

Final Project 1

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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 20th 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.