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The influence of a retail store manager in developing frontline employee brand relationship, service performance and customer loyalty

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ABSTRACT

Retail managers are critical to the effective performance of a firm given their key role of implementing retailer strategy through the behaviors and attitudes that are instilled within frontline employees. Yet, empirical work in retailing rarely attempts to incorporate perspectives of both the store manager and frontline employee, as well as integrating customer-focused outcomes. In this study, based upon predictions of social exchange theory, we present empirical results that provide an integrative view of how leader-member exchange quality influences the development of a frontline employee's brand relationship, which ultimately influences retail employee performance and customer loyalty/brand equity. The strength of the observed empirical relationships is influenced by contextual factors, including manager brand knowledge and the extent to which strategic information is disseminated among employees. Both theoretical and managerial implications are discussed.

1. Introduction

The importance of managers to the effective operation of the organizational frontline is without question (c.f., Hong, Liao, Hu, & Jiang, 2013; Wieseke, Ahearne, Lam, & Van Dick, 2009). As highlighted by Murray and Evans (2013), *retail managers*, especially, are critical to the effective performance of a firm given their key role in operationalizing retailer strategy through the behaviors and attitudes that are instilled within frontline personnel. Yet, as noted in current research, studies that incorporate retail manager and frontline employee perspectives, especially in relation to key store outcomes, are lacking (c.f., Arnold et al., 2019). Although Grewal and Levy (2007) called for research that investigates the critical leadership role that is played by retail managers over a decade ago, relatively few studies have investigated the retail manager's influence upon frontline personnel and store outcomes. Even fewer studies have gathered data that incorporate the store manager, frontline employee and customer perspectives in a cohesive manner (e.g., Arnold, Palmatier, Grewal, & Sharma, 2009; Jarvis & Williams, 2017). This is concerning, given that physical retail store sales still account for roughly 91 percent of the nearly \$3 trillion of retail sales in the United States alone (www.census.gov 2019), and that even within online retail sales contexts, the frontline manager still plays a critical role.

Beyond the retail realm, studies investigating frontline managers' influence upon employee behaviors and performance have established the critical nature of managerial influence, especially within a sales context, but gaps still remain in our understanding. For example, while a sales manager's leadership style (e.g., transformational and transactional leadership) has been clearly demonstrated to influence such things as employee role commitment (Hayati, Atefi, & Ahearne, 2018), role engagement (Azanza, Gorgievski, Moriano, & Molero, 2018) and employee adoption of strategically-valued work behaviors (Inyang, Agnihotri, & Munoz, 2018), the employee's perception of the *quality* (as opposed to type) of such leadership behaviors has not been investigated. In this regard, our study examines how a retail frontline employee's perception of leader-member exchange quality, in combination with a manager's brand knowledge, influences the strength of the relationship a salesperson has with a store's focal brand. As such, we propose that it is not only the type of managerial style that is an important driver of employee attitudes and performance, but also the quality of the relationship a manager has with an employee that subsequently influences important outcomes.

Similarly, while extant research has investigated the influence of sales manager/employee interactions upon employee sales performance (Ahearne, Haumann, Kraus, & Wieseke, 2013; Kraus, Haumann,

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Ahearne, & Wieseke, 2015), organizational performance (Hu, Yang, & Islam, 2010), employee job satisfaction (Mallin, Gammoh, Pullins, & Johnson, 2017) and customer satisfaction (Ahearne et al., 2013; Kraus et al., 2015), it is rare to incorporate the customer perspective in addition to these other two perspectives.¹ To address this, the current research incorporates not only all three perspectives within a single model, but also investigates the influence of the frontline manager upon the development of employee service behaviors, which is critical to the generation of beneficial customer outcomes.

Consistent with this, the objective of the current research is to incorporate the perspectives of retail managers, frontline employees and store customers in providing an integrative view of how the quality of the leader-member exchange relationship between a store manager and frontline employee ultimately affects key retail outcomes. Frontline salesperson service performance, as well as customer levels of brand equity and loyalty are investigated. This objective not only addresses Grewal and Levy (2007) call for empirical work investigating the role of retail managers, specifically, in affecting retail store performance, but also overcomes the limitations of related work, highlighted previously. The current research builds upon prior service-oriented work where managerial influence was investigated in relation to building employee appreciation for a firm's brand (e.g., Davies, 2008; King & Grace, 2006; Morhart, Herzog, & Tomczak, 2009), but where customer-reported outcomes associated with the employee's brand relationship were not considered. Further, the current work highlights the influence of contextual elements that affect the predicted relationships. First, we investigate the role of a store manager's brand knowledge as a key moderator between leader-member exchange quality and a frontline employee's development of a relationship with the focal brand of a retail store. Next, we examine the influence of strategic knowledge dissemination among store personnel on the positive link between a frontline employee's brand relationship and his/her service performance. The criticality of understanding contextual influencers has been noted in recent work investigating managerial influence of frontline employees (Inyang et al., 2018).

As such, the contribution of the work is three-fold: 1) the effect of the leader-member exchange quality between a store manager and frontline employee is investigated as it relates to the development of an employee's relationship with a store's focal brand; 2) the manager's knowledge of a brand and shared knowledge dissemination are highlighted as critical contextual conditions that both aid in the development of a strong employee/brand relationship, as well as facilitate frontline service performance; and 3) the process of developing both a strong employee brand relationship and level of service performance is shown to facilitate the creation of customer-reported brand equity and loyalty. The relationships are investigated through an integrated perspective, with store manager, frontline employee and customer views being captured (see Fig. 1).

2. Theory

2.1. Social exchange theory and leader-member exchange quality

The theoretical foundation of the relationship between supervisors (leaders) and employees (subordinates) is developed through social exchange theory (Blau, 1964). Social exchange theory is widely used to explain reciprocity in employee-supervisor interactions. Social exchange theory highlights that an exchange relationship between two members is characterized by "voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from

¹ Although Ahearne et al. (2013) do incorporate all of these perspectives, their study is in a field selling context, which is inherently distinct from a retail store setting. In addition, core service elements are not investigated, as they are in the current study.

others" (Blau, 1964, pp. 91–92). Through the norm of reciprocity, the positive (or negative) relationship is implicitly formed between two parties. In this regard, social exchange theory offers the dominant theoretical basis for the formation of leader-member exchange, where leader-member relationships are created through such a reciprocal process (Sparrowe & Liden, 1997).

It should be noted that such a premise of reciprocity assumes a mutually beneficial exchange of value. If one party to an exchange perceives that its share of benefits is not proportional to its contribution to the exchange, then any number of negative outcomes might be anticipated, including dissatisfaction with the relationship and even the dissolution of the relationship (Deutsch, 1985). Such core elements of social exchange theory lay the foundation for a number of different sub-theories within social exchange, including distributive justice and equity theory, as well as leader-member exchange.

Consistent with this, leader-member exchange theory has its origin in social exchange theory, addressing the quality of social exchange relationships between employees and managers (Dansereau, Graen, & Haga, 1975), and investigating the motivation of employees to accomplish organizational goals through high levels of mutual trust and loyalty for the organization/managers. Although core leader-member exchange theory incorporates the perspectives of both managers and employees, we focus specifically upon the employee side of the exchange. Because our goal is to understand how managerial actions influence the development of employee attitudes (c.f., Kraus et al., 2015), we draw upon leader-member exchange theory to infer the employee's perception of the quality of such relational exchange. As such, we define *leader-member exchange quality* as the frontline employee's perception of his/her manager's effective display of transparency, understanding, and support of the employee (Auh, Mengüç, Imer, & Uslu, 2019).

According to base theory, it is through the perceived quality of a social exchange relationship with managers that the norm of reciprocity is implicitly established within employees (e.g., Mengüç, Auh, Katsikeas, & Jung, 2016). An employee's perception of high-quality leader-member exchange generates employee feelings of obligation to reciprocate based upon trust and respect, whereas a perception of low-quality leader-member exchange likely leads to employee behaviors that do not go beyond the scope of formal job descriptions (Erdogan, Liden, & Kraimer, 2006). Over the last two decades, prior research has identified numerous consequences of leader-member exchange, including feedback seeking behavior (Auh et al., 2019), organizational citizenship behaviors (Newman, Schwarz, Cooper, & Sendjaya, 2017), job performance (Erdogan & Enders, 2007), job satisfaction (Fisk & Friesen, 2012; Tekleab, Takeuchi, & Taylor, 2005), commitment to customer value (Schwepker, 2017), creative work involvement (Volmer, Spurk, & Niessen, 2012) and turnover intention (Chen, Wen, Peng, & Liu, 2016) at individual levels, as well as such things as service climate at the unit level (Auh, Bowen, Aysuna, & Mengüç, 2016). Again, though, a differentiating factor in the current research is that we investigate the relational elements of leader-member exchange from the employee's perspective.

3. Hypotheses development

3.1. Leader-member exchange quality and salesperson-brand relationship

Employees can form their brand attitude and behaviors through high-quality social exchange with managers (e.g., Chang, Chiang, & Han, 2012; Morhart et al., 2009). In consideration of the manager-employee relationship, internal brand management practice is greatly improved by the formation of an environment that creates open communication, such as giving/receiving brand information and facilitating positive social and economic exchange relationships (Löhdorf & Diamantopoulos, 2014), thereby ensuring the success of brand knowledge transfer to employees. Prior studies argue that internal branding implementation necessitates high-quality social exchange within

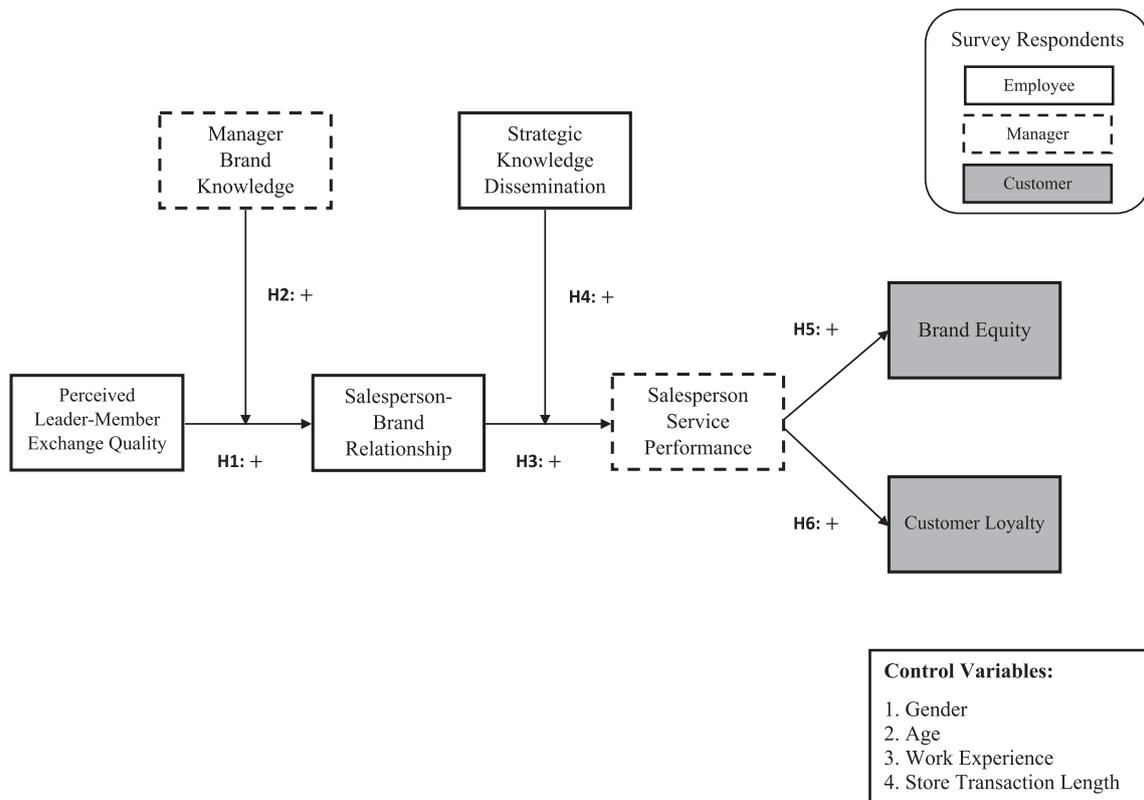


Fig. 1. Hypothesized model.

organizations, enabling employees to acquire relevant and meaningful brand knowledge and positively shape brand attitudes (Aselage & Eisenberger, 2003; Morhart et al., 2009).

Similarly, prior research finds that employees are motivated to build and strengthen the brand image and ultimately become “brand champions” when they perceive that managers support and care about them (Löhdorf & Diamantopoulos, 2014). If store associates believe that their managers care about them, they are likely to reciprocate the support and desire to maintain good exchange relationships (Matta, Scott, Koopman, & Conlon, 2015). For example, as developed through a desire to reciprocate, employees may become better in their job tasks, and try to learn more about the store brand to better serve customers. Therefore, as a result of an employee’s perception of high-quality leader-member exchange, store employees are more likely to develop strong *salesperson-brand relationships*, defined as an employee’s brand trust and positive affect toward the brand (Michel, Merk, & Eroglu, 2015).

H1. An employee’s perception of high-quality leader-member exchange has a positive influence on the retail salesperson-brand relationship.

3.2. The moderating role of manager brand knowledge

Although high-quality leader-member perceptions can influence the shape of employee brand relationships, their influence largely rely on the degree to which managers have good knowledge of the brand. “At a rudimentary level, the process (of internal branding) must start with the transfer of brand-related information from the organization (manager) to the employee” (King & Grace, 2010, p. 941 – parenthetical information added). In this sense, employees must perceive high-quality exchange relationships with store managers who have excellent brand knowledge to educate and disseminate brand information to their subordinates. Investigating the moderating role of manager brand knowledge is critical for understanding when perceived exchange quality is more effective in influencing the development (shape) of an employee’s

relationship with the store brand.

Manager brand knowledge is defined as the degree to which the manager has a good understanding of the unique elements of a focal brand’s identity, as well as knowledge of what the brand stands for (Löhdorf & Diamantopoulos, 2014). In order to shape positive employee beliefs in a brand, brand messages transmitted within the store should clearly deliver core brand values, brand uniqueness, and brand image through high-quality leader-member exchange. Thus, managers should have clear brand knowledge to communicate relevant brand information if the internal branding process is to function effectively (Mangold & Miles, 2007). We emphasize that high-quality leader-member exchange may not be a sufficient condition to build strong employee-brand relationships without accurate brand knowledge delivery from managers, and that the two will necessarily influence one another. Consistent with this, we suggest that a manager’s high level of brand knowledge is more likely to influence an employee in a context where an employee views a relationship with a manager in a very positive manner, thereby being more open to the influences of his/her manager’s knowledge.

On the one hand, when managers have high levels of brand knowledge (e.g., are aware of brand values, can provide a compelling and meaningful brand story, etc.), they are able to better educate employees about the distinct position of the store brand relative to those of competitors, especially within the context of a high-quality social exchange condition. Such interactions will be likely to generate employee brand trust and a positive affective response toward the brand. As a result, the employee internal branding process should be greatly benefited from the appropriate brand knowledge transfer. Prior research argues that employees are expected to comprehensively learn about the brand (e.g., brand values and uniqueness) from managers as a top-down knowledge transfer through two-way communication. Such knowledge may then transform into their brand trust and affect to facilitate meaningful encounters with customers (Vallaster & de Chernatony, 2005; Xiong, King, & Piehler, 2013).

On the other hand, if managers are unsure about their brand, they cannot effectively convey brand information to employees through their exchange relationships. In this situation, though employees may have a perceived high-quality exchange relationship with managers, the brand messages transmitted from managers may be unclear and inconsistent. Employees may doubt brand value and be in a position where it is difficult for them to differentiate the brand from others. Thus, they are less likely to build a positive brand relationship.

H2. The positive effect of employee perceived high-quality leader-member exchange on retail salesperson-brand relationship will strengthen as manager brand knowledge increases.

3.3. Salesperson-brand relationship and service performance

Salespeople who identify with a brand are more likely to expend effort in its favor while exhibiting brand-focused extra-role behaviors beyond work, such as recommending the brand to friends (Ahearne, Rapp, Hughes, & Jindal, 2010). Such a finding clearly demonstrates the importance of employee psychological connection with a brand in developing effortful selling. Further, recent studies have focused on the role of employee brand attachment in influencing employee attitudes and behaviors in the frontline context (Allison, Flaherty, Jung, & Washburn, 2016; Badrinarayanan & Laverie, 2011; Hughes & Ahearne, 2010). In this regard, we consider salesperson-brand relationship as a primary driver of salesperson service performance, as well as a logical action that is consistent with an employee's exhibiting a positive reciprocal behavior that is beneficial to his/her firm (Ahearne et al., 2013). We define *salesperson service performance* as a salesperson's demonstrated understanding of customer needs, provision of empathy toward the customer, and willingness to exceed customer expectations in providing exceptional service (Mengüç et al., 2016).

Prior research suggests that the salesperson-brand relationship consists of multiple dimensions, such as brand affect and brand trust (Michel et al., 2015). This is consistent with the definition offered in the current study. These dimensions reflect an employee's cognitive and emotional relationships with the brand (Chaudhuri & Holbrook, 2001). Employees who have positive brand affect and trust tend to naturally go the "extra mile" to better sell products. The brand knowledge instilled within the employee may also be considered an 'intangible' resource that provides the employee a rich source of knowledge about brand uniqueness and core values, which are then conveyed to customers during selling encounters (Gammoh, Mallin, Pullins, & Johnson, 2018). Thus, salespeople who have a strong brand image and identify with a brand should be more motivated and willing to take the right course of action to achieve desired outcomes (Gammoh et al., 2018). Therefore, we propose the following hypothesis.

H3. Salesperson-brand relationship has a positive influence on salesperson service performance.

3.4. The moderating role of strategic knowledge dissemination

Frontline employees have been acknowledged as key sources of marketing and selling intelligence as their efforts to bring and distribute customer and environmental information generate limited costs for organizations (Le Bon & Merunka, 2006). As boundary spanners, retail sales employees can offer their co-workers direct access to important information about customers and competitors (Lorge, 1998). Thus, important knowledge sharing is critical for store employees to deliver service excellence and effectively sell products to customers. In this study, *strategic knowledge dissemination* is the sharing of strategically important information that is acquired at an individual level through both formal and informal interactions among employees within the store (Jerez-Gomez, Cespedes-Lorente, & Valle-Cabrera, 2005; Sirén, Koh-tamäki, & Kuckertz, 2012). Such "strategically important" information may consist of such things as helpful customer and competitor

information, or strategic actions being implemented by the firm (Sirén et al., 2012). It is not uncommon for such information to be shared at retail store meetings, for example, or even through informal discussion among employees. Further, the sharing of strategic information across multiple levels of employees is seen as critical for successful marketing organizations (de Swaan Arons, van den Driest, & Weed, 2014).

Prior research suggests that contextual factors (e.g., knowledge sharing) may interact with employee brand relationship to contribute to employee behaviors that relate to serving customers (Punjaisri & Wilson, 2011). We propose that knowledge dissemination acts as a synergistic situational moderator that strengthens the positive relationship between salesperson-brand relationship and salesperson service performance. Prior research (e.g., Constant, Kiesler, & Sproull, 1994; Wasko & Faraj, 2005) considers knowledge sharing as a social exchange. This perspective suggests that knowledge transfer through strategic information exchange is an important characteristic of a social exchange process that enables employees to cope effectively with their unpredictable and competitive environments in the workplace.

The concept also has been supported in the frontline context. For example, Auh and Mengüç (2013) underscore the important role of knowledge disseminators (sharers) to share their customer and competitor knowledge based on social exchange theory, enabling co-workers to obtain better understanding of their work environment and job-related skills and knowledge through information sharing within the work unit. Furthermore, this information exchange enables employees to validate their interpretation of information and serve as a driver of store performance (Bell, Mengüç, & Widing, 2010). Based upon this, prior research suggests that a supportive work environment (e.g., information sharing) strengthens (or, if missing, weakens) the effects of employee brand identification on service delivery due to facilitating (hindering) the internal branding process (Punjaisri & Wilson, 2011).

Considering the critical role of knowledge sharing mentioned above, the stronger the retail employees' recognition of the market and customer information through social exchange process among co-workers within the store, the deeper their commitment towards customers and the more their behaviors will be customer-oriented. Thus, employees who are motivated by a strong relationship with a brand perform even better when customer information is shared within the store. In line with this, when brand-committed employees have more customer-focused intelligence, they are more willing to help customers (Burmam, Zeplin, & Riley, 2009).

H4. Salesperson-brand relationship's positive influence on salesperson service performance will be stronger when strategic knowledge dissemination within the store is high.

3.5. Salesperson service performance and customer-based brand equity/loyalty

Due to the interactive nature of retailing contexts, retail employees play a critical role in developing a positive customer experience and perceived brand value. Prior research suggests that employee attitudes and behaviors significantly influence customer attitude toward the store brand through the enhancement of customer satisfaction (e.g., Iglesias, Markovic, & Rialp, 2019). Extending this, we propose that retail employees can be considered key players in influencing the formation of *customer brand equity*, defined as a customer's perception that a brand stands out from other brands and is of higher quality and worthy of a higher price (Netemeyer et al., 2004). Further, retail employees also have the ability to influence customer loyalty through delivering excellent service and brand promise (i.e., fulfilling expectations of a positive brand experience). *Customer loyalty* is defined as a customer's willingness and intention to visit a store in the future, as well as recommend the store to others (Agustin & Singh, 2005).

Indeed, this is what is found by Burmam and Zeplin (2005), as they find that through the internal branding process, employees integrate

brand supportive behavior to deliver consistent quality service and brand promise. Similarly, Biedenbach, Bengtsson, and Wincent (2011) indicate that customer perceptions of employee role performance are largely related to the success of the customer brand building process, which results in the development of customer-based brand equity. Further supporting previous arguments, Wang, Kim, Ko, and Liu (2016) find that perceived service quality positively influences customers' brand attitude and value equity. Homburg, Koschate, and Hoyer (2005) demonstrate that perceived service quality enhances a customer's willingness to pay a higher price for a brand product or service due to increased customer satisfaction. Likewise, Wang et al. (2017) show that service excellence leads to a customer's likelihood of revisiting a store, as well as recommending the store to others.

H5. Salesperson service performance has a positive influence on customer-based brand equity.

H6. Salesperson service performance has a positive influence on customer loyalty.

4. Methodology

4.1. Sample and procedures

Data were collected from three sources including store managers, employees, and customers operating within properties of a major retail management firm in South Korea. Five urban shopping malls operated by the firm were chosen for this research. Each shopping mall has hundreds of "brand-as-store" stores selling various branded products such as apparel, cosmetics, outdoor clothing, sporting goods, golf equipment, and home appliances.

Surveys were distributed to 200 brand-as-store stores (e.g., H&M, Gap, and Nike). Within each store, a store manager, a frontline employee, and two customers who have interacted with the employee were surveyed. Participation was solicited by a trained survey administrator. Once an agreement for voluntary participation was reached, respondents completed a paper-and-pencil based survey. We excluded 9 stores due to the incomplete surveys from employees and/or customers. As a result, we tested the model using three matched samples (a manager, an employee, and two customers) of 191 unique store-as-brand stores. Before analyzing the data, two customer responses at each store were averaged to more accurately measure customer loyalty and customer-based brand equity. The employee demographic characteristics were as follows: the sample mean age of employees was 34.91 with 80.1% female; the average job tenure of employees was 2.46 years. In addition, the customer demographic characteristics were as follows: the sample mean age of customers was 41.84 with 78.8% female; the average time a customer had been purchasing from a given store was 3.41 years.

4.2. Measures

For this field study, the survey questionnaire was initially created in English and then translated into Korean. To avoid any potential errors, the translated version of survey was evaluated by bilingual judges through the back-translation process. Leader-member exchange quality was adopted from Mengüç et al. (2016), which focuses on measuring the degree of an employee's perceived social exchange relationship quality with his/her manager. The measurement scale, also known as LMX7 (Graen & Uhl-Bien, 1995), has been widely used in different cultural contexts such as the United States, South Korea, and Turkey (e.g., Auh et al., 2019; Bauer & Green, 1996; Mengüç et al., 2016). Store employees were asked to evaluate their exchange relationships with store managers with 5-point Likert scales (e.g., "My manager would use his/her power to solve my work problems").

The measures of manager brand knowledge were adopted from Baumgarth and Schmidt (2010). Store managers provided the degree of

their brand knowledge with four items (e.g., "I know how our brand differentiates us from our competitors") on 7-point Likert scales ranging from 1 = *Strongly Disagree* to 7 = *Strongly Agree*. To measure salesperson-brand relationship, we adopted measurement items from Michel et al. (2015). The salesperson-brand relationship measure has multiple dimensions including employee brand trust (e.g., "I trust the brand") and brand affect (e.g., "The brand makes me happy"), each of which has three items. All items used response anchors ranging from 1 = *Strongly Disagree* to 7 = *Strongly Agree*. The reliability of all six items is high ($\alpha = 0.92$). Strategic knowledge dissemination was measured with three items adopted from Sirén et al. (2012). Store employees also were asked to indicate the degree to which strategic customer information is shared/accessed within the store and across employees (e.g., "Within our store, we meet regularly to discuss new strategically important issues"), ranging from 1 = *Strongly Disagree* to 5 = *Strongly Agree*.

Salesperson service performance was measured with six items adopted from Mengüç et al. (2016) study. In order to objectively measure service performance, managers evaluated the extent to which their employees performed services toward customers with response anchors of 1 = *Strongly Disagree* to 5 = *Strongly Agree*.

For two customer outcomes (brand equity and customer loyalty), customers provided their degree of brand equity and loyalty toward a store. Customer brand equity was measured by a three-item battery from Netemeyer et al. (2004), while customer loyalty was assessed by a three-item battery from Agustin and Singh (2005). All the items used response anchors ranging from 1 = *Strongly Disagree* to 7 = *Strongly Agree*. All measurement items are presented in the Appendix A.

4.3. Common method variance

The possibility of common method variance (CMV) that could inflate the strength of associations among constructs was evaluated. As suggested by Williams, Hartman, and Cavazotte (2010), we conducted a confirmatory factor analysis (CFA) marker technique to test for CMV. We used education level (a theoretically unrelated variable) to estimate a method factor loading for a marker variable. First, we generated a baseline CFA model (which includes the marker variable factor loaded on the estimated method variable indicator) and an alternative model (Method-C model, which includes the marker variable factor loaded on the estimated method variable indicator and all other variable indicators). Next, we conducted a chi-square difference test to evaluate whether the two models are significantly different. The result suggests that there is no significant difference between the baseline ($\chi^2(444) = 696.96$) and the alternative model ($\chi^2(413) = 669.40$, chi-square difference: $\chi^2(31) = 27.56$, *ns*). It verified that CMV is unlikely to distort the hypothesized relationships.

Moreover, our study underscores that manager brand knowledge and salesperson service performance were evaluated by store managers while brand equity and customer loyalty (i.e., ultimate outcome variables) were provided by customers with a different rating scale (i.e., 7-point scale versus 5-point scale). The triple-source data with different rating scales are unlikely to promote a potential issue with CMV.

4.4. Measurement model analysis

We conducted a CFA to evaluate the measurement properties and psychometric adequacy among constructs. The resulting CFA model demonstrates an excellent fit to the data ($\chi^2(413) = 672.00$, $p < 0.01$; CFI = 0.94; TLI = 0.94; SRMR = 0.05; and RMSEA = 0.06). Specifically, all the factor loadings are statistically significant on intended factors, and all Cronbach's alphas exceed the minimum criteria (≥ 0.81). The results confirm our measures' unidimensionality.

Table 1 offers evidence of the convergent and discriminant validity for the study variables. Composite reliability scores were above the minimum criteria, supporting the convergent validity. In order to

Table 1
Descriptive statistics and correlation matrix.

Construct	M	SD	AVE	CR	1	2	3	4	5	6	7
1. Perceived exchange quality	4.31	0.65	0.64	0.93	(0.92)						
2. Manager brand knowledge	6.32	0.80	0.74	0.92	0.19**	(0.92)					
3. SBR	4.89	1.17	0.66	0.92	0.37**	0.07**	(0.92)				
4. SKD	3.41	1.02	0.58	0.80	0.22**	0.19**	0.15*	(0.81)			
5. Service performance	4.26	0.59	0.58	0.87	0.20	0.45**	0.22**	0.16*	(0.87)		
6. CBBE	5.78	0.94	0.73	0.81	0.15*	0.24**	0.14**	0.10	0.28**	(0.89)	
7. Customer loyalty	6.23	0.90	0.93	0.98	0.14*	0.26**	0.01*	0.03	0.25**	0.74**	(0.98)

Notes: SBR = Salesperson-brand relationship, SKD = Strategic knowledge dissemination, CBBE = Customer-based brand equity. Coefficient alpha (α) is presented in the diagonal.

AVE = Average variance extracted, CR = Composite reliability.

* $p < 0.05$ (two-tailed),
** $p < 0.01$ (two-tailed).

establish discriminant validity, average variance extracted (AVE) values were estimated. The AVE scores, which are beyond 0.50, were greater than shared variance with other constructs. Furthermore, we conducted a CFA-based discriminant validity test, which compares a two-factor model with a single-factor model for all pairs of constructs. The results show a significant chi-square difference between a two-factor model and a single-factor model for all the construct pairs, providing additional support for discriminant validity. In conclusion, the results confirm that measures are valid and reliable.

4.5. Structural model analysis

As a first step, using Mplus7, a main effects model was estimated to test four linear effects for statistical significance. We controlled nested effects among the five shopping malls for model robustness (using TYPE = COMPLEX command in Mplus). The main effects model added two direct paths between leader-member exchange quality and brand equity and between leader-member exchange quality and customer loyalty to check whether the effects of exchange quality on two outcome variables are fully or partially mediated by two intervening variables (salesperson-brand relationship and service performance). Three control variables (gender, age, and work experience) were also included to control employee demographic differences in relation to salesperson-brand relationship and service performance. These controls were included for a number of reasons. First, our sample consists of a relatively large percentage of female employees, which is typical in South Korean retail settings. Still, we wanted to ensure that gender was not an issue in our results. Second, it is possible that either age or experience (or both) may influence how an employee views his/her work environment, and we wanted to capture this possibility in relation to attitudes and behavior toward customers. In addition, the length of customer store relationship was controlled for customer brand equity and customer loyalty because a long historical store relationship may influence a customer's store evaluation. The resulting main effects model indicates an excellent fit to the data ($\chi^2(333) = 538.47, p < 0.01; CFI = 0.93; TLI = 0.93; SRMR = 0.06; \text{and RMSEA} = 0.06$).

H1 predicts that leader-member exchange quality is positively associated with salesperson-brand relationship. As Model 1 in Table 2 shows, exchange quality has a strong, positive effect on salesperson-brand relationship ($\gamma = 0.68, p < 0.01$), supporting H1. H3 predicts that salesperson-brand relationship positively leads to service performance. In support of H3, salesperson-brand relationship significantly enhances salesperson service performance ($\gamma = 0.12, p < 0.01$). We also propose that service performance will generate brand equity and customer loyalty toward stores (H5 and H6). The results support the two hypotheses by indicating significant links between service performance and brand equity ($\gamma = 0.43, p < 0.01$) as well as between service performance and customer loyalty ($\gamma = 0.39, p < 0.05$) after controlling the length of customer store relationship. In addition, none of the other control variables are significant in the model (see Model 1 in Table 2).

Direct paths between leader-member exchange quality and the two outcome variables were non-significant (brand equity: $\gamma = 0.12, ns$; customer loyalty: $\gamma = 0.14, ns$, respectively), supporting the conclusion that the two intervening variables fully mediate the relationships between exchange quality and brand equity as well as customer loyalty.

We estimated the specific indirect effects in the relationships between leader-member exchange quality and customer-based brand equity and between exchange quality and customer loyalty through two intervening variables (salesperson-brand relationship and service performance). The results show that exchange quality has significant, indirect effects on both customer-based brand equity (indirect effect = 0.025, LLCI: 0.010, ULCI: 0.039, $p < 0.01$) and customer loyalty (indirect effect = 0.022, LLCI: 0.004, ULCI: 0.039, $p < 0.05$).

4.6. Moderation analysis

We propose two interaction hypotheses such that manager brand knowledge moderates the relationship between leader-member exchange quality and salesperson-brand relationship (H2), and strategic knowledge dissemination moderates the relationship between salesperson-brand relationship and service performance (H4).

In order to test the moderation hypotheses (as well as main effect hypotheses), latent moderated structural equation (LMSE) analysis was performed using a robust estimation technique (with TYPE = RANDOM and ALGORITHM = INTEGRATION specification in Mplus). The LMSE approach has been shown to be more robust than any interaction estimation technique (Schermelleh-Engel, Klein, & Moosbrugger, 2017). Additionally, we controlled the potential nested effects (five shopping malls) of study measures with TYPE = COMPLEX specification in Mplus. Since the LMSE model does the numerical integration procedure to estimate interaction terms does not provide standard model fit indices, we conducted a log-likelihood test to compare the fit of the LMSE model (Model 3 in Table 2) with that of the main effects model (excluding two interaction terms; Model 2 in Table 2). The LMSE model provided a better fit than the main effects model ($-2 \text{ Log-likelihood change} = 8.68, p < 0.05$). Model 3 in Table 2 summarizes the results of the LMSE model.

Consistent with our expectation, manager brand knowledge significantly interacts with leader-member exchange quality to influence salesperson-brand relationship in the support of H2 ($\gamma = 0.32, p < 0.01$). In addition, strategic knowledge dissemination positively interacts with salesperson-brand relationship to enhance salesperson service performance ($\gamma = 0.09, p < 0.01$), supporting H4.

We visually represent two moderation effects at the high and low moderator conditions. Fig. 2 shows the effects of leader-member exchange quality on salesperson-brand relationship at the high and low conditions of manager brand knowledge. When managers have a low level of brand knowledge, the positive relationship between exchange quality and salesperson-brand relationship is not strong (slope coefficient: 0.44). However, when managers have strong (high) brand knowledge, the positive relationship between exchange quality and

Table 2
Model comparison and effects.

Hypothesis	Relationships	Model 1 (Main effects model)	Model 2 (Moderator effects to mediators)	Model 3 (Interaction effects model)
H1	Perceived Exchange Quality (PEQ) → Salesperson-Brand Relationship	0.68**	0.68**	0.71**
	Manager Brand Knowledge (MBK) → Salesperson-Brand Relationship	–	0.00	0.07
H2	PEQ × MBK → Salesperson-Brand Relationship	–	–	0.32**
H3	Salesperson-Brand Relationship (SBR) → Service Performance	0.12**	0.10**	0.09**
	Strategic Knowledge Dissemination (SKD) → Service Performance	–	0.09	0.07
H4	SBR × SKD → Service Performance	–	–	0.09**
H5	Service Performance → Customer-Based Brand Equity	0.43**	0.43**	0.42**
H6	Service Performance → Customer Loyalty	0.39*	0.39*	0.39*
	Perceived Exchange Quality → Customer-Based Brand Equity	0.12	0.13	0.13
	Perceived Exchange Quality → Customer Loyalty	0.14	0.14	0.15
Control	Age → Salesperson-Brand Relationship	0.00	0.00	0.00
Variables	Age → Service Performance	0.01	0.01	0.01
	Gender → Salesperson-Brand Relationship	0.12	0.12	0.05
	Gender → Service Performance	0.04	0.04	0.07
	Work Experience → Salesperson-Brand Relationship	0.00	0.00	0.00
	Work Experience → Service Performance	0.00	0.00	0.00
	Customer Store Relationship Length → Customer-Based Brand Equity	0.06**	0.06**	0.06**
	Customer Store Relationship Length → Customer Loyalty	0.04*	0.04*	0.04*
	# of free parameters	87	113	115
	Log-likelihood	–4,431.45	–5,940.29	–5,935.95
	–2 Log-likelihood change	–	–	8.68*
N	191	191	191	

* $p < 0.05$ (two-tailed).
** $p < 0.01$ (two-tailed).

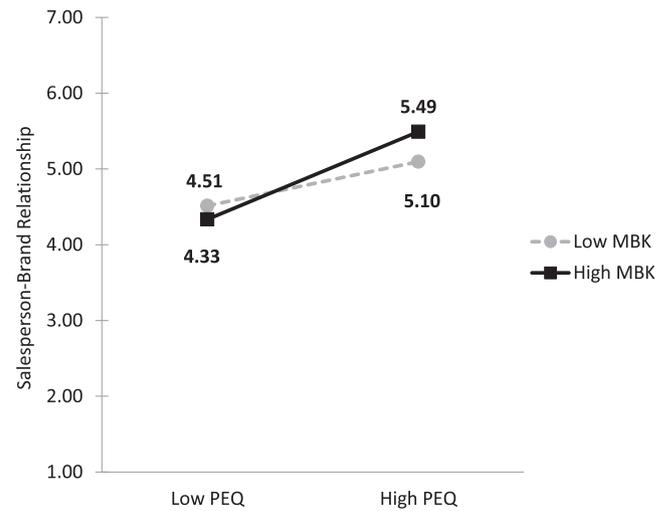


Fig. 2. The moderating role of manager brand knowledge. Notes: PEQ = Perceived leader-member exchange quality, MBK = Manager brand knowledge.

salesperson-brand relationship is significantly enhanced (slope coefficient: 0.86). Next, Fig. 3 presents the moderating role of strategic knowledge dissemination in the relationship between salesperson-brand relationship and service performance. When store employees have less access to strategic information, the relationship between salesperson-brand relationship and service performance is insignificant (slope coefficient: 0.00). On the other hand, such a relationship is significant and strengthened (slope coefficient: 0.16) when strategic information is actively disseminated among employees.

4.7. Moderated mediation analysis

We performed moderated mediation analyses to estimate the conditional indirect effects of leader-member exchange quality on two customer outcomes (i.e., brand equity and customer loyalty) through salesperson-brand relationship and service performance at three conditions of manager brand knowledge and strategic knowledge dissemination (one standard deviation below the mean, the mean, and one

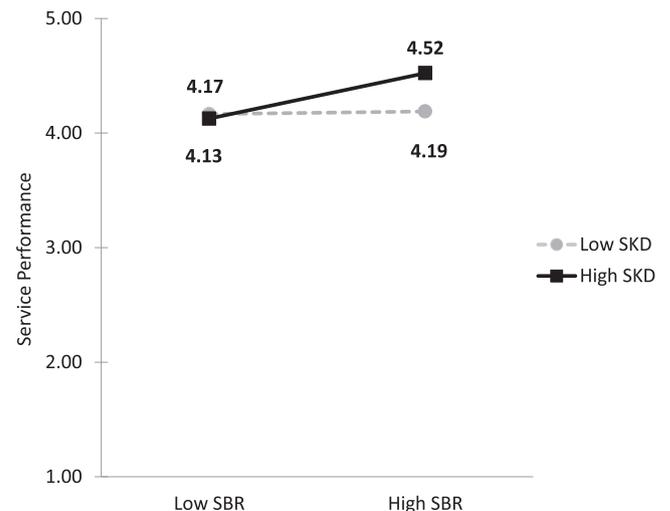


Fig. 3. The moderating role of strategic knowledge dissemination. Notes: SBR = Salesperson-brand relationship, SKD = Strategic knowledge dissemination.

standard deviation above the mean). We employed a bootstrapping approach (with 5000 resamples) to estimate the conditional indirect effects.

First, the indirect effects of exchange quality on brand equity and customer loyalty through salesperson-brand relationship and service performance are weak at the low condition of manager brand knowledge (brand equity: indirect effect: 0.017, LLCI: 0.002, ULCI: 0.041; customer loyalty: indirect effect: 0.016, LLCI: 0.002, ULCI: 0.040). However, the indirect effects become stronger at the mean condition (brand equity: indirect effect: 0.025, LLCI: 0.003, ULCI: 0.055; customer loyalty: indirect effect: 0.023, LLCI: 0.003, ULCI: 0.050) and the high condition (brand equity: indirect effect: 0.030, LLCI: 0.004, ULCI: 0.067; customer loyalty: indirect effect: 0.028, LLCI: 0.004, ULCI: 0.059). We conducted pairwise contrasts among the three conditions for both brand equity and customer loyalty. The results confirm that the indirect effects are statistically stronger in the high condition than in the mean and low condition for two outcomes ($p < 0.05$).

Second, the indirect effects of exchange quality on brand equity and customer loyalty through salesperson-brand relationship and service performance are insignificant at the low condition of strategic knowledge dissemination (brand equity: indirect effect: -0.004 , LLCI: -0.036 , ULCI: 0.029; customer loyalty: indirect effect: -0.004 , LLCI: -0.031 , ULCI: 0.031). But, the indirect effects become significant at the mean condition (brand equity: indirect effect: 0.024, LLCI: 0.004, ULCI: 0.055; customer loyalty: indirect effect: 0.022, LLCI: 0.004, ULCI: 0.049) and stronger at the high condition (brand equity: indirect effect: 0.038, LLCI: 0.011, ULCI: 0.078; customer loyalty: indirect effect: 0.035, LLCI: 0.011, ULCI: 0.068). Pairwise contrasts show that the indirect effects are statistically stronger in the high condition than in the mean and low condition for both outcome measures ($p < 0.05$).

Such results suggest the importance of the moderating conditions to enabling the process outlined in our tested model. That is, manager brand knowledge facilitates the development of a salesperson-brand relationship, which then influences important customer effects. Similarly, strategic knowledge dissemination is needed to develop service performance, which then promotes brand equity and loyalty among customers. At low levels of manager brand knowledge and knowledge dissemination, this process breaks down and the development of valued customer outcomes is weakened.

5. Discussion

5.1. Theoretical implications

The results provide compelling evidence of the importance of creating strong relationships between store managers and frontline employees, as well as highlighting core components for enabling such a relationship, and ultimately linking the process to important customer outcomes. Such detail adds to the literature concerning brand-building within employees (e.g., Davies, 2008; King & Grace, 2006; Morhart et al., 2009), while also adding an investigation of the influence of employee brand relationships upon the customers being served. As store managers often represent the conduit through which corporate strategy is enacted (Inyang et al., 2018), it is critical to understand how to effectively utilize store managers in facilitating the development of frontline personnel (Arnold et al., 2009). Further, the importance of contextual influences upon the development and influence of store manager and employee relationships has not been previously investigated in relation to developing effective service performance among frontline personnel. In short, a manager's brand knowledge is demonstrated to significantly and positively influence outcomes related to a strong interpersonal relationship between a store manager and frontline employee. Employees who are able to learn the position and meaning of a brand through their well-informed manager, with whom they perceive a strong relationship, are in a better position to develop their own strong relationship to a brand, as well as to provide exceptional service to

customers. In addition to highlighting the critical nature of a store manager knowing his/her brand in a detailed manner, it also suggests the importance of keeping such managers in place and working to minimize managerial turnover where inexperienced managers with limited understanding of the flagship brand may fill the role.

In relation to theory, the current work builds upon social exchange theory and, more specifically, core concepts found in the investigation of leader-member exchange. The give-and-take nature of the exchange between a leader and subordinate is demonstrated through the capturing of an employee's perspective of the quality of his/her leader, which then helps in the employee's development of a stronger relationship with the core brand. In short, a manager is perceived to give to an employee through supportive and high-quality leadership, and the employee gives back through forming a stronger bond with the representative brand – such a relationship is at the very core of the reciprocal nature of social exchange theory. Further, the current research demonstrates the importance of capturing the employee's perspective of such a leader-member relationship, which is at the core of developing a sense of reciprocal obligation to the firm. Although we do not directly capture such a sense, it is implied through the strengthening of a positive evaluation of an employer's brand.

Similarly, the findings build upon the importance of *quality* of a leader-member relationship, and highlight that quality likely plays as critical a role as the *type* of management philosophy that is being followed. Previous work has clearly demonstrated the importance of being a transformational leader in helping to develop strong frontline employee performance (Azanza et al., 2018; Hayati et al., 2018; Hu et al., 2010; Inyang et al., 2018), while our findings demonstrate that employee perceptions of leader-member exchange quality are also important in initiating the process of strong employee performance and customer benefits.

Further, the effect of a supportive and reciprocal context is shown to go beyond simply a manager's brand knowledge and perceptions of relationship quality to also include the extent to which strategic knowledge is disseminated to frontline employees. The positive influence of salesperson-brand relationship on service performance is enhanced when the employee can complement such an attitude with knowledge of key strategic insights that are shared with employees within the store. This highlights the potential importance of developing a structure that facilitates such knowledge dissemination.

In total, although this research is more consistent with demonstrating core theory than adding to such theory, the results clearly highlight core elements of operationalizing social exchange/leader-member exchange in a retail context. That is, the importance of the manager continues to be elevated beyond building relationships and sharing brand knowledge to also facilitating meaningful information sharing among store personnel. In combination, all of these key elements (i.e., a strong employee and manager relationship, high levels of brand knowledge by the manager, and shared strategic information among employees) create a context where frontline personnel can operate effectively, which facilitates the development of a beneficial reciprocal behaviors in the employee and ultimately results in positive customer-focused outcomes (i.e., the focal brand is more meaningful and worthy of a higher price than competitor brands, as well as higher levels of customer loyalty toward a store).

5.2. Managerial implications

Given the important role that store managers play in the development of frontline personnel, firms must focus upon the development of effective store management in relation to key variables that are highlighted in the current research. Specifically, emphasizing to managers the importance of understanding the brand that they represent, as well as instilling an awareness of the importance of facilitating meaningful dialogue among store personnel (and management) is not to be overlooked. Training for managers should focus upon developing key brand

insights, as well as putting a structure in place to ensure that key brand/firm strategic insights are disseminated to managers in a timely manner. The accomplishment of such directives could be facilitated through online training modules directed at creating brand knowledge, as well as providing incentives (e.g., cash, certificates of recognition, etc.) for successfully completing brand training seminars. Such training also could include modules related to effectively transferring such knowledge to frontline personnel, as well as creating modules that are specifically designed for frontline employees. Module-based online training is fairly common among successful retailers (Fisher, Gallino, & Netessine, 2019), and the current findings demonstrate the potential importance of such practices. Further, store managers should be aware of what constitutes a meaningful, high-quality relationship with store frontline personnel (de Swaan Arons et al., 2014). Instilling the core elements of developing high-quality leader-member exchange should be a required component of managerial training, and such training should be offered on a consistent basis, with incentives provided for completing training and demonstrated success.

The importance of sharing strategic information among frontline personnel also is apparent from the findings. It is not uncommon for retailers to begin a day or week with the sharing of important information with frontline personnel through physical and virtual meetings, but all too often this information is related more to corporate directives and administrative information. The integration of important strategic information should be transferred to frontline employees, as well (de Swaan Arons et al., 2014). Such information can include the logic for upcoming promotions, the importance of actions being taken by competitors and how to offset such actions, as well as communicating best practices in relation to interacting with customers.

5.3. Limitations and future research

Like all research, this study has limitations that can be addressed in future research. First, though we collect data from three sources for the field study, the field study design was cross-sectional, limiting causal inferences regarding hypothesized relationships from our findings. To establish conclusive results of the proposed relationships, future study may benefit from a longitudinal study design where serial measurements are obtained from the same sample over the study period. A laboratory experiment can be also applied to gain more conclusive causal inferences by controlling other external factors.

Second, our study focuses on the development of a frontline employee's brand relationship and the manager's role in a retailing context. However, the findings may not be generalizable to other frontline contexts (e.g., hotels or restaurants), which may reveal different management approaches to facilitate a frontline employee's brand building. Further research is needed to extend (generalize) our findings beyond such contexts similar to the industry explored.

Third, this study was only able to access two customers in each store to measure brand equity and loyalty due to the difficulty in gaining more comprehensive store permissions and the limited time allowed by the partner store for approaching customers. Although this could be viewed as a potential limitation, we emphasize that two measures were provided by customers who had direct interactions with store employees, and thus, were adequate and objective and enabled us to test our proposed relationships across multiple contexts. Our study did not intend to generalize the effects of service performance on brand equity and loyalty with the response of two customers at each store, but rather confirmed the possible significance and effects of such relationships. Future research needs to explore such relationships with a larger number of customer responses for generalizability.

Due to the limited permissions, we surveyed a manager, an employee, and two customers out of other employees and customers at each store. This might lead to the possibility of selection bias in surveys, which would be a potential limitation of this study. That said, we varied the times that we visited each store, hoping to avoid the bias of only

surveying full-time employees or customers who shop at a given time during a day. We also were not guided by management as to which employee we should contact, and we varied the number of interactions that would take place before approaching customers.

Though our study focuses on the perception of leader-member exchange quality from the employee perspective, future study would benefit to consider the dyadic leader-member exchange relationship between managers and employees and investigate how the degree of exchange perception (dis)similarity interplays with manager brand knowledge to build employee brand relationship and subsequent job outcomes (c.f., Ahearne et al., 2013).

Further, the facilitation of both formal and informal interaction among store personnel that is focused upon the dissemination of key strategic actions and initiatives is suggested to be important in our study, but the mechanics of such exchanges are not investigated. Future research could examine the channels used to disseminate strategic information (e.g., formal versus informal), and what forms of such information are more effective than others across varied channels. For example, how does the sharing of competitor actions and positioning influence a frontline employee's ability to develop a more effective selling strategy for his/her own interactions with customers?

Appendix A

Store employee responses:

Perceived Leader-Member Exchange Quality (1 = Strongly Disagree to 5 = Strongly Agree)

Mengüç et al. (2016)

1. I know where I stand with my manager.
2. My manager understands my work problems and needs.
3. My manager recognizes my potential.
4. My manager would use his/her power to solve my work problems.
5. I can count on my manager to "bail me out" when I really need it.
6. I defend my manager's decisions, even when (s)he is not around.
7. My working relationship with my manager is effective.

Salesperson-Brand relationship

Brand Trust (1 = Strongly Disagree to 7 = Strongly Agree)

Michel et al. (2015)

1. I trust the brand.
2. I rely on the brand.
3. The brand is safe.

Brand Affect (1 = Strongly Disagree to 7 = Strongly Agree)

Michel et al. (2015)

1. The brand makes me happy.
2. I feel my relationship with the brand is exclusive and special.
3. I have feelings for the brand that I don't have for many other brands.

Strategic Knowledge Dissemination (1 = Strongly Disagree to 5 = Strongly Agree)

Sirén et al. (2012).

Within our store,

1. we meet regularly to discuss new strategically important issues.
2. strategically important information is actively shared between store employees.
3. when a store employee obtains strategically important information, it is circulated to other employees.

Store manager responses:

Manager Brand Knowledge (1 = Strongly Disagree to 7 = Strongly Agree)

Baumgarth and Schmidt (2010)

1. I have strong knowledge about the (vision and core) values represented by the brand.
2. I have a clear idea of what our brand stands for.
3. I know how our brand differentiates us from our competitors.
4. I know the origin and tradition of our brand.

Salesperson Service Performance (1 = *Strongly Disagree* to 5 = *Strongly Agree*)

Mengüç et al. (2016)

This frontline employee...

1. understands specific needs of customers.
2. is able to put himself/herself in the customers' place.
3. is able to tune in to each specific customer.
4. surprises customers with his/her excellent service.
5. does more than usual for customers.
6. delivers excellent service quality that is difficult to find in other stores.

Customer responses:

Customer-Based Brand Equity (1 = *Strongly Disagree* to 7 = *Strongly Agree*)

Netemeyer et al. (2004)

1. The brand really "stands out" from other brands of (product).
2. I am willing to pay a higher price for the brand of (product) than for other brands of (product).
3. Compared to other brands of (product), the brand is of very high-quality.

Customer Loyalty (1 = *Strongly Disagree* to 7 = *Strongly Agree*)

Agustin and Singh (2005)

1. I'm willing to purchase products in the store again.
2. I would recommend the store to my friends.
3. If I were to visit the shopping mall again, I would be sure to visit the store again.

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