

THE STRATEGIC BRAND MANAGEMENT: MASTER PAPERS

SBM

STRATEGIC BRAND MANAGEMENT

MASTER PAPERS

**Do flagship stores affect your habits and daily routines?
A case study on Swedish Match and Löfbergs about
brand equity in the FMCG industry**

By Albin Waldeck, Olle Stenbäck, Sofie Wiksborg

Sixth Edition

Student.Papers

2020

September - October

Strategic Brand Management: Master Papers

The Strategic Brand Management: Master Papers is essential reading for brand strategists in both private and public sector organisations, and academics in universities and business schools.

The papers are written by master student groups and follow an international journal format. The student groups selected the topics of their papers and provided updated and relevant insights into the strategic management of brands.

The mission of Strategic Brand Management: Master Papers is to “present and develop useful tools and theories for the application in practice of managing brands, and to forward the academic field of strategic brand management.”

The intent of the series is to bridge the gap between academic teaching and research.

The series is a result of co-creation between students and teachers in the course Strategic Brand Management (BUSN21 – 7.5 University Credit Points; 8 weeks 50% study time), part of the master program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The published papers represent the result of the intellectual work of students under supervision of the heads of course. The content of the papers is to be read as student reports albeit the journal format. The papers are free to download and should be cited following international conventions.

Editors

Mats Urde
Associate Professor

Frans Melin
Assistant Professor

Heads of master course Strategic Brand Management (BUSN21), part of master program International Marketing and Brand Management.
Lund School of Economics and Management



Do flagship stores affect your habits and daily routines?

A case study on Swedish Match and Löfbergs about brand equity in the FMCG industry

By Albin Waldeck, Olle Stenbäck, Sofie Wiksborg

Abstract

Purpose: To examine how flagship stores might affect brand equity for brands in the fast-moving consumer goods industry.

Methodology: This paper adopts a qualitative research method. The information about the two cases on the flagship stores of Swedish Match and Löfbergs was collected by observations at the physical flagship stores and secondary data from the brands web pages. Furthermore, primary data about visitors' brand experience at the flagship stores was collected by six semi-structured interviews.

Findings: The findings of this paper show that the two flagship stores, by providing the customers with a brand experience, strengthens the brand equity through the four assets: brand awareness, brand associations, perceived quality and brand loyalty.

Original/value: Research within brand equity and how different brand experiences might affect brands is available in this field of research. However, the phenomenon of using flagship stores as brand experience for the customers and to study how this phenomenon might affect brand equity cannot be found in previous research. This is where this paper aim to fill in the research gap and be the first of its kind to do so.

Keywords: Flagship stores, brand equity, perceived quality, brand loyalty, brand associations, brand awareness, brand experience Swedish Match, Löfbergs, fast-moving consumer goods

Paper Type: Research paper

Introduction

The well-known phenomenon of flagship stores might be an idea from the past, but a change in buying behavior now highlights the flagship stores. As the retail industry is struggling with decreasing sales while online purchases increase, the flagship stores might play a bigger role than expected. Customer convenience of ordering from the couch is one thing but still there will always be a demand for the actual physical and sensory experience of the product from the customer side. This will remain and therefore the future of retailing might rely on the capability of the brands to set up flagship stores that can communicate the brand and meet the demand and the needs of the customers (Telegraph, 2016).

Since the first flagship store opened up at Oxford street in London 1909 it has yet been a lot of focus on the luxury brands. The luxurious flagship stores make sense to the consumers as the luxury brands are easy to interweave with a fancy flagship store (Telegraph, 2016). It is a matter of fact due to the changing consumer behavior, the flagship store as a phenomenon is spreading lower and lower into the hierarchy of brands. All the way down to the fast-moving consumer goods (FMCG) that people consume frequently. This can be seen as several brands in the FMCG category have adapted this flagship store phenomenon. Swedish Match, LÖfbergs, Lindt and Rittersport to mention a few.

When digging deeper into the increasing phenomenon of flagship stores this paper aims to look at how this is used by brands, as an instrument to create a brand experience and furthermore to see how the flagship stores contribute to the brand equity. The following part of this paper is a literature review consisting of brand equity, brand experiences, a flagship store framework is presented and later also applied on two case studies existing of the Swedish tobacco brand Swedish Match and the Swedish coffee brand LÖfbergs. The reason for choosing these two brands is the

aim to contribute by filling in the research gap of brands in the FMCG industry of brands that use flagship stores as a marketing activity, to create a brand experience that affects their brand equity. The empirical material is collected through secondary data from the case companies and primary data from in-depth interviews from customers of the flagship stores of the above-mentioned brands Swedish Match and LÖfbergs.

Literature review

Fast-moving Consumer Goods

FMCG is the product category consisting of products that is consumed frequently and is not characterized by an extensive decision-making process for the customers (CSIR, 2006 see van Niekerk & Bean, 2019). Examples of products within this category are food, clothing, toiletries, beverages and tobacco. There are three aspects in particular that distinguish the FMCG industry from other industries which are the following (PWC, 2012; CSIR, 2006 see van Niekerk & Bean, 2019);

- (1) The demand is seasonal and is affected by changes in consumer behavior, disposable income and consumer preferences,
- (2) Sales quantities are high while profit margins usually are low and
- (3) There is generally a low customer loyalty

The latter makes branding and availability especially vital for brands within this product category. Since the FMCG industry is particularly exposed to competition, it forces the actors to consider other possible ways to market themselves (Cuneo et al., 2012; Geyskens et al., 2010; Parker et al., 1997 see Nierobisch, Toporowski, Dannewald & Jahn, 2017). One way of doing this is by vertical extensions, e.g. flagship stores, which have been proven to influence and impact the customers

significantly more than other regular consumer touching points (Parker et al., 1997; Amrouche and Yan, 2012, Kumar and Ruan, 2006; Dolbec and Chebat, 2013; Kozinets et al., 2002 see Nierobisch et al., 2017). However, since the decision-making-process and the loyalty in the FMCG category generally is low, it is not obvious that a flagship store for a FMCG brand would affect the brand equity, as in comparison with the luxury brands where research has been able to prove this correlation (Gordon et al., 1998; Zaichkowsky, 1985; Dolbec and Chebat, 2013; Nobbs et al., 2012 Nierobisch et al., 2017).

Definition of flagship Stores

One of the first definitions of the phenomenon flagship stores describes the concept as “flagship stores supply only a single brand; they are owned by their manufacturers; and they have the principal purpose of building the brand image.” (Kozinets et al., 2002 see Arrigo, 2018). However, the term flagship can be found originally in the navy. The flagship was the leading ship with the commanders of importance on it. This origin of a flagship is very equivalent with the definition and meaning of a flagship store, or one can say that it is a copy of its meaning translated into the retail industry. Flagship stores are often set up in a primary location, are the largest and have the largest spread of the products. Flagship stores, most of the time, also make the most profit and have a bit more distinct interior design compared to the regular stores under the same brand (Telegraph, 2016). Flagship stores give the brand an opportunity to meet their target group, show them their core identity and thereby influence how the customers perceive the brand through their brand experience (Linney, n.d.). Therefore, flagship stores can be considered to be an essential element of brand communication (Kozinets et al., 2002 see Arrigo, 2018).

Brand Equity

Brand equity can be described as the concept of the valuable capabilities that brands possess, like the power to influence consumer behavior, provide the shareholders with profit and be bought and sold continuously. However, the concept of brand equity is based on the consumers' minds, and their experience and knowledge about a brand (Keller, 2006). Brand equity is defined by Aaker (1991) as “... a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customer”. What both definitions have in common is that both indicate that brand equity creates value for a brand. The value can be affected and reinforced by different assets linked to the relationship between a brand and the customers (Aaker, 1992).

There are five brand equity assets being the source of the value created; perceived quality, brand loyalty, brand awareness, brand associations and other proprietary brand assets e.g. trademarks, channel relationships or other competitive advantages. However, Aaker (1992) argues that the final asset, other proprietary brand assets, are usually of less importance. Tong and Hawley (2009) discuss that it is only the first four assets that reflect the customers reactions and evaluation to the brand, making those four the more common choice when conducting consumer behavior and marketing research. These four assets constitute the source of the created value and are all vital in combination with each other to achieve brand equity (Aaker, 1992). The following four assets of brand equity will function as a foundation of the analysis for this research:

1. Perceived quality
2. Brand loyalty
3. Brand awareness
4. Brand associations

Following parts of the literature review will provide further explanation of the meaning of these four brand assets.

Perceived Quality

This asset and component for brand equity is like the other three assets, based on the customer's subjective perception. What is particularly related to perceived quality is the perception of a product or service superiority (Yoo, Donthu & Lee, 2000 see Zeithaml, 1988). This mindset and perception can be affected by the customers' previous product experiences, the different needs among the customers or the different consumption situations. The aim for brands is to achieve high perceived quality since this means that the customers' is aware and recognizes the brand's superiority among other brands (Yoo et al., 2000). This is a factor for the differentiation and positioning for the product and the brand on the market in comparison with other brands, which means that the customer would choose the brand over the competing brands (Yoo et al., 2000: Aaker, 1992). Perceived quality has a direct influence over purchase decisions, especially those purchases when the consumer lacks motivation or is unable to collect information or conduct a detailed analysis of the product (Aaker, 1991). Perceived quality can thus be seen as a reason-to-buy, in combination with the product being priceworthy according to the customers (Aaker, 1992).

Brand loyalty

The definition of brand loyalty is when the consumer's commitment to a certain brand is strong enough for the consumers to repeat purchases of this specific brand over a long period (Investopedia, 2017). Aaker (1991) explains how a continuation of purchases of the brand, even if there might be competitors with superior features, indicates that there is substantial value in

the brand. Furthermore, brand loyalty can be viewed as a measurement of how attached the customer is to the brand which reflects how likely the customer is to switch to another brand (Aaker, 1991). According to Jacoby (2014) brand loyalty can also be defined as a set of necessary and collectively sufficient conditions. These conditions are as follows; brand loyalty is the biased, behavioral response being made over time by a decision maker, with a respect to one brand and is a function of psychological (decision-making) processes. According to Chaudhuri and Holbrook (2001) there is a possibility for a brand to expand its market share and enable it to charge a premium price as a result of a brand loyalty. On other hand this contradicts Hem and Iversen's (2003) theory which emphasizes the fact that consumers are in many cases loyal to low perceived quality products and services.

Brand awareness

The easy definition of this concept would be to what extension consumers are aware of the brand and its attributes. When analyzing brand awareness more thoroughly, it is not a cognitive measure. It is correlated with many valuable image dimensions (Kapferer, 2012). Consumers tend to be comfortable with the familiar, leading to them preferring familiar brands during the purchase process. There might even be an assumption that familiar brands have a higher probability of being reliable and of more reasonable quality than unknown brands (Aaker, 1991). Awareness in general is measured at an individual level but it is in fact a collective phenomenon. Brand awareness is correlated with aspects such as high quality, trust, reliability, closeness to people, quality/price ratio, accessibility and traditional styling. In contrast brand awareness has zero correlation with things like innovativeness, superior class or style. Those things have to be earned on their own merit (Kapferer, 2012).

Brand associations

What a customer associates with the brand is a component of the brand associations. This can be both positive or negative, however the aim for brands is to influence the customers perceptions in the sense that they get a positive image and associate the brand with positive values. The brand associations are linked to the product attributes in general but can also be linked to values such as benefits for the customers, lifestyles, competitors, uses and users. Similar to the perceived quality, the brand associations can also be seen as a reason-to-buy. Moreover, brand associations can help the customers to process information from and about the brand and is a key element for creating positive feelings for the customers (Aaker, 1992).

Brand experience

Brand experience is the thing that occurs in customers mind when being exposed to a brand in any context (Arnould & Price, 1993). When realizing the extent of brand experience one can question what its relationship to brand equity is? According to Brakus, Schmitt and Zarantonello (2009) brand experiences are not evaluative judgement about the brand. It is about sensations, feelings, cognitions and behavior that is triggered by specific stimuli that can be drawn to the brand. To exemplify this one can say that it is more about experiences that evokes a specific feeling, not just overall "liking". Furthermore Brakus et al. (2009) argues that a brand experience can happen even though the customer does not show much interest or having much connections to the brand. Aligned with this, customers with high involvement in a brand are not necessarily to evoke a strong experience. Brand experiences can be found in different contexts. Brand-related stimuli from brand experiences includes marketing activities such as packaging, design and different ways of marketing communication (Brakus

et al., 2009). Arnould and Price (1993) argues that brand experiences occur when customers by their own means search for product information, shop products of a specific brand in stores, receive service from the brand or something that is connected to the brand. On the same track Holbrook and Hirschman (1982) explains their opinion according to brand experiences as something multidimensional and including hedonic dimension. This includes feelings, fantasies and fun actions around the brand. According to Kerin, Ambuj and Howard (1992) a service experience is when customers meet a physical environment and staff in stores connected to the brand. These several definitions of brand experiences can be identified with the idea and concept of flagship stores. To clarify a brand experience once again it can be recognized in the flagship stores where customers consume and get information about the specific products in an exciting environment serviced by staff. Studies regarding measurable dimensions of brand experiences and its effect on brand equity has been made. According to Holbrook and Hirschman (1982) their model consisting of the dimensions of thought, emotion, activity and value was considered a suitable framework for measuring brand experience relation to brand equity. Cleff, Lin and Walter (2014) and Brakus et al. (2009) came to a similar conclusion that suggested that brand experience has a positive effect on loyalty and satisfaction. All above previous research indicates that there are plenty of studies trying to handle brand experience. This is where this paper attempt to fill in the research gap and look into brand experience through the phenomenon of flagship stores and its effects on brand equity.

Flagship store brand equity framework

To illustrate the analysis of this research a framework has been created. The framework is primarily based on the

theoretical framework by Aaker (1991) where the four assets perceived quality, brand loyalty, brand awareness and brand associations are the essential elements that in combination may contribute to brand equity. How the framework that is portrayed has been inspired by Tong and Hawley's (2009) framework where they study the effectiveness of different marketing activities in creating brand equity within the Chinese fashion industry. However, since this paper aims to examine how flagship stores for brands within the FMCG industry potentially can affect the brand equity, this component is included in the model as well. The aim of the framework is to emphasize how these four assets are affected by the brand experience that the customer will perceive when visiting the flagship store. It is an important detail in this paper. The flagship stores is seen as a place where the customer will be exposed to the brands core identity and how this experience, through the four assets, might affect the brand equity.



Figure 1. Flagship store brand equity framework

Methodology

Research Design

This research takes a qualitative research approach consisting of a data collection of both primary and secondary data. The qualitative research strategy emphasizes words rather than focusing on the collection of numerical data (Bryman & Bell, 2015). As the purpose of this research is to study how flagship stores of FMCG brands might affect the brand equity, the qualitative

research strategy was a more suitable approach to conduct a more in-depth study of the consumers' visits at the flagship stores. Since brand equity is based on the consumers' minds and their perception of a product or a brand, a quantitative approach based on a survey was in this case not considered to satisfy the purpose of the paper as it does not provide qualitative in-depth understanding as interviews do.

In order to be able to investigate and answer the question regarding *how flagship stores within the FMCG industry might affect the brand equity*, two Swedish brands were selected to study deeper, namely Swedish Match and Löfbergs. This means that the paper is also designed as a case study. To study only one brand was not considered to be enough since the paper aims to distinguish patterns within the FMCG category and to see how their flagship stores affect brand equity. Two brands were thus chosen to strengthen the credibility of the result.

Empirical Data Collection

Firstly, two case studies were made by looking at Swedish Match and Löfbergs. The information gathered from secondary sources about the two cases was collected from both brands web pages. This information was collected to gain knowledge about the two brands and their flagship stores. To gain better knowledge, understanding and feeling for the environment of the flagship stores, observations were made by visiting the physical stores in Stockholm and Lund in Sweden.

Secondly, six semi-structured interviews were prepared, two for Löfbergs visitors and four for Swedish Match visitors. The interview questions were based on the theoretical flagship store brand equity framework and particularly the four assets, perceived quality, brand loyalty, brand awareness and brand associations. This to

be able to see if there was any correlation between how flagship stores mediate these four brand assets, to then be able to determine if they affect brand equity. The interviews were held individually over Zoom and lasted on average between 10-15 minutes. Lastly the interviews were transcribed and translated to English to be equal to the language of the paper. The fact that the interviews were held in Swedish was in purpose to make it easier for the people who were interviewed and so that they could feel freer to express themselves and not limit their answers to be able to answer the questions in English. However, the translation from Swedish to English may affect the interpretation of the answers, but since the positive parts were predominant against the possible negative ones, the interviews were chosen to be held in Swedish anyway.

Sample Selection

The people who were asked to participate in the interviews were selected from the authors vicinity as the authors asked around among friends and acquaintances to find people who had been to one of the two flagship stores. To make sure that the answers to the questions were not affected by bias, one criterion was that the selected persons would not belong to the immediate circle of the authors. The only requirement for the interviewees was as mentioned that they should have visited one of the two brands' flagship stores. It did not matter how many times they had been there, for what purpose, or if they are snus users or coffee drinkers.

Empirical Results and Analysis

In this part of the paper the chosen framework for this study will be applied to two different cases. One case study from each company of Swedish Match and Löfbergs. The framework will be applied on customers' brand experience from their visit

to the specific flagship store. There are four categories in the framework to identify the connections between the brand experience of the flagship store and the brand equity. According to the literature review of this paper one can read about the previous studies on how brand experience of different kinds can influence brand equity. The uniqueness of the analysis that follows is the way brand experience can be looked into through a flagship store of FMCG products as snus and coffee. In the following part of this paper a brief introduction to the snus brand Swedish Match and coffee brand Löfbergs will follow. Thereafter an analysis will be conducted by looking into potential connections between the flagship store framework and brand equity. To do this analysis secondary data from the case companies and primary data from a group of in-depth interviews have been collected and looked upon.

Introduction of Swedish Match

Swedish Match is a Swedish company established in 1992 after a merger between Svenska Tobaks AB (the Swedish tobacco monopoly) and Svenska Tändsticks AB (Swedish matchsticks). The origins of the group were founded in the early 20th century. Today Swedish Match is the market leader of Swedish snus in all its markets and on the side of this they are also selling matchsticks, lighters and cigars. (Swedish Match, 2020).

Introduction of Löfbergs

Löfbergs was founded in the Swedish city of Karlstad by the three brothers Anders, John and Josef Löfberg in 1906. Since then the family-owned company has strived towards creating a coffee with a passion for taste and responsibility towards a sustainable world. In the beginning the coffee was sold over the counter in the local market of Värmland. Today more than 100

years and four generations later the coffee can be found in our homes or at restaurants and cafés (Löfbergs, 2019).

Swedish Match flagship stores

Swedish Match has six flagship stores in Sweden. Apart from offering the customers the whole product portfolio, freshly made from the factory in Gothenburg, the flagship store offers the customer to sit down and create a personal blend of snus with help from the “snus-expert”. A unique experience where the “snus-expert” guides the customer through the different steps of snus creation while giving all the fun facts from the tobacco industry. Moreover, people are welcome to come into the flagship store for a cup of coffee and sit down in the lounge area that all the flagship stores hold (Swedish Match, n.d.).

Löfbergs flagship store

Until today Löfbergs has two flagship stores. One at the bottom floor at the Head Quarter in Karlstad and a second one in Stockholm city. These flagship stores serve their different products together with sandwiches and Swedish fika in a cozy, modern and inviting environment. They also sell their ordinary coffee over the counter. Furthermore, the flagship stores provide an extended experience of coffee tasting, barista courses and catering. (Löfbergs, n.d.).

Implementing the framework

In the following part of the analysis the theoretical framework will be applied to the empirical data. The analysis is divided according to the four different assets from the framework and will be analyzed in the purpose of answering the question; if flagship stores for brands within the FMCG industry can reinforce the brand equity.

Brand Awareness

As mentioned in the literature review, brand awareness according to Kapferer (2012) is defined as to what extension consumers are aware of the brand and its attributes. To gain knowledge within this area the respondents initially were asked “How did you find out about the flagship store?” and “Did you know about the brand before your visit?”. On the first question the sample showed an even spread across two different identified themes. One part of the sample said that they discovered the store spontaneously while walking past one of them and got curious and wanted to try the concept. However, the other part of the sample said that they were introduced to the flagship store by a friend and in that way also became curious to test the concept since they had heard positive about it.

Respondent 1 Swedish Match: “That was probably when it had just opened in Gothenburg, (...) we walked around, waiting for the train and so suddenly, there was Swedish Match store “oh look how nice, let’s go and check it out!”

Respondent 5 Löfbergs: “I have a friend who usually goes there and who usually drinks coffee there, so I was introduced by that person.”

The first part of the sample who spontaneously found out about the flagship store when walking past it, however, also responded that they already knew about the brand before they discovered the flagship store, meaning they were not unfamiliar with the brand. This could be related to Aaker’s (1991) theory that consumers tend to be comfortable with the familiar brands, which is leading them to these brands during the purchase process. Aaker (1991) also claims that there might even be an assumption that familiar brands have a higher probability of being reliable and of more reasonable quality than unknown brands, which in this case could lead consumers to be willing to visit the flagship stores as they already know about the brand.

This may also apply to the second part of the sample who answered the first question that they find out about the flagship store through their friends, but the difference for them is that they have been told by others that this is a place worth visiting, which may mean that it can be perceived as a familiar brand according to Aaker (1991) as well. On the second question, the vast majority in this part of the sample answered that they knew about the brand before, however the sample also showed that there was someone who did not know about the brand before but gained all their brand awareness through their brand experience and their visit to the flagship store.

Respondent 3 Swedish Match: *“No idea (...) I would not say that I have so much knowledge about snus, but it opened my eyes and I got to know which were their products and what it meant.”*

The general analysis about brand awareness through flagship stores for the brands Swedish Match and Löfbergs showed that a vast majority did have awareness about the brands before they visited the flagship stores. However, many of them also said that they gained even more brand awareness through the brand experience they got during their visit, since they got to know the brand even more.

Respondent 5 Löfbergs: *“I think the product is good and I have a better understanding of what it is.”*

Respondent 4 Swedish Match: *“(...) So, thanks to the fact that I have been to their stores, it has meant that I have perhaps expanded my ideas about snus as a phenomenon in fact and dug a little deeper into the Swedish Match range (...) I understand the craft behind it”*

Finally, this sample indicates a higher brand awareness for the customers who visit the flagship store, through their brand experience which leads to more knowledge about the brand. This can thus be related to brand equity in turn being positively

affected for brands within the FMCG industry, since the customers through their brand experience perceives the brand more valuable in accordance with Aaker's (1992) definition of brand equity.

Perceived Quality

According to Zeithaml (1988, see Yoo, Donthu & Lee, 2000) perceived quality is particularly related to the perception of the superiority of a product or service, which can be affected by the customer's product experiences. In order to analyze this asset from the theoretical framework, the interviewees were asked several questions within this area. One of them was how the respondents perceived the brand quality before their visit to the flagship store, where the sample indicated that there were large variations between those who thought the brand was a high-quality brand, while there were also those who rather perceived the brand as a low-quality brand. However, the most remarkable thing was that all the respondents, on the question “Has your perception of the quality of the brands products changed after you visited the store?”, answered yes, even those who already perceived the brand as high quality.

Respondent 4 Swedish Match: *“Yes, it has gotten better because you understand the craft behind it”*

For this sample, this is a clear indicator that a flagship store within the FMCG industry can increase the perceived quality regarding this aspect, and therefore strengthen the brand equity.

Another aspect that is linked to the perceived quality according to Aaker (1992) is if the customers perceive the products or service being priceworthy. To analyze this, the respondents were asked to answer the question “Do you think that the brand's products are affordable?” and “Was this affected by your visit to the flagship store?”. The sample indicated different perceptions once again, however, everyone

perceived the brands as affordable. What emerged was that for about half of the respondents, the factor of being affordable had not been affected by their visit to the flagship store, while others explained that they got a better understanding of the product, leading to increased perception of affordability.

Respondent 5 Löfbergs: *“I now believe you get more for your money. I think the product is good and I have a better understanding of what it is. I have gained a more exclusive view of the brand and think that the price is worth what you get.”*

Brand Associations

What a customer associates with the brand is a component of the brand associations. This can be both positive or negative, however the aim for brands is to influence the customers perceptions in the sense that they get a positive image and associate the brand with positive values. The brand associations are linked to the product attributes in general but can also be linked to values such as benefits for the customers, lifestyles, competitors, uses and users. Similar to the perceived quality, the brand associations can also be seen as a reason-to-buy, however it can moreover help the customers to process information from and about the brand and is a key element for creating positive feelings for the customers (Aaker, 1992). Positive brand associations are thus correlated to and can affect brand equity.

According to the category of brand association Aaker (1991) emphasizes the brands ability to reinforce associations in a positive or negative way. One way of identifying associations to a brand is to look at how customers experience a positive feeling linked to the brand. Regarding a reinforcement of positive feelings as an association one of the respondents said:

Respondent 1 Swedish Match: *“It feels very luxurious when you enter the store. It is very clean, bright and it feels like the store is well planned. It makes it feel a bit luxurious with snus all of a sudden.”*

The quote emphasizes that the flagship store, in this person's perception, reinforced the associations for the brand and its products in a positive way through its luxury and exclusivity. Furthermore, one other respondent says following in the interview:

Respondent 5 Löfbergs: *“The associations I have still remain, but they have developed. After my experience of the store I now think of a more exclusive range of coffee.”*

In the interviews there is a pattern of perceived luxury and exclusiveness which reinforced a positive feeling for the brand according to the interviewees. According to Aaker (1992) this association of a positive feeling is correlated to and can affect brand equity in a positive way. However, another theme in the conducted interviews was the perception of staff. How their service at the store could be a possible reinforcer to the brand association. The ability to convey values and how staff help the customer to process information of a brand and its assets is a key developing a positive feeling. As has been written before this positive brand association can affect brand equity (Aaker, 1992).

Respondent 1 Swedish Match: *“They are knowledgeable and good at what they do, those who work in the stores. It could be that it gets a better feeling and associations to the company and that it does not just feel like a “snus company”.*

Respondent 5 Löfbergs: *“Yes, I think my experience has been that it is a very warm and pleasant environment. It feels like a very cozy place, as it feels like they (Löfbergs) have put a lot of soul into making it nice. It has very nice staff. There is a large selection of different products, food and coffee. It is probably the environment that*

you feel is nice. Even though it is located at Stureplan (Stockholm city) you feel that it is a cozy home environment.

These perceptions of service from the respondents indicates that the staff managed to convey values and information to the customers. The way the respondents perceive the intentions from the staff shows how it also affects their association in a positive way. The respondents talk about how the nice staff together with knowledge and cozy vibe in a stressful location in the city provided a better feeling (warm, pleasant and cozy) for the customers. According to the theory by Aaker (1992) these strengthened good feelings created by the staff and the environment of the flagship store can possibly affect the brand equity in a positive way. Reflecting over the relationship between the flagship stores and FMCG products, it seems like the respondent's association goes from just having associations to the product itself as a daily routine or habit and to after the brand experience through the flagship store now have the feeling of "something more than a snus company" as respondent 1 Swedish Match utters above.

Brand Loyalty

Brand loyalty refers to when the consumer's commitment to a certain brand is strong enough, leading to repeated purchases over a long period of time. Regarding brand loyalty the empirical data indicates that snus as one category within the FMCG industry is one that with relatively high brand loyalty, contradicting the aspect that there is generally low customer loyalty within the FMCG industry (PWC, 2012; CSIR, 2006 see van Niekerk & Bean, 2019). The answers from respondents who were interviewed about their visit at Swedish Match flagship store was consistent in regard to what type of snus they were using, as everyone answered that they had one specific brand they used and did not want to change from. This indicates a high brand

loyalty according to Aaker (1991). One comment that portray this is when 'Respondent 3, Swedish Match' receives the question of what is important when purchasing snus in the store, answering:

Respondent 3 Swedish Match: "How do you mean? Well, that they have my snus, haha".

One could argue that this answer indicates brand loyalty to a certain brand, as the person answers that what is important is that the store has "my" snus. Except from this indicated pattern of brand loyalty among the respondents who were using snus, three themes were identified after analyzing the empirical material further.

The first theme indicated by the empirical material is that the flagship stores within the FMCG industry did not seem to increase the brand loyalty for those already loyal to another brand, even if the visitors' brand experience was described positively. The respondents who answered that they were using a competing brand to the brand of the flagship store, had following descriptions of their brand experience when asked to describe their visit to the flagship store:

Respondent 1 Swedish Match: "It feels very luxurious when you enter the store. It is very clean, bright and feels like the store is well planned (...) it is very nice and the staff is so knowledgeable too, they can tell you about different varieties, about how it is made and where it comes from and, yes, it feels exclusive in some way."

Respondent 3 Swedish Match: "It was very good, I like the place because it feels very fresh and clean, it has a nice vibe in there."

Both respondents describe their brand experience very positively, describing it as luxurious and exclusive, clean and fresh with a nice vibe. However, when asked if they believed this experience affected their choice of brand when purchasing snus in a regular store after their visit, both answered no:

Respondent 1 Swedish Match: “No not really, it’s only when I enter the flagship store and there is some “limited edition”-taste (...) but when I go to a regular store I know that it will always be ‘Lundgrens’ (competing brand) anyway, just because it is my go-to brand.”

Respondent 3 Swedish Match: “No, it has not.”

These responses indicate that the effect of flagship stores within the FMCG industry on consumers that are already loyal to another brand might be small, not indicating any clear effects on brand equity from a brand loyalty perspective.

The second theme from the empirical material was that those who were loyal to the brand of the flagship store, showed indications of an increased brand loyalty after their visit to the flagship store. The respondents who used products from Swedish Match previous to their visit to the flagship store had following responses when being asked if their choice of snus was influenced by their visits to the flagship store:

Respondent 4 Swedish Match: “But then it is also the case that I am such a consumer who is quite brand loyal as well, and it... a flagship store like this, they do not make it worse as they only further contribute to me liking the brand even more and continuing to want to purchase their products. So, absolutely, I would not think of buying anything other than Swedish Match now.”

Respondent 2 Swedish Match: “Now after my visits, it feels more luxurious and that they have very carefully selected products, making me continue to choose their products.”

These responses show that their visit to the flagship stores decreases the possibilities of them switching to another brand, meaning an increase in brand loyalty according to Aaker (1991). Arguments therefore could be made that they indicate a possibility that the flagship stores within the FMCG

industry might increase the brand loyalty for those who were already loyal to the brand, strengthening the brand equity.

The third theme from the empirical interview was from those who were not loyal to a brand previous to their visits to the flagship store. When asked if they believed their visit to the flagship store had influenced their choice of brand the responses were:

Respondent 6 Löfbergs: “I really want to buy Löfbergs because there are many kinds of their coffee that I have tried and that I really liked when I visited the flagship store. As a matter of fact, I have gotten a new favorite that I used to buy in regular grocery stores, but when they stopped selling it there, I started going to Löfbergs flagship store in order to get the product.”

Respondent 5 Löfbergs: “Yes, I would say that it feels like I get a closer relationship with Löfbergs. You get a more personal relationship with the brand. It increases my chances of buying Löfbergs.”

Analyzing the respondents' answers of how their brand experience at the flagship store affected their choice of brand, they both answer that their probability to purchase products from the brand has increased after their visit. Even if both respondents express this increased probability of purchasing products from Löfbergs, brand loyalty is typically repeated purchases over a long period of time (Aaker 1991), which is not yet the case for the respondents. However, this could be argued to be indications of a developing brand loyalty, where their brand experience at the flagship store influenced them to start purchasing products from the brand. This indicates that flagship stores within the FMCG industry might influence those who are not loyal to any specific brand before to start developing a brand loyalty towards the brand. In that case the brand loyalty possibly can strengthen the brand equity.

Discussion and Conclusion

The purpose of this article was to study how flagship stores for FMCG-brands affect brand equity. To analyze this a framework consisting of brand loyalty, perceived quality, brand awareness and brand associations was used.

The main findings of this paper regarding brand loyalty was that it was not increased for those who were already loyal to another brand, even though their experience was described as positive. However, the brand loyalty was increased for those who were already loyal to the brand. For those who did not have any brand loyalty the flagship stores indicated a possibility to develop brand loyalty. These findings thus open the possibility for increased brand equity for actors within the FMCG industry.

Concerning brand awareness, the interviews indicated that a predominant part of the respondents knew about the brand before their visit to one of the two flagship stores. However, many of them said that their visit provided them with a brand experience, and through that they learned even more about the brand. Accordingly, this could potentially be correlated with brand equity being strengthened since the customers through their brand experience now perceive the brand more valuable in accordance with Aaker's (1992) definition of brand equity.

The key findings when observing perceived quality was that all the respondents experienced a higher perceived quality after their visits to the flagship stores. This could thus potentially also be correlated with a reinforced brand equity for FMCG-brands.

The findings of the respondents' brand associations through the flagship stores can all be summarized as a development of positive associations to the brand. The vast majority of the respondents indicated a better feeling of the brand after their visit to the flagship store. According to the

conducted framework this might strengthen the brand equity.

To conclude the findings that emerged from the framework, there were indications that flagship stores within the FMCG industry might affect the four assets that are the basis for brand equity, strengthening the brand equity.

Although this study and this sample show a correlation between flagship stores and a strengthened brand equity, it is problematic to determine generally for the FMCG industry since this study focuses on two brands with products that differ from others within the industry. Coffee may be considered as a behavior routine deeply rooted in the social and cultural daily life, and one important point of discussion not brought up yet regarding snus is the fact that it may be addictive. This might have an impact on some of the aspects, such as the high brand loyalty within the product category, due to the consumers being addicted to the specific snus they use or the coffee they drink.

Limitations and Further Research

This study has proven that there is a gap in the research that exists on the FMCG industry and their flagship stores. Hence, there is room for further relevant research within this subject. The major limitations for this study are the small assortment of the empirical material, and the fact that only two brands are studied. Due to the limitations of this study we can only see indications of the findings. Further research could thus include a larger sample to be able to see patterns and to be able to ascertain general conclusions for the FMCG industry. Another angle could also imply that more than two brands could be studied, and particularly brands that offer products that are not classified as a behavior routine or addictive.

References

Aaker, D.A. (1991). *Managing Brand Equity: Capitalizing on the Value of a Brand Name*. New York: *The Free Press*.

Aaker, D.A. (1992) 'The Value of Brand Equity', *Journal of Business Strategy*, 13(4), pp. 27–32. doi: 10.1108/eb039503.

Arnould, E., & Price, L. (1993). "River Magic: Extraordinary experience and the extended service encounter. *Journal of consumer research*. Available at:

<https://academic.oup.com/jcr/article-abstract/20/1/24/1902154>

Arrigo, E. (2018). The flagship stores as sustainability communication channels for luxury fashion retailers. Available at:

https://www.researchgate.net/publication/314014152_Luxury_Fashion_Brand_Sustainability_and_Flagship_Store_Design_The_Case_of_27Smart_Sustainable_Stores27

Brakus, J., Schmitt, H., & Zarantonello, L. (2009) "Brand experience: What is it? How is it measured? Does it affect loyalty?", *Journal of marketing*. Available at:

<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.605.3526&rep=rep1&type=pdf>

Bryman A., & Bell, E. (2015). *Business Research Methods*. Fourth Edition. Oxford: *Oxford University Press*.

Chaudhuri, A., Holbrook, M. B. (2001). The Chain of Effects From Brand Trust and Brand Affect to Brand Performance: The Role of Brand Loyalty. *Journal of Marketing* 65(2):81-93.

Cleff, T., Lin, C., & Walter, N. (2014) "Can you feel it?: The effect of brand experience on brand equity". *Journal of Brand Management*. Available at:

econbiz.de/Record/can-you-feel-it-the-effect-of-brand-experience-on-brand-equity-cleff-thomas/10010385838

Hem, L. E., Iversen N. M. (2003). Transfer of brand equity in brand extensions: The importance of brand loyalty. *Advances in consumer research*. *Association for Consumer Research (U.S.)* 30(1):72-79. Available at:

https://www.researchgate.net/publication/284268433_Transfer_of_brand_equity_in_brand_extensions_The_importance_of_brand_loyalty

Holbrook, M. B., Hirschman, E. C. (1982) “Experiential aspects of consumption: Consumer fantasies, feelings and fun”. *Journal of Consumer Research*. Available at:

https://pdfs.semanticscholar.org/af9b/5cebe8134185523b0db52a521f8b979602c7.pdf?_ga=2.149953918.995018896.1603022982-1003095318.1603022982

Investopedia, 2017. Available at :

<https://www.investopedia.com/terms/b/brand-loyalty.asp>

Jacoby, J. (2014). Available at:

https://www.researchgate.net/publication/232546433_Brand_loyalty_A_conceptual_definition

Kapferer, J-N. (2012). *The New Strategic Brand Management*. Fifth Edition

Keller, K. L. (2006) *Measuring Brand Equity*.

Kerin, R., Ambuj, J., & Howard, D. (1992) “Store shopping experience and consumer price-quality-value perceptions, *Journal of retailing*, Available at:

<https://search.proquest.com/openview/2cb86cc7b857d66409a2ebf8136138a3/1?cbl=41988&pq-origsite=gscholar>

Linney. (n.d.). Why Flagship Stores Must Nail the In-Store Experience. Available at:

<https://www.linney.com/flagship-stores-must-nail-store-experience/>

Löfbergs. (2019). About us. Available at:

<https://www.lofbergs.se/om-oss/>

Löfbergs. (n.d.). Löfbergs Rosteri & Kaffebar. Available at:

<https://www.lofbergs.se/lofbergs-rosteri-och-kaffebar/>

Nierobisch, T., Toporowski W., Dannewald, T., & Jahn, S. (2017). Flagship stores for FMCG national brands: Do they improve brand cognitions and create favorable consumer reactions?

Swedish Match. (2020). Our History. Available at:

<https://www.swedishmatch.com/Our-company/>

Swedish Match. (n.d.). Swedish Match Stores. Available at:

<https://www.swedishmatch.se/vara-butiker/>

Telegraph. (2016). The timeless appeal of flagship stores. Available at:

<https://www.telegraph.co.uk/fashion/style/shopping-on-mount-street/the-timeless-appeal-of-flagship-stores/>

Tong, Xiao and Hawley, Jana M. (2009) 'Creating brand equity in the Chinese clothing market: The effect of selected marketing activities on brand equity dimensions', *Journal of Fashion Marketing and Management: An International Journal*, 13(4), pp. 566–581. doi: 10.1108/13612020910991411.

van Niekerk, H., J., Bean, W. (2019). Evaluation of the cost drivers and allocation framework in outbound logistics of the fast-moving consumer goods industry. *Stellenbosch University*. Available at: <https://doaj.org/article/22511e18d6ef4cfdade85a2a408cb248>

Yoo, B., Donthu, N., & Lee, S. (2000). An Examination of Selected Marketing Mix Elements and Brand Equity. *Journal of the Academy of Marketing Science* 28(2):195-211. Available at: https://www.researchgate.net/publication/245335276_An_Examination_of_Selected_Marketing_Mix_Elements_and_Brand_Equity

Appendices

Appendix 1

Interview guide - Swedish Match:

1. Do you use snus?
2. How long have you been using snus?
3. Which brand?
4. What is important to you when you buy snus in grocery stores?
5. How did you find out Swedish Match flagship store?
6. Did you know what Swedish Match was before you visited the flagship store?
7. How many times have you been to the Swedish Match store?
8. For what purpose were you there?
9. Describe your experience of your visits.
10. Has your choice of snus brand been influenced by your visit?
11. What was your opinion about the quality of Swedish Match products before you visited the store?
12. Has your perception of the quality of Swedish Match products changed after you visited the store?
13. Do you think that Swedish Match products are affordable or not?
14. Was this affected by your visit?
15. What were your associations with Swedish Match before your visit?
16. Have they changed since your visit?

Appendix 2

Interview guide - Löfbergs:

1. Do you drink coffee?
2. How long have you been drinking coffee?
3. Which brand?
4. What is important to you when buying coffee in grocery stores?
5. How did you find out about Löfberg's flagship store?
6. Did you know what Löfbergs was before you visited the flagship store?
7. How many times have you been to Löfbergs flagship store?
8. For what purpose were you there?
9. Describe your experience of your visits.
10. Has your choice of coffee brand been influenced after your visit?
11. What was your opinion about the quality of Löfberg's coffee before you visited the store?
12. Has your perception of the quality of Löfberg's coffee changed after you visited the store?
13. Do you think that Löfberg's products are affordable or not?
14. Was this affected by your visits?
15. What associations did you have with Löfbergs before your visit?
16. Have they changed since your visit?

