and propositions about the positive influence of co-creation and consumer engagement with a brand in driving brand experience (van Doorn et al.

2010; Nysveen and Pedersen 2014; Prebensen, Kim, and Uysal 2015; Tynan and McKechnie 2009).

Surprisingly, we found no direct influence of informative attractions (i.e., brand history, information about sourcing and manufacturing, or product use) on brand experience (H1). Given that informative in-store attractions represent an important differentiation aspect of flagship stores from other store types (e.g., Dolbec and Chebat 2013) these results are surprising. Information, such as brand history or transparent sourcing and manufacturing techniques, is expected to evoke positive emotions, due to increased functional and symbolic value assessment, which inherently affect the consumer's experience with the brand, as it can be better assessed with internal needs references (Bhat and Reddy 1998; Dion and Borraz 2015; Rose et al. 2016). It appears that consumers do not process the information displayed in the flagship store in such a way that it alters their brand experiences. Hypothetically, the information might not be as new or special as consumers would have expected.

A similar result applies to the effect that special products displayed in flagship stores have on brand experience (H3): Although exclusive and limited products are part of stimulating the consumer's affective and emotional resonance on brand perception in flagship stores (Dion and Borraz 2015; Manlow and Nobbs 2013) and should therefore transform brand experience (Brakus, Schmitt, and Zarantonello 2009), we found no significant direct influence. Hypothetically, a nonsignificant effect could be explained by further analysis of the consumer's interest in the products displayed and the extent to which these differ from competing brands' offers. For instance, in luxury fashion, consumers often visit flagship stores to engage with limited products, as their brand involvement is so high that ordinary products no longer satisfy their needs (Kapferer 2014; So, Parsons, and Yap 2013).

Although in our study the direct effects of engaging with informative in-store attractions and special products were not significant, we demonstrated the potential of such engagement to

enhance the consumer's brand experience gain from interactive in-store attractions. Given the significant three-way interaction (H4), we can conclude that joint engagement with interactive and informative in-store attractions as well as special products boosts the creation of brand experience. It is likely that the information gain from informative in-store attractions and special products enables consumers to process, assess, and connect the experience made by engaging with interactive in-store attractions more profoundly to the brand. Given the co-creating nature of interactive in-store attractions, the knowledge gain can be applied immediately by receiving a co-created service or product (Nysveen and Pedersen 2014; Park, Feick, and Mothersbaugh 1992). Hence, the finding appears to be plausible.

However, there is a dark side of our finding regarding brands that operate flagship stores: In our sample, about six percent of visitors engaged with interactive attractions alone, while roughly ten percent of visitors engaged with all attractions and special products. This implies that only a small number of visitors engage with the in-store attractions that drive brand experience; the remaining visitors interact with in-store attractions that do not influence their brand experience. This might explain why brand experience was diluted significantly over the whole sample: Consumers do not engage enough with the interactive in-store attractions that drive brand experience and enable a boost through informative in-store attractions and special products.

Lastly, the significant covariate service quality must be addressed. It is widely documented that well-executed service stimulates and drives the consumer's brand experience (e.g., Grace and O'Cass 2004; Ismail 2011; Nysveen, Pedersen, and Skard 2012; Verhoef et al. 2009). However, in our setting, service is not the core product nor elsewhere delivered from the brand to consumers, as the flagship store is the only store-based direct brand touch point. At retailer shelves or other third-party distributors, the service is not conceptualized, provided, and monitored by the brand. Hence, the finding highlights that brands should emphasize well-

executed service alongside well-implemented interactive attractions when designing flagship stores.

#### **4.6 Implications and Future Research**

We contribute to the emerging literature on flagship stores and experiential retailing in four ways. First, we demonstrate quantitatively that flagship stores do not automatically increase brand experience and its possible corollaries. While this finding is a controversial addendum to existing quantifications in flagship store research (e.g., Dolbec and Chebat 2013; Nierobisch et al. 2017), it does serve as a validation of assumed backfire (McGrath, Sherry, and Diamond 2013). However, it must be mentioned that a backfire only occurs if consumers fail to engage with interactive in-store attractions or jointly with interactive in-store attractions, informative in-store attractions, and special products. If consumers do engage with the aforementioned attractions within flagship stores, they will undergo an increase in brand experience. Thus, it is apparent that the brands of the portrayed flagship stores did not manage to enable the majority of consumers to engage easily with the brand experience driving in-store attractions. Therefore, the results highlight the importance to test the effectiveness of in-store attractions and to further design these in a manner that most consumers can easily engage with them. Otherwise, the majority of visitors might be less or even negatively affected in their brand experience.

Second, our study demonstrates the importance for both marketing research and managers to monitor whether flagship stores create or dilute the customer's brand experience. Closing down a flagship store after initial large-scale investments is suboptimal, particularly because it signals brand failure to consumers and leaves top management with the perception that flagship stores are profitless means of creating profound brand experiences (McGrath, Sherry, and Diamond 2013). However, by monitoring the creation of brand experience inside flagship

stores, management can implement changes to foster customer satisfaction, improved brand perception, or customer loyalty (Brakus, Schmitt, and Zarantonello 2009). Thus, it is possible to transform the aforementioned negative view of flagship stores into a prosperous marketing strategy. In this regard, our study highlights the importance of differentiating between those in-store attractions that deliver a benefit by enhancing the consumer's brand experience and those that are nice to have but do not affect brand experience. Furthermore, we reveal that only a minority of visitors engaged with the brand experience-driving in-store attractions or a combination of all three attraction types. This implies that research and management cannot analyze attractions in isolation, as it could lead to overstated or false effects on brand experience and its corollaries (e.g., brand personality, satisfaction, self-brand connection, or brand equity; Brakus, Schmitt, and Zarantonello 2009; Diamond et al. 2009; Dolbec and Chebat 2013). Furthermore, we bring to light the importance of brand and retail management identifying a way to compel most visitors to engage with the attractions that drive brand experience and determining what limits the remaining visitors from engaging with them.

Third, our study delivers a methodological approach for evaluating brand experience creation within a flagship store that can easily be replicated and extended. The within-subjects design approach in gathering and evaluating the data as well as the classification of in-store attractions into groups according to consumers' perceptions on a theory-driven basis functioned well. This matter shows pathways to analyze the diverse in-store environment of experiential stores – and flagship stores in particular – in an aggregated, less complex manner for identifying brand experience effects of consumer engagement with in-store attractions during flagship store visits to fellow researchers and brand managers.

Fourth, there are certain limitations to our study that should encourage fellow researchers to address experiential stores – particularly flagship stores – in the future. Our data is derived from two brands that operate flagship stores in the fast-moving consumer goods industry.

However, in more exclusive industries that are characterized by more intense consumer involvement, such as fashion or durable goods, the results could be different. Even though Nierobisch et al. (2017) have shown that findings of flagship stores in the fashion industry can apply to brands' flagship stores of the fast-moving consumer goods industry, it would be interesting to integrate a moderating role of industry characteristics into brand experience creation within flagship stores as industry specific in-store attractions might exist that have a different effect on brand experience. In addition, other industries might offer attractions that do not fit the categories derived here (interactive attractions, informative attractions, and special products), such as in-store cinemas or virtual reality attractions. These additional attractions could have an even greater impact on brand experience creation (or dilution). Lastly, it remains unknown what causes specific in-store attractions to fail to create brand experience. Researching how consumers perceive certain flagship store attractions could help managers to design their informative in-store attractions or special products more effectively.

#### 4.7 References Paper 3

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### 4.8 Appendix A Paper 3

Variable	Informative In-Store Attractions				Remaining In-Store Attractions		Interactive In-Store Attractions				Remaining In-Store Attractions	
	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	<i>F</i> (1,274)	<i>p</i>	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	<i>F</i> (1,274)	<i>p</i>
The attraction is interactive, e.g., enables me to interact with the brand.	5.15	1.47	4.85	1.73	1.24	.266	5.27	1.69	4.71	1.67	6.86	.009
The in-store attraction is informative, e.g., gives me information about the brand.	5.57	1.75	4.43	1.69	17.17	.001	4.64	1.58	4.61	1.82	.015	.903

Table 15: Mean comparison of in-store categorization approach.

	Pre-Existing Brand Experience	Post-Visit Brand Experience	Service Quality	Interactive In-Store Attractions	Informative In-Store Attractions	Special Products
Pre-Existing Brand Experience	.86					
Post-Visit Brand Experience	.48***	.89				
Service Quality	.20***	.35***	.78			
Interactive In-Store Attractions	.15***	.21***	.09*	1.00		
Informative In-Store Attractions	.21***	.20***	.13***	.27***	1.00	
Special Products	.25***	.28***	.11**	.18***	.23***	1.00

Note: \*\*\*:  $p < .01$ ; \*\*:  $p < .05$ ; \*:  $p < .10$ ; n.s. = not significant

Table 16: Correlations and squared average variance extracted on the diagonal.

Variable	Post-Visit Brand Experience (I)		Pre-Existing Brand Experience (J)		ΔBrand Experience (I-J)	Sum of Squares Type III	F	df	p	
	M	SE M	M	SE M	M					
Flagship Store Visit (A)	3.717	.056	3.963	.048	-.246	16.698	18.692	1	.001	
AxBrand	Chocolate Brand	3.357	.084	3.666	.073	-.309	1.131	1.266	1	.261
	Cosmetics Brand	4.078	.074	4.259	.064	-.181				
Error:						502.949		563		

Table 17: Results of within-subjects design ANOVA.

### **4.9 Appendix B Paper 3**

[Tables and figures are on the next page.]

Variable	$\Delta$ brand experience <i>N</i> = 565				Generalized Linear Model Parameters				
	<i>M</i>	<i>SE M</i>	<i>n</i>	%	<i>b</i>	<i>SE b</i>	Lower 95% CI	Upper 95% CI	<i>p</i>
Constant					-1.361 <sup>a</sup>	.261	-1.873	-.848	.001
Engaged with no attractions	-.280	.091	209	36.991					
Engaged with interactive attractions (A)	.120	.227	33	5.841	.401	.244	-.077	.878	.100
Engaged with informative attractions (B)	-.461	.156	72	12.743	-.180	.179	-.531	.170	.314
Engaged with special products (C)	-.239	.144	83	14.690	.041	.172	-.296	.378	.811
AxB	-.499	.235	31	5.487	-.219	.251	-.712	.273	.383
AxC	-.474	.293	20	3.540	-.194	.308	-.797	.409	.529
BxC	-.175	.168	62	10.973	.105	.193	-.273	.483	.586
AxBxC	.176	.177	55	9.735	.457	.201	.062	.852	.023
Covariates:									
Brand					.000	.120	-.236	.235	.998
Service quality					.207	.0487	.112	.303	.001

Note: <sup>a</sup> Parameter is redundant, set to zero;  $R^2 = .054$ ;  $p = .001$

Table 18: Parameters for generalized linear model and estimated means.

## **5. GENERAL CONCLUSION**

This dissertation aimed to address unanswered challenges in research concerning experiential stores, particularly flagship stores. The three papers presented within this thesis reveal the process of brand experience updating, describing its effects on brand perception and consumer-brand relationships (Brakus, Schmitt, and Zarantonello 2009; Dolbec and Chebat 2013; Park et al. 2010) as well as consumer loyalty responses (Zeithaml 1998; Zeithaml, Berry, and Parasuraman 1996) in the form of word of mouth and purchase intentions. In doing so, this thesis enables academic researchers and business management to undertake a more profound assessment of flagship stores. Furthermore, the following implications should enable academic researchers and business management to execute further research and for the latter, a better execution of flagship stores and experiential stores should result.

### **5.1 Theory Implications**

The findings of Papers 1 and 2 add to the understanding of how strongly a flagship store visit updates brand experience based on the consumer's perception of the augmented brand display. The results reveal that the augmented brand display at the flagship store is likely to influence the consumer's brand experience more strongly but at least reinforces it. In this regard, Paper 1 demonstrates that flagship stores can even update and reinforce brand experience in a lower involvement industry setting than had been quantified in existing research (Dolbec and Chebat 2013; Keßler, Ney, and Zentes 2014). Paper 2 adds that brand experience from a flagship store visit is strongly influenced by the consumer's pre-existing brand experience. Hence, the process of updating brand experience would be overstated if not accounting for its dynamic character (Lemon and Verhoef 2016). Along these lines, Paper 2 reveals that brand-loyal consumers are less affected by their pre-existing brand experience. Hence, updating brand experience functions well with consumers that are already loyal – a

surprising finding, given that brands might choose to operate flagship stores in order to attract less loyal consumers and enhance their brand experience. Paper 1 reveals further that reoccurring visits to a flagship store in the FMCG industry do not change the process of updating brand experience: After a flagship store visit, the effect of an augmented brand display on a consumer's brand experience remains stable. This finding is controversial for existing qualitative research (Hollenbeck, Peters, and Zinkhan 2008; McGrath, Sherry, and Diamond 2013), in which consumers revisiting flagship stores claimed an overwhelming effect on their brand experience. Determining the reasons behind this discrepancy is one aspect that future research should address in the area of experiential stores and flagship stores in particular.

Papers 1 and 2 provide further evidence that superior consumer-brand relationships, improved brand perception, and beneficial consumer responses result from flagship store visits (Brakus, Schmitt, and Zarantonello 2009; Ramaseshan and Stein 2014). Thus, both papers add an economic perspective to the examination of experiential stores, particularly flagships. Paper 1 demonstrates that consumer-brand relationships and brand perception can improve even in the FMCG industry, thus transferring existing findings into a new setting (Dolbec and Chebat 2013). It is also shown that brand experience updating within flagship stores positively affects the assumed effects on loyalty behavior (Brakus, Schmitt, and Zarantonello 2009), such as word of mouth and intention to purchase the brand at retailers. Paper 2 reveals that updating brand experience within flagship stores even fosters direct sales. This finding lays a first step in examining the possible cannibalization of traditional brand-owned stores, retailers, or other third-party distributors by experiential stores (Lemon and Verhoef 2016). For instance, future research could take up on this idea by using scanner data or monitoring flagship store visitors over time to provide further evidence of unreasoned fear of cannibalization by own flagship stores or experiential stores in general.

While Papers 1 and 2 assess the effectiveness of flagship stores from a general perspective, Paper 3 departs from identifying the brand relationship, brand perception, and consumer response benefits of flagship stores. Paper 3 quantitatively states the risk of brand experience dilution within flagship stores (McGrath, Sherry, and Diamond 2013) by examining the contribution of in-store attractions – which together enable the formation of an augmented brand display – on brand experience updating. In particular, the findings reveal that in-store attractions allowing consumers to co-create value drive positively updated brand experience. The positive influence of co-creation on brand experience is well known in service-intensive industries (e.g., Minkiewicz, Evans, and Bridson 2013; Prahalad and Ramaswamy 2004; Prebensen, Kim, and Uysal 2015). By highlighting the positive influence of co-creation in flagship stores, Paper 3 indicates that co-creation is also beneficial within physical flagship stores and physical products.

Furthermore, Paper 3 demonstrates that informative in-store attractions and special product offerings that consumers can engage with accelerate the positive affect of interactive, co-creating in-store attractions. This matter emphasizes the need to draw attention to the mechanisms that enable an augmented brand display within experiential stores. Alongside these positive findings, Paper 3 also illuminated a dark side of attempting to update brand experience through the operation of flagship stores: Only a small portion of visitors fully engaged with the in-store attractions that update brand experience. Thus, Paper 3 lays an important starting point for quantitatively analyzing the interior of experiential stores, particularly flagship stores (Borghini et al. 2009; Dion and Borraz 2015). Future research should therefore further address the identification of brand experience-driving in-store attractions and what prevents consumers from engaging with them.

Lastly, it is noteworthy that all three papers enable fellow researchers to quantitatively examine experiential stores. The approaches presented contain within-subjects designs, which

allow one to assess the experiential store visit. Existing quantitative research (e.g., Dolbec and Chebat 2013; Keßler, Ney, and Zentes 2014; Klein et al. 2016) has only applied between-subjects designs in gathering and analyzing data, limiting interpretations related to the effect of the actual visit to experiential stores. In contrast, the three papers presented in this dissertation provide fellow researchers with methods to quantify and test the mechanisms by which a visit to experiential stores and flagship stores in particular alter the consumer's brand experience and its consequences.

## **5.2 Managerial Implications**

The results of the three papers within this thesis enable business managers, particularly brand managers, to evaluate whether the operation of flagship stores would be a suitable marketing communication tool for their brand. Papers 1 and 2 demonstrate that flagship stores can positively update or at least reinforce brand experience. These findings suggest that brand managers should monitor how consumers update their brand experience and what influences this effect. The nonsignificant effect of reoccurring visits (Paper 1) indicates that marketing budget spent on advertising flagship stores in tourist guides or via other media channels is not well spent, at least in the FMCG industry. Moreover, visitors that pre-planned the flagship store visit are affected more strongly by their pre-existing brand experience, thus limiting how they perceive the augmented brand display and transform their brand experience into updated brand experience. If brand managers advertise the flagship store and lead consumers to pre-plan their visits, they should somehow anticipate what consumers have already experienced about the brand to ensure the maximum updating of brand experience from a flagship store visit (Paper 2). Marketing budget definitely well allocated is the part that goes toward offering exclusive products within flagship or experiential stores: Exclusive products are sold through updated brand experience (Paper 2) and add to the revenue stream while not cannibalizing

from existing outlets that do not sell the exclusive products. Furthermore, visiting flagship stores creates closer consumer-brand relationships, which also result in synergies of advertising by word of mouth (Paper 1). Moreover, the results reveal that loyal consumers are more open to an augmented brand display within flagship stores and that the updating of their brand experience is less affected by prior brand experience (Paper 2). On the one hand, this finding is beneficial, as it indicates that augmented brand displays stimulate loyal customers to sense, feel, behave, or think about the brand in a new way (Schmitt 1999). On the other hand, this finding signals that gaining new customers through increased brand experience is also difficult via flagship store visits. In this regard, brand managers should use our findings to determine how to effectively address less loyal consumers to enhance their brand experience and encourage them to become loyal.

Drawing our attention to Paper 3, the findings advise brand managers to assess the costly in-store attractions used to create an augmented brand display within flagship stores. The results reveal that only interactive, co-creating in-store attractions drive brand experience; the remaining in-store attractions were supportive but had no effect alone. Therefore, brand managers should consider what attractions to stage within flagship stores, how consumers can engage with them, and what aspects of these attractions might prevent consumers from doing so.

Lastly, the aforementioned results as well as the applied research designs and methods should help brand managers to plan, assess, and justify the operation of flagship stores to stakeholders and top management.

### 5.3 References General Conclusion

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## **VERSICHERUNG**

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Tim Nicolas Nierobisch

## **COMPENDIUM**

A compendium including feedback of peer review processes by the Journal of Retailing, the Journal of the Academy of Marketing Science (JAMS), the Journal of Retailing and Consumer Services, and the European Marketing Academy can be obtained on request.

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