

# Final Project 1

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Faculty of Management  
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# Brand Loyalty in Retail Stores in Saudi Arabia

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Graduation Project – 1

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# **1. Chapter 1: Introduction**

Brand Loyalty is now considered as one of the most critical factors in the long term success of the retail businesses worldwide.

In a growing competitive market place where consumers are always exposed to a vast array of choices, the ability for a retail brand to own and sustain loyalty among its consumer base, has become a key differentiator.

Saudi Arabia's retail sector has undergone huge transformation in the recent decades, presenting a very interesting scene to examine this phenomenon, given the country's cultural, economic and demographic characteristics.

Kingdom of Saudi Arabia is witnessing an unprecedented growth in the retail industry, driven by factors such as young and digitally connected population, rising disposable incomes and adding also to that the ambition Vision 2030 that aims to diversify the economy away from oil dependency. These forces joined, reshaped the consumer behaviour and expectations, making it crucial for retailers to understand what drives the brand loyalty with this distinctive market environment.

## **1.1. Research Background**

Concept of brand has a rich history within marketing literature, originating in the early 20<sup>th</sup> century as a straightforward practice of measuring repeated purchases behaviour and has since expanded to a multidimensional construct encompassing attitudinal commitment, emotional attachment and behavioural intentions.

Scholars as Oliver (1999) have proposed that loyalty might not be only limited to habitual repurchase, but can hold commitment to rebuy or re-patronize a preferred product/service in a consistent way in the future, which leads to repetitive same brand purchasing despite of situational influences or marketing efforts that can trigger switching behaviour.

The Saudi Arabian retail business evolved significantly since the 1990s, transitioning from small, and family owned establishments to large scale multinational retail formats that includes hypermarkets, shopping malls, speciality stores and e-commerce platforms.

International brands as Zara, H&M, IKEA have established a very strong presence alongside the homegrown retailers like Panda, Al Othaim, Jarir and Extra.

This coexistence of global and local brands made the competition intensify and raise the importance of the brand loyalty as a mechanism for sustaining the competitive advantage.

Saudi Arabia's Unique social and cultural context distinguishes it as an interesting and compelling research setting.

The country's islamic values, tribal affiliations, family oriented consumer behaviour and strong affirmation on social status and prestige all of these factors influence the purchasing decisions in a way that differs totally from the western markets, adding to that the predominance of young population and smartphone penetration rates with active social media engagement, created a generation of consumers whose loyalty is shaped by digital experience alongside in-store interactions.

## **1.2. Research Problem**

Despite the growing strategic importance of brand loyalty in the Saudi retail context, there remains a significant lack of comprehensive empirical research that systematically examines the factors driving brand loyalty in this specific market. Much of the existing literature on brand loyalty either focuses on Western consumer markets or examines broad emerging market contexts without addressing the particularities of the Gulf Cooperation Council (GCC) or Saudi Arabian retail environment. This gap undermines the ability of retail managers and policymakers in Saudi Arabia to develop evidence-based strategies for cultivating lasting customer relationships.

Furthermore, the rapid digital transformation of the Saudi retail sector—accelerated by the COVID-19 pandemic, which prompted a dramatic shift toward online shopping—has introduced new dimensions of brand loyalty that

traditional frameworks may not adequately capture. The interplay between omnichannel retail experiences, digital brand engagement, customer trust in online platforms, and physical store loyalty presents a complex research problem that requires updated theoretical and empirical frameworks. Retailers are struggling to understand how loyalty earned in physical stores translates, or fails to translate, to the digital shopping environment.

The research problem addressed by this study is therefore twofold: first, to identify and validate the key antecedents of brand loyalty in Saudi retail stores; and second, to assess whether established theoretical frameworks developed in other cultural contexts adequately explain brand loyalty behavior among Saudi consumers. By addressing these concerns, the study aims to fill a critical void in the literature and provide actionable insights for stakeholders in the Saudi retail industry.

### **1.2.1. Theoretical Gaps**

From a theoretical standpoint, the existing literature has not sufficiently addressed how cultural dimensions specific to Saudi Arabia—such as collectivism, religious values, and national identity—interact with conventional brand loyalty antecedents like service quality, customer satisfaction, and perceived value. Most theoretical models of brand loyalty, including those proposed by Aaker (1991), Oliver (1999), and Chaudhuri and Holbrook (2001), were developed and validated primarily in Western, individualistic cultural settings, limiting their direct applicability to the Saudi context.

Additionally, there is a notable theoretical gap concerning the role of digital and social media factors in shaping brand loyalty in Saudi Arabia, which boasts one of the highest social media usage rates in the world. The theoretical integration of electronic word-of-mouth, influencer marketing, and personalized digital experiences into brand loyalty models remains underdeveloped, particularly within the GCC retail context. Existing models have yet to satisfactorily account for how these digital touchpoints

moderate or mediate the relationship between traditional loyalty antecedents and actual loyalty outcomes.

A further theoretical gap exists in relation to the moderating role of demographic variables such as gender, age, and income level in the Saudi retail brand loyalty context. Saudi Arabia has recently undergone substantial social changes, including the relaxation of gender-segregation policies in public spaces and the increased economic participation of women, which may have significant implications for brand loyalty patterns that have not yet been theoretically or empirically explored in the existing literature.

### **1.2.2. Practical Gaps**

In terms of practical gaps, Saudi retail managers frequently lack sector-specific data and insights about the loyalty drivers most relevant to their consumer base. While multinational retailers operating in Saudi Arabia may draw on global best practices, these are often not calibrated to local market realities, leading to the implementation of loyalty programs and marketing strategies that fail to resonate with Saudi consumers. The absence of locally validated measurement tools for brand loyalty further compounds this challenge for practitioners.

There is also a practical gap related to the effectiveness of loyalty programs in the Saudi retail market. Despite the widespread adoption of loyalty cards, reward points, and membership programs by major Saudi retailers, there is limited empirical evidence assessing their actual impact on consumer loyalty behavior in this context. Practitioners are therefore operating without a clear understanding of the return on investment of these initiatives or how they compare in effectiveness with other loyalty-building strategies such as personalized service, store atmosphere, and community engagement.

Finally, small and medium-sized retailers in Saudi Arabia—which constitute a significant portion of the retail sector—face a practical gap in that they lack access to the research and analytical resources needed to understand and cultivate brand loyalty.

Without targeted, context-specific guidance, these businesses are at a disadvantage compared to large multinational chains. This study seeks to provide practical insights applicable to retailers of all scales operating within the Kingdom.

### **1.3. Research Significance**

This research significance comes from both the theoretical contribution and the academic literature on the brand loyalty and the practical implications on the Saudi retail industry.

By conducting rigorous investigation within a unique and under studied culture and market context, this study advances the understanding of how the brand loyalty is formed and sustained in a dynamic emerging retail market.

Findings are expected to enrich the global brand loyalty literature with local culture insights that challenge and refine existing frameworks.

From a wider perspective, this study will contribute to the field of consumer behaviour by demonstrating how the macro level factors interact with micro level individual consumer variables to shape the brand loyalty outcomes.

This integration perspective is valuable at a time when researchers and practitioners are struggling with the complexity of consumer decision making in the multichannel retail across the globe.

#### **1.3.1. At the theoretical level**

At the theoretical level, this research makes several important contributions.

First, it extends established brand loyalty models by incorporating culturally specific variables that reflect the Saudi consumer context, thereby enhancing the cross-cultural generalizability of these models.

By empirically testing the applicability of frameworks such as Oliver's (1999) four-stage loyalty model and Aaker's (1991) brand equity framework in the Saudi retail environment, the study provides critical evidence for or against their universal validity.

Second, the study contributes to theory by developing and testing a culturally adapted conceptual model of brand loyalty that integrates traditional antecedents—such as service quality, perceived value, customer satisfaction, and trust—with emerging digital and social factors specific to the Saudi context. This integrated model represents a novel theoretical

contribution that future researchers can employ and build upon in other GCC and Middle Eastern market contexts.

Third, the research contributes methodologically by validating or developing measurement scales appropriate for the Saudi retail context.

The creation of culturally validated instruments is an important contribution in itself, as it provides researchers working in similar cultural settings with reliable and valid tools for future empirical investigations. This methodological contribution enhances the rigor and comparability of future brand loyalty research in the Arab world.

### **1.3.2. At the practical level**

At the practical level, this research provides Saudi retail managers with empirically grounded insights into the most influential drivers of brand loyalty among their target consumers. Armed with this knowledge, managers can make more informed decisions about resource allocation, customer relationship management strategies, loyalty program design, and service quality improvement initiatives. The study's findings will help retailers prioritize the factors that yield the greatest return in terms of building lasting customer loyalty.

For marketing practitioners, the research offers specific guidance on how to craft loyalty-enhancing communication strategies that resonate with Saudi consumers' cultural values, aspirations, and digital behaviors.

Understanding the relative importance of emotional versus functional loyalty drivers, for instance, can inform the tone, content, and channel selection for loyalty marketing campaigns. Similarly, insights into the role of social influence and community membership in shaping loyalty can guide the design of referral programs and social media engagement strategies.

For investors and entrepreneurs entering the Saudi retail market, this research provides a valuable orientation to the competitive dynamics of brand loyalty in the Kingdom. Understanding what makes Saudi consumers loyal to particular retail brands is essential

intelligence for new market entrants seeking to establish a foothold and grow a sustainable customer base in one of the Middle East's most promising retail markets.

## **1.4. Research Questions**

This study is guided by a set of carefully formulated research questions designed to address the theoretical and practical gaps in a systematic manner. The primary research question asks: What are the key factors that influence brand loyalty among consumers in retail stores in Saudi Arabia? This question is supported by a series of subsidiary questions that explore specific dimensions of the brand loyalty phenomenon in the Saudi retail context.

The subsidiary research questions include

- 1) What is the relationship between customer satisfaction and brand loyalty in Saudi retail stores?
- 2) How does perceived service quality influence brand loyalty among Saudi consumers?
- 3) What role does brand trust play in mediating the relationship between satisfaction and loyalty?
- 4) To what extent do digital engagement and social media interactions contribute to brand loyalty in the Saudi retail sector?
- 5) Do demographic variables such as age, gender, and income moderate the relationships between brand loyalty antecedents and outcomes?

These research questions collectively provide a structured framework for the investigation.

By addressing each question through the analysis of primary survey data collected from Saudi retail consumers, the study will be able to construct a comprehensive picture of the brand loyalty landscape in Saudi Arabia. The answers to these questions will form the empirical core of the research findings and will directly inform the theoretical and practical contributions described in the previous sections.

## **1.5. Research Objectives**

## **1.6. Research Hypotheses**

## **1.7. Research Model**

## **1.8. Research Methodology**

## **1.9. Scope of The Study**

## **1.10. The Suggested Project Structure**

## **2.Chapter 2: Literature Review**

### **2.1. Introduction**

Brief introduction for the chapter

### **2.2. The independent variable**

### **2.3. The dependent variable**

### **2.4. The relationship between the independent and the dependent variables**

### **2.5. Conclusion**

## **References**

