

# THE ROLE OF RETAIL MIX ELEMENTS IN ENHANCING CUSTOMER ENGAGEMENT: EVIDENCE FROM THAI FAST-MOVING CONSUMER GOODS RETAIL SECTOR

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## Abstract

The current understanding of the effect of the retail mix elements on customer engagement is limited. This study aims to investigate these relationships using a case study of Thai FMCG retail. A review of the relevant literature was conducted to propose a conceptual model consisting of the five retail mix elements (product, service, store, experience, and sales promotions) and customer engagement. A survey methodology was used to empirically validate the proposed conceptual model. Eight-hundred customers who had experience in shopping at two FMCG retail stores located in Khon Kean City participated in the survey. Obtained data were analyzed using generalized structured component analysis. Results show that four retail mix elements, all except the product aspect, significantly affected customer engagement. A multiple-group analysis was conducted using R package lavaan to further investigate the differences between the two retail stores, revealing the shortfalls of one retailer in respect of the other. This paper theoretically contributes to the retail literature by answering a call for investigation of the impact of FMCG's retail mix elements on customer engagement. In addition, the study's results lead to a proposition of strategies that form a practical contribution, and which may be useful for the retailers under investigation and other retail businesses.

**Keywords:** Fast-Moving Consumer Goods, Customer Engagement, Integrated Generalized Structured Component Analysis, Thailand, Retail Mix, Sales Promotions

## 1. INTRODUCTION

Over the past decade, the retail industry has become increasingly competitive (Knezevic et al., 2011). The retail industry encompasses all business activities related to selling goods and services directly to end consumers (Kent & Omar, 2003). Retail businesses play a crucial role in the national economy (Kolte et al., 2021) as they operate at the end of the supply chain (Vaja, 2015).

The competitive advantage of a retail business is determined by its goods distribution level and the market's future success (Gudonavičienė & Alijošienė, 2008), which involves constantly developing business strategies, such as modifying sales promotions (Rajesh & Asokan, 2015). Additionally, retailers can be considered part of the service-oriented industry (Pantano, 2014), focusing on service-related processes. Retail service design, including elements such

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as store layout and ambiance (i.e., the retail environment), is critical to the success of retailers and their service quality (Chen & Tsou, 2012). Meanwhile, retail customers are value-driven (Levy, 1999), and their involvement and engagement depend on the retailer's service quality (Chen & Tsou, 2012).

Among various retail businesses, Fast-Moving Consumer Goods retail (FMCG) operates in a highly dynamic and competitive market (Chernysheva et al., 2017). Today, customers have more shopping options (Mittal & Jhamb, 2016), resulting in reduced store patronage and sales rates (Wang et al., 2020). This suggests that offering a wide range and high-quality products alone does not guarantee success in FMCG retail. Researchers have found that customer needs concerning the retail mix elements, including product assortment, pricing, store location, and promotional strategies, can influence buying decisions in FMCG retail (Levy et al., 2012). Furthermore, shopping orientation (e.g., shopper's style, activities, and behavior) (Paul et al., 2016) is related to customer patronage (Moye & Kincade, 2003) and affects store choice (Davis, 2013).

Research on customer satisfaction has been widely published; however, customer satisfaction has been criticized for failing to capture the depth of customer responses to service performance (Bowden, 2009) and consumption situations (Giese & Cote, 2000). Even satisfied customers may defect due to a negative experience and share their dissatisfaction with peers (Jones & Sasser, 1995). Customer engagement has emerged as an interesting research topic, as it is crucial for understanding insights into service performance and customer behavior (Bowden, 2009; Ng et al., 2020). Consequently, modern businesses focus on delivering customer value efficiently and maintaining sustainable customer engagement (Manosuthi et al., 2021a; Sweeney & Soutar, 2001). Companies view customer engagement as a means to obtain feedback, which they use to improve customer value, business performance, and

develop strategies to enhance customer relationships (Bolton, 2011). Effective customer engagement practices can help generate cash flow for the company (Verhoef et al., 2010). It has been suggested that researchers should explore customer engagement, particularly in the competitive and intense retail context (Chernysheva et al., 2017; Mittal & Jhamb, 2016).

Customers may be reluctant to engage with FMCG retailers if a unique value proposition, such as personalized promotions, innovative in-store experiences, or exceptional customer service, is not offered (Javornik & Mandelli, 2012). Although many studies have explored consumers' responses to various FMCG retail factors (e.g., Roux, 2017), investigations of the relationships between the FMCG retail mix elements and customer engagement remain limited (Azeem & Sharma, 2015; Terblanche, 2017b). There is a lack of research examining the ways in which customers are motivated to engage with FMCG services (Puspitariri, 2021). Understanding how to create customer engagement activities can benefit both companies and customers (Ng et al., 2020). A challenge for retailers is to develop appropriate strategies to increase customer engagement and satisfaction.

The aim of this study is to investigate the relationships between the FMCG retail mix elements and customer engagement in the context of Thai FMCG retailers, with the results being the primary theoretical contribution of this paper. Regarding the practical contribution, the study seeks to identify a set of strategies for the retailers under investigation to use for enhancing their customer engagement. The retail mix elements can serve as resources and capabilities that enable the retailers in this study to build and support their customer engagement. Other FMCG businesses may also adopt the proposed strategies to design their customer engagement activities.

Following this section, a review of the literature on customer engagement and FMCG retail mix elements is provided, along with a set of proposed hypotheses. Section 3

explains the study's research methodology and is followed by the study's results and a set of strategies proposed for the retailers under investigation. The final section concludes the paper and notes the study's contributions and limitations.

## **2. THEORETICAL BACKGROUND**

### **2.1 Customer Engagement**

Customer engagement refers to the customer's readiness to actively participate and interact with the focal retailer, which can be in a positive or negative direction, and at a high or low magnitude, depending upon the nature of the customer's interaction with various physical and/or virtual customer touchpoints (Islam & Rahman, 2016). The customer engagement literature suggests that customer engagement is multi-dimensional and can be studied from many perspectives, namely, (1) cognitive (e.g., how customers think about the company, brand, or products), (2) emotional (e.g., how do they feel or how would they like the experiences the company provides), (3) behavioral (i.e., how many times they visit the company website or follow the company's updates), and (4) social (e.g., how would they recommend the company to their family or peers) (Islam & Rahman, 2016; Ng et al., 2020).

Ng et al. (2020) further indicate that researchers in this field have investigated customer engagement according to four areas: (1) behavioral manifestations beyond purchasing, (2) a psychological state that affects behavior, (3) the cognitive and emotional perspectives of customer engagement, and (4) disposition to an act of willingness or tendency to engage, as well as the process of customer decision-making influenced by a range of interactions and experiences. They further found that most studies explored customer engagement from a perspective of behavioral manifestations, as behavior can be easily observed and measured. Many researchers support the notion that behavior is a critical manifestation of customer engagement, as it encompasses

both cognitive and emotional outcomes and often captures specific consumer-brand interactions (Brodie et al., 2013; Heinonen, 2018). Therefore, the current study investigates customer engagement from a behavioral perspective.

To measure customer engagement, researchers must observe a behavioral manifestation toward the brand or organization that is more than just purchasing behavior (Verhoef et al. (2010). Among many ways used to monitor customer engagement, most studies often investigate word-of-mouth (Blut et al., 2018; Bolton, 2011), recommendations (Bolton, 2011; Lacey et al., 2007; Ng et al., 2020; So et al., 2014), acquiring news of the firms (Bolton, 2011; Zhang et al., 2017), customer feedback (Abbas et al., 2018), customer interactions (Bolton, 2011; So et al., 2014), and viewing a brand as essential or over others (Pansari & Kumar, 2017).

### **2.2 The FMCG Retail Mix**

Retailers employ a more holistic approach to marketing and management to increase their marketing concentration (Azeem & Sharma, 2015) by developing a retail mix as a set of marketing tools that create the desired effect of customer patronage (Arenas-Gaitan et al., 2021). However, consumers have different perspectives when evaluating the retail mix depending on their sociodemographics (Harsh & Resham, 2014). Therefore, management of the retail mix is vital to the success of a business center (Peters, 1990). Terblanche (2017a) noted that retail mix elements are antecedent to customer engagement, as these can address customers' interaction needs which is a critical pillar of customer engagement in the retail business. For example, the customer's perception of product quality directly impacts their engagement (Moye & Kincade, 2003; Verleye et al., 2014) and affects their store choices (Davis, 2013). In this paper, we will further investigate the role of FMCG retail mix elements in enhancing customer engagement, which is presented hereunder.

Many studies have reported different retail mix factors to fulfill customer engagement (Arenas-Gaitan et al., 2021). Still, the elements of the FMCG retail mix related to customer engagement remain unclear (Azeem & Sharma, 2015; Terblanche, 2017b). The retail mix literature suggests that product, service, store, experience, and sales promotions, are the main critical success factors for retailers (Blut et al., 2018; Pan & Zinkhan, 2006). The current study explores the relationships between these five elements on customer engagement in FMCG retail.

Product refers to the variety of instrumental and symbolic connotations individuals associate with the tangible and intangible attributes of a particular product or product category (Helfenstien, 2005, p.77). In the FMCG retail context, offering the right products to customers is critical and can lead to a customer's future responses and interactions (Blut et al., 2018; Kent & Omar, 2003). Blut et al. (2018) further found that retail patronage differed depending on the products offered in such retail businesses, while the product quality and variety offered to customers positively affected customer engagement. Therefore, the following hypothesis is proposed:

H1: Product positively affects customer engagement.

Customers perceive service quality based on their live experiences (Parasuraman et al., 1985). Service involves customer expectations and perceptions of actual service performance (Parasuraman et al., 1988). Service management represents a central retailing area as a prominent feature in patronage literature (Blut et al., 2018). If retailers cannot meet the customer's expectations on service, this leads to perceived negative attitudes and adverse outcomes (Crosby et al., 1990). In the FMCG context, the retail service quality can be perceived from many cues, such as staff behavior (Blut et al., 2018; Solomon, 2010) and home delivery service (Blut et al., 2018; Roy Dholakia & Zhao, 2010). For example, the interaction between customers and staff

(e.g., sales representatives) may lead to additional purchases and customer referrals (Blut et al., 2018). Another study also indicated that home delivery service influences customer engagement (Roy Dholakia & Zhao, 2010). Therefore, the following hypothesis is proposed:

H2: Service positively affects customer engagement.

Store refers to the location of the establishment (Kumar et al., 2017) where customers can save time and journeys (Arenas-Gaitan et al., 2021). Retail location is critical to retailers, and many studies indicate location as an essential factor influencing customer engagement (Blut et al., 2018; Reynolds & Wood, 2010; Solomon, 2010; Sweeney & Soutar, 2001). Blut et al. (2018) explained this relationship in terms of proximity to the customer's location and found that it did not affect customers's word of mouth (i.e., customer engagement). In addition, Gilboa et al. (2020) suggested that having many shops in a retail outlet is considered as a store component. Therefore, location and offering other shops in a retail outlet are both essential store components. The following hypothesis is proposed accordingly:

H3: Store positively affects customer engagement.

According to Restine (1997), an individual's experience depends on the person's goals and the disposition to react in ways that advance the person closest to them. The interpretation of experience is an internal process and continues to operate over time with various degrees of intensity until goals are achieved or abandoned (p.266). In retail business, the literature suggests that experience comes from the store atmosphere and convenience during shopping, and can affect customer engagement in FMCG retail (Blut et al., 2018; Kent & Omar, 2003; Pansari & Kumar, 2017; Seiders et al., 2005; Teller et al., 2016). Once the customer has a positive experience in a store, they are likely to revisit the store (An & Han, 2020). Store

atmosphere can increase the customer's shopping enjoyment, creating a positive customer experience (Blut et al., 2018). Convenience refers to the time and effort consumers invest in purchasing a product; thus, reducing the time or effort required in shopping is crucial (Pansari & Kumar, 2017). In the retail context, perceived convenience leads to a good shopping atmosphere and is vital to customer experience (Kent & Omar, 2003). It is found that frequent customers rely on their previous experiences, and they will tell family and friends if they had pleasant shopping experiences (Blut et al., 2018). Therefore, the following hypothesis is proposed:

H4: Experience positively affects customer engagement.

To generate business, retailers are more interested in selling activities (Pantano, 2014). Retailers use various sales promotion techniques to increase their revenue and this is critical to them as sales promotions can increase the customer's positive perception

toward the retailer (Liao et al., 2009). Sales promotions can be classified as either price or non-price (Diamond & Campbell, 1989), such as Buy 1 Get 1 (Shamout, 2016; Thomas & Chrystal, 2013), Discount (Kolay et al., 2004; Thompson et al., 2012), Gift (Khouja et al., 2011; Lee & Yi, 2019), Ready meal (lower price when close to store closing time) (Glanz et al., 2012), and member card (Allaway et al., 2006; Zakaria et al., 2014). Modern customers respond to sales promotions sensitively (McNeill et al., 2014). It is found that some value offerings, such as discounts, can positively impact customers perceptions (Thelen & Woodside, 1997) and their level of engagement (Ashraf et al., 2014; Kaveh et al., 2021). Therefore, the following hypothesis is suggested:

H5: Sales promotion positively affects customer engagement.

A conceptual model consisting of the five proposed hypotheses is presented in Figure 1 and is ready for empirical validation.

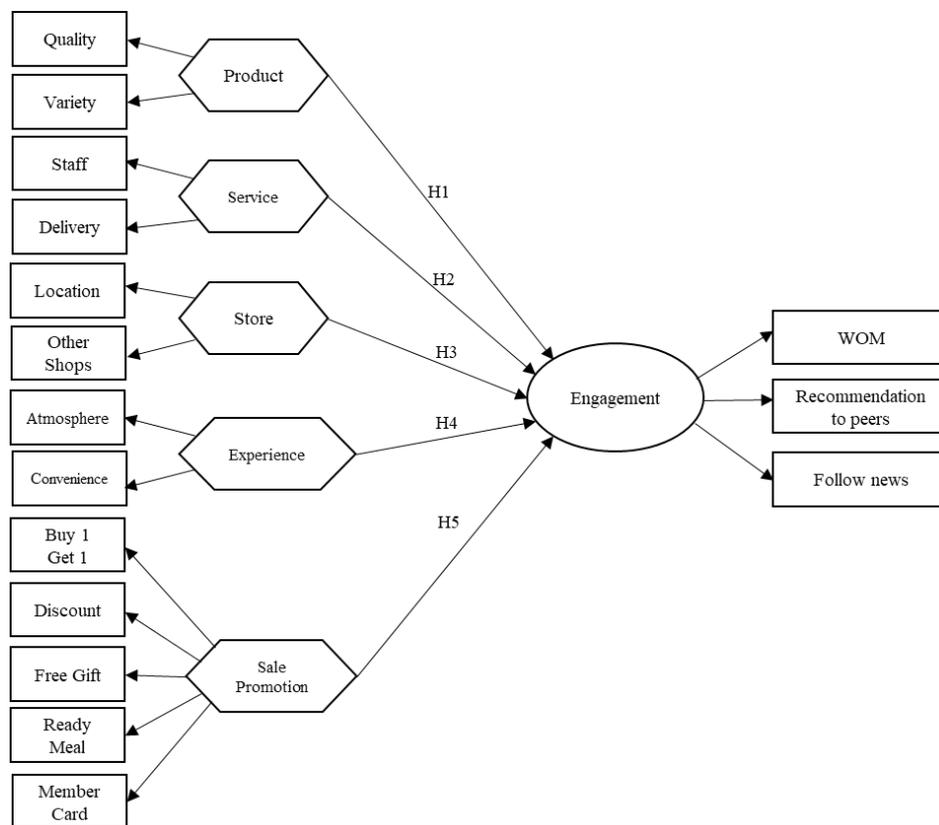


Figure 1 Conceptual Model

### 3. RESEARCH METHODOLOGY

This study investigated the proposed hypotheses using the context of Thai FMCG retailers. In Thailand, there are two FMCG retailers that cover the majority of FMCG market shares: Big C Supercenter and Lotus. The main aim of the study is to find a set of strategies for the retailers under study for use in enhancing their customer engagement. Another benefit of investigating two retail settings is that it is possible to identify the shortfalls of one retailer over another, by comparing between groups.

#### 3.1 Instruments and Analyses

This study employed a survey methodology collecting data from 800 customers of both FMCG retail stores located in Khon Kean City, Thailand. These

customers had an age range of 20 years old and older. Since one customer can be a customer of both stores, when they participated in a survey, they were asked to refer to only one retail store. In addition, they were required to have past shopping experiences with the selected store, as it was necessary to focus on behavioral manifestations. Survey teams approached the data collection sites of both brands. Each respondent was selected using a non-probability purposive sampling, as this method is rational and has a minimum bias (Sekaran and Bougie (2016). Measurements for customer engagement and the elements of the retail mix were adapted from previous research and were included in the questionnaire (Table 1). All scale items were measured using a seven-point Likert-type scale, ranging from 1 (strongly disagree) to 7 (strongly agree).

**Table 1** The Variables Used in the Conceptual Model

Construct	Variable	References
Product	Product Quality	Blut et al. (2018), Kent and Omar (2003)
	Product Variety	Blut et al. (2018)
Service	Staff	Blut et al. (2018), Solomon (2010)
	Home delivery service	Blut et al. (2018), Roy Dholakia and Zhao (2010)
Store	Location	Blut et al. (2018), Reynolds and Wood (2010), Solomon (2010), Sweeney and Soutar (2001)
	Other shops	Ref
Experience	Atmosphere	Blut et al. (2018), Kent and Omar (2003), Teller et al. (2016)
	Convenience	Blut et al. (2018), Kent and Omar (2003), Pansari and Kumar (2017), Seiders et al. (2005)
Sales promotion	Buy 1 Get 1	Shamout (2016), Thomas and Chrystal (2013)
	Discount	Kolay et al. (2004), Thompson et al. (2012)
	Gift	Khouja et al. (2011), Lee and Yi (2019) Buy 1 Get 1
	Ready meal (lower price when close to store closing time)	Glanz et al. (2012)
Customer engagement	Member card	Allaway et al. (2006), Zakaria et al. (2014)
	WoM	Islam and Rahman (2016), Ng et al. (2020)
	Recommendation to peers	Bolton (2011), Lacey et al. (2007); Ng et al. (2020), So et al. (2014)
	Follow news	Bolton (2011), Zhang et al. (2017)

In recent research, composite-based structural equation modeling (SEM) has gained popularity over traditional factor-based SEM, particularly for prediction or exploration objectives (Manosuthi et al., 2021b). Among composite-based SEM approaches, integrated generalized structured component analysis (IGSCA) has been shown to outperform consistent partial least squares (PLSc) in terms of statistical power (H. Hwang et al., 2021; Hwang et al., 2023). Hwang et al. (2023) suggest that IGSCA is an appropriate estimator due to its utilization of all information and its distribution-free nature. Additionally, it provides flexibility for mixed constructs, such as those found in recent studies (e.g., Fakfare et al., 2021; Fakfare et al., 2023; Kaewkhav et al., 2023; Manosuthi et al., 2022a; Manosuthi et al., 2022b; Napontun & Senachai, 2023).

### 3.2 Survey

A small-scale pilot test was conducted to ascertain comprehensibility and assess responses to the survey items (Hult et al., 2004; Matsuno et al., 2014). The survey instrument was originally prepared in English. To minimize misunderstandings caused by differences in expression between languages (Ritsri & Meeprom, 2020), it was translated into the Thai language, and back translated to English to check validity. The translations were undertaken by two different bilingual professional translators (Meeprom and Dansiri, 2020). The researchers and translators discussed any conflicts until an agreement was reached (O’Cass & Sok, 2013).

A field survey was deployed to respondents using a self-administered questionnaire and an electronic questionnaire via Google Forms. In total 800 responses were deemed usable for analysis. Obtained data were analyzed using structural equation modeling (SEM). Convergent validity and discriminant validity were employed to examine the psychometric properties of the construct’s reliability (Hair et al., 2012). The factor loading of each item was tested to

evaluate the reliability of the individual measurement items, with the acceptable level being greater than 0.50 (Bagozzi & Yi, 1988) while the internal consistency measurement model was evaluated using composite reliability and Cronbach’s  $\alpha$  values, via an acceptability benchmark of values above 0.70 (Hair et al., 2012). Average variance extracted (AVE) scores were used to assess convergent validity, with a recommended value of greater than 0.50 (O’Cass et al., 2015). Discriminant validity was assessed by comparing the AVE square root and all corresponding correlations. The Fornell-Larcker criterion was employed for evaluating the discriminant validity (Fornell & Larcker, 1981).

## 4. FINDINGS

### 4.1 Descriptive Statistics

Table 2 provides details of the descriptive demographic characteristics of the 800 customers who made purchases at Big C Supercentre and Lotus’s in Khon Kean City, Thailand. Most respondents were female, accounting for 68.13% of the sample. The largest age group was Generation X (38-53 years), followed by Generation Y (25-37 years), and Baby Boomers (54 years or older). The distribution between the two retail stores was balanced.

Table 3 shows that the obtained data is normally distributed, as the skewness value is between the range -2 to +2 and kurtosis ranges between -7 and +7 (Hair et al., 2010). An ANOVA test was carried out and did not indicate any significant difference between the customers of Big C versus Lotus’s.

### 4.2 Measurement Model

The construct validity was assessed through the methods of convergent validity and discriminant validity, which were confirmed by examining the  $\alpha$  and  $\rho$  values (Benitez et al., 2020; Hair Jr et al., 2020), as displayed in Table 4. The reliability estimates were found to exceed the acceptable levels ( $\alpha > .6$ ;  $\rho > .7$ ;  $AVE > .5$ ) suggested by scholars (Benitez et

al., 2020; Hair Jr et al., 2020; Manosuthi et al., 2021b), and thereby provide strong evidence for construct reliability.

Regarding discriminant validity, Table 5 shows that heterotrait-monotrait (HTMT) values are within the acceptable range: less

than 0.85 in a strict sense (Henseler et al., 2015) and less than 0.90 in an acceptable sense (Gold et al., 2001; Teo et al., 2008). However, Experience-Product and Experience-Store had values greater than 0.90. Rasoolimanesh (2022) suggests that the

**Table 2** Respondents' Demographic Characteristics

Respondent Profile	Category	Frequency	Percent
Sex	Male	255	31.88
	Female	545	68.13
Age (Generation)	Baby Boomer	63	7.88
	X	473	59.13
	Y	264	33.00
Retail	Big C	343	42.88
	Lotus's	457	57.13

n = 800

**Table 3** Skewness and Kurtosis

Construct	Indicator	Mean	SD	SK	KU
Product	Quality	5.77	1.46	-1.10	0.31
	Variety	5.82	1.46	-1.23	0.76
Service	Staff	5.24	1.64	-0.70	-0.39
	Delivery	4.85	1.72	-0.42	-0.77
Store	Location	5.62	1.57	-1.00	0.05
	Other shops	5.32	1.60	-0.81	-0.12
Experience	Atmosphere	5.48	1.46	-0.88	0.08
	Convenience	5.68	1.53	-1.17	0.57
Sales Promotions	Buy1 Get1	5.92	1.49	-1.35	1.03
	Discount	5.44	1.54	-0.79	-0.24
	Free Gift	4.85	1.79	-0.50	-0.69
	Ready Meal	5.06	1.73	-0.54	-0.73
	Member Card	5.02	1.84	-0.63	-0.69
Engagement	WOM	4.58	1.81	-0.29	-0.92
	Recommendation to peers	5.33	1.62	-0.84	-0.23
	Follow news	5.09	1.72	-0.67	-0.50

**Table 4** Reliability and Validity

Construct	AVE	$\alpha$	$\rho$
Product	.916	.909	.956
Service	.855	.831	.922
Store	.811	.767	.896
Experience	.848	.821	.918
Sales Promotions	.675	.880	.912
Engagement	.720	.872	.884

HTMT can only be used to assess discriminant validity in reflective constructs or factor-based models, which are not applicable to the independent variables in this study as they are composite-based models. Rasoolimanesh et al. (2017) suggests using a full collinearity test for determining discriminant validity. The variance inflation factor (VIF) of the components was tested and showed values less than 5 (see Table 5), indicating no significant multicollinearity issues (Hair et al., 2015).

### 4.3 Structural Model

Table 6 reports the coefficients and overall goodness of fit, which were analyzed using the integrated generalized structured component analysis (IGSCA). The FIT value indicates that the overall model explains 63.1% of the variance (FIT = 0.631). The FITs value indicates that the structural model explains 12.7% of the variance (FITs = 0.127). FITm value indicates that the measurement model explains 82.1% value is

**Table 5** HTMT and VIF of Components

HTMT	Product	Service	Store	Experience	Sales Promotions	Engagement	VIF
Product	1.00						3.06
Service	0.74	1.00					2.34
Store	0.88	0.86	1.00				3.52
Experience	0.92	0.80	1.03	1.00			4.09
Sales Promotions	0.62	0.74	0.72	0.69	1.00		1.84
Engagement	0.74	0.85	0.88	0.88	0.76	1.00	

Note: Lower = HTMT; upper = VIFs

**Table 6** Estimates of Weights, Loadings, and Their 95% CI

Type	Construct	Indicator	Weight (w)			Loading (λ)		
			Estimate	SE	95% CI	Estimate	SE	95%CI
Composite	Product	Quality	.52	0.00	[.52; .53]	.96	0.00	[.95; .97]
		Variety	.52	0.00	[.52; .53]	.96	0.00	[.95; .97]
Composite	Service	Staff	.52	0.01	[.52; .54]	.92	0.01	[.91; .93]
		Delivery	.56	0.01	[.54; .56]	.93	0.01	[.91; .94]
Composite	Store	Location	.55	0.01	[.54; .57]	.90	0.01	[.88; .92]
		Other Shops	.56	0.01	[.55; .58]	.90	0.01	[.88; .92]
Composite	Experience	Atmosphere	.55	0.01	[.52; .55]	.92	0.01	[.91; .93]
		Convenience	.54	0.01	[.53; .56]	.92	0.01	[.91; .93]
Composite	Sales Promotions	Buy 1 Get 1	.24	0.00	[.23; .25]	.82	0.02	[.79; .84]
		Discount	.25	0.00	[.24; .25]	.84	0.02	[.81; .87]
		Free Gift	.25	0.00	[.24; .26]	.84	0.01	[.82; .86]
		Ready Meal	.24	0.00	[.23; .25]	.80	0.02	[.76; .83]
		Member card	.24	0.01	[.24; .26]	.81	0.02	[.78; .84]
Factor	Engagement	WOM	.35	0.01	[.34; .37]	.76	0.02	[.72; .80]
		Recommendation to peers	.40	0.01	[.39; .42]	.86	0.02	[.82; .90]
		Follow news	.43	0.01	[.41; .44]	.92	0.02	[.88; .94]

FIT = .631, FITs = .127, FITm = .821, SRMR .052

0.052, indicating an acceptable fit (SRMR <0.09) (Heungsun Hwang et al., 2021). The GSCA measurement model presented in Table 6 shows that all indicator weights and loadings are statistically significant based on 95% confidence intervals.

Results of the path coefficients are presented in Table 7. Most of the paths affecting Engagement are statistically significant at the 95% confidence interval, with the exception of Product (0.010), as the upper and lower bounds of the confidence interval lie either side of zero. The empirically

validated research model is presented in Figure 2, showing that most hypotheses, all except H1, were supported by the obtained data.

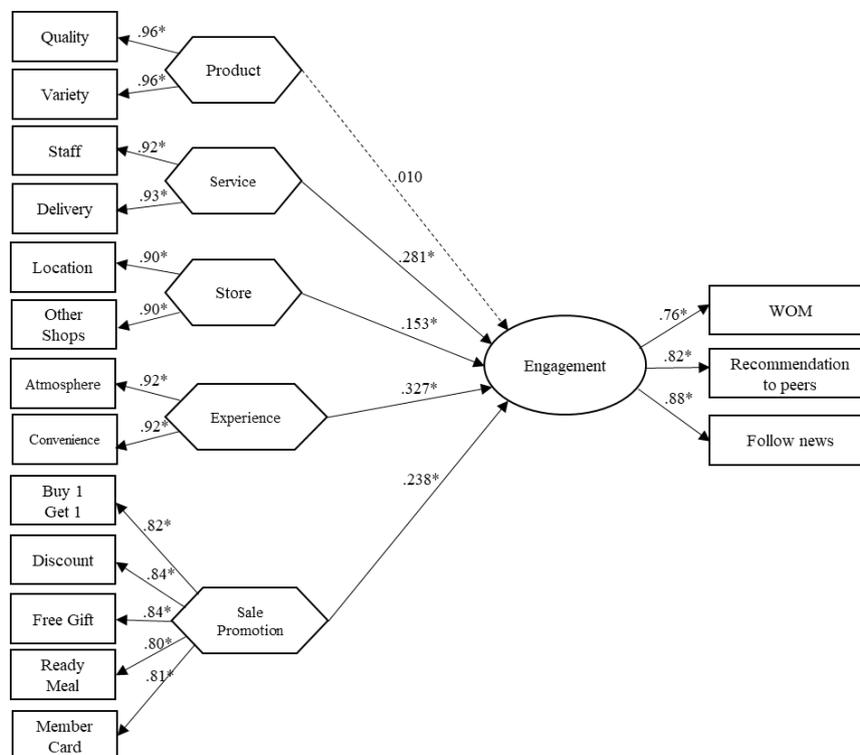
As noted previously, as it was necessary to investigate differences between the two stores, a multiple-group analysis was conducted using R package lavaan (Rosseel, 2012), by combining item-level responses to aggregated item parcels. Thus, the structural equation model includes one dependent factor ‘Engagement’ (3 observed variables) and five composites: Product (2 observed variables),

**Table 7** Estimates of Path Coefficients, their 95% CI, and Fit Indices

	Estimate	SE	95% CI	F <sup>2</sup>	R <sup>2</sup>
Product	.010	.044	[-.079; .092]	.000	0.760
Service	.281*	.044	[.200; .371]	.086	
Store	.153*	.059	[.051; .280]	.024	
Experience	.327*	.051	[.219; .430]	.120	
Sales Promotions	.238*	.034	[.177; .311]	.060	

FIT = .631; FIT<sub>s</sub> = .127; FIT<sub>m</sub> = .821; SRMR = .052

Note: \* = Regression coefficient significant at .05 level



Note: Hexagon denotes composites whereas eclipse indicates factors; \* = 0.05 significance level

**Figure 2** Validated Research Model

Service (2 observed variables), Store (2 observed variables), Experience (2 observed variable), and Sales Promotions (5 observed variables). Table 8 shows that the multiple-group analysis indicated a significant difference between the data obtained from the two stores ( $\Delta\chi^2 = 13.015$  (5, N = 800),  $p = .041$ ).

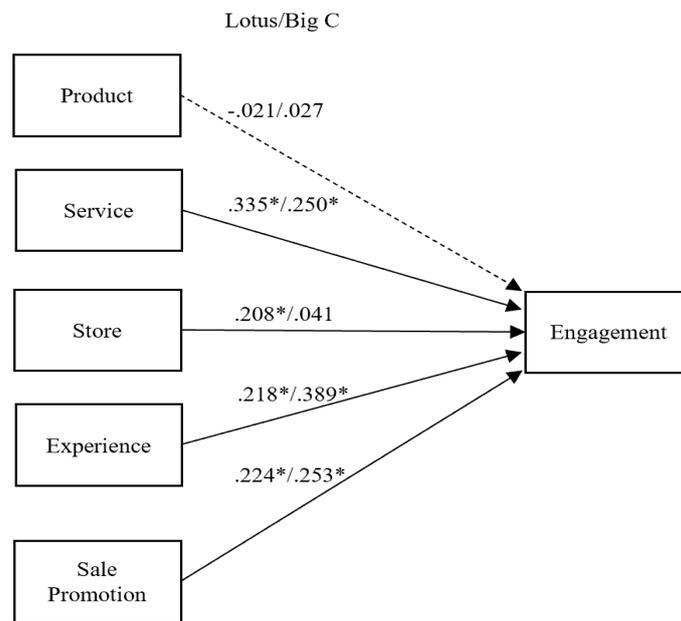
The path coefficients of Big C versus

Lotus are reported in Table 9 and Figure 3. The values show significant and positive coefficients only for Service (0.335, 0.250), Experience (0.218, 0.389), and Sales Promotions (0.224, 0.253). Product is observed to be insignificant for both Big C and Lotus. Meanwhile Store was found to have a significant and positive coefficient for Lotus (0.208), but not for Big C.

**Table 8** Fit Indices Obtained from the Multiple Group Analysis

		df	AIC	BIC	$\chi^2$	$\Delta\chi^2$	$\Delta df$	p-value
Retailers*	Model 1	0	2031.3	2096.9	0			
	Model 2	5	2032.9	2075	11.572	11.572	5	.041

Note: Model 1 is the Constrained model; Model 2 is the Unconstrained model; \* = Regression coefficients between groups significant different at .05 level



**Figure 3** Path Coefficients of Big C Versus Lotus

**Table 9** Estimates of Path Coefficients, their 95% CI, and Fit Indices for the Separated Models

	Lotus Estimate	SE	95% CI	Big C Estimate	SE	95% CI(L)
Product	-.021	0.045	[-0.110; .067]	.027	0.053	[-.077; .130]
Service	.335*	0.039	[.258; .412]	.250*	0.046	[.161; .339]
Store	.208*	0.046	[.117; .299]	.041	0.059	[-.074; .156]
Experience	.218*	0.052	[.115; .321]	.389*	0.06	[.272; .507]
Sales Promotions	.224*	0.033	[.159; .289]	.253*	0.042	[.170; .336]

Note: \* = Regression coefficient significant at .05 level

## 5. DISCUSSION

### 5.1 Theoretical Implications

Customer engagement can be enhanced based on a profound understanding of the many factors and relationships favorably influencing customers' attitudes (Pan & Zinkhan, 2006). The structural model results show that four of the retail mix elements (i.e., service, store, experience, and sales promotions) affected customer engagement. Experience (atmosphere and convenience) had the highest value, followed by Service (staff and delivery), Sales Promotions (buy-1-get-1, discount, free gift, ready meal, member card), and Store (location and other shops), which is consistent with Blut et al. (2018) and Pan and Zinkhan (2006). Retail customers are value-driven (Levy, 1999). Their perception of products and services depends on what is received and given (Zeithaml, 1988). It can be implied that customers are likely to engage in retail more if the retailers provide the customers with a good shopping experience, have customer-oriented staff, and have a reasonable delivery service. This includes offering various sales promotions and having good service facilities with various retail merchandise shops.

In this study, experience was observed to have the highest impact on customer engagement, which is not surprising, as a good experience is generated by the store atmosphere (Blut et al., 2018; Kent & Omar, 2003; Teller et al., 2016) and perceived convenience during shopping (Blut et al., 2018; Kent & Omar, 2003; Pansari & Kumar, 2017; Seiders et al., 2005). The research team conducted a post-hoc interview, finding that Thai people valued atmosphere and convenience the most, as exemplified by these quotes: *"Lotus is more comfortable because the light is enough to see the products correctly with the airy atmosphere, and their toilet always stays clean."* Thus, positive experiences will lead customers to revisit the store (An & Han, 2020), especially since convenience influences customer evaluation and purchase behavior (Seiders et al., 2005).

Store (in terms of location and other shops) was found to have the least effect on customer engagement. Similarly, Blut et al. (2018) reported that location did not influence customers' word of mouth (i.e., engagement) as the customers' peers already knew about the retailers in their area. Despite this, it is argued that the location of retail stores is an essential factor influencing customer engagement, similar to Reynolds and Wood (2010), Solomon (2010), and Sweeney & Soutar (2001). For example, having many other shops offered in or next to the retail store can influence customer engagement, as narrated by one informant who favored Big C over Lotus: *"I prefer to shop at Big C because it is next to home decoration shops, so I can shop simultaneously."*

Interestingly, while the literature suggests that Product (in terms of product quality and variety) should affect customer engagement, the respondents in this study did not value this aspect. This might be because both Big C and Lotus have similar product items and varieties from the same suppliers, which may not sufficiently induce the customers to feel any difference between the two retail stores, and thus this aspect did not affect customer engagement.

Regarding the results of Big C versus Lotus, it was found that the characteristics of Store (in terms of location and other shops) of Big C could not significantly increase customer engagement, compared with Lotus. The post-hoc interview revealed some insights that Big C was perceived to be inferior to Lotus in its service facilities, such as restrooms and parking spaces, as exemplified by the following informant: *"Carpark here (Big C) has a limited space, sometimes I have to park outside which is too hot when I walk to the store."* In addition, the merchandise shops in Big C were observed to be fewer than those of Lotus, and this was obvious from the customer perspective, as noted by the following: *"At Big C I can't find some brands or items. I would waste my time if I had to go to many stores."* This phenomenon may be aligned with the concept "One Stop Shopping", one of the buying

patterns in the 90s (Stowe, 1998). Modern FMCG is a feature of modern life (Felker Kaufman, 1996). By addressing customer needs, retailers must focus on customers' perception of the best value for money, in order to engage with them. If retailers can meet the customer needs, they should succeed (Felker Kaufman, 1996). Accordingly, retail is always detail (Lee & Yi, 2019).

## **5.2 Practical Implications**

The result of the model provides strategic marketing implications for both retailers. First, to increase customer engagement, the retailers should improve their customers' Experience, i.e., the store's atmosphere and convenience. This can be done by, for example, enhancing interior decorations and having music during shopping. These make customers enjoy shopping and can create a positive customer experience (Blut et al., 2018). In addition, reducing time or effort for customers when shopping is crucial (Pansari & Kumar, 2017), as convenience has become a strategic shift to more effective customer management by many companies (Pansari & Kumar, 2017).

Service quality was also observed as the retailer's second fundamental value proposition under investigation. Retailers should improve the staff service mind, continually providing home delivery services. The third and fourth value propositions, i.e., Sales Promotions and Store, were not perceived as firm or equal to Experience and Service. The retailers should continually maintain these aspects. This may be done by constantly changing sales promotions to maintain their competitiveness (Rajesh & Asokan, 2015).

One critical identified shortfall of Big C, compared with Lotus, was its service facilities and various merchandise shops (see Store in Table 8). The observed Lotus under study has a variety of shops, such as a movie theatre and restaurants, and these shops were not observed in Big C. This may be a big challenge for Big C to increase its customer engagement regarding the Store aspect, as it

requires significant investment. In addition, Table 8 shows that Lotus was perceived to be superior to Big C in its Service but inferior to Big C in its Experience. Therefore, to increase Big C's Service aspect, it is necessary to better train the staff and improve delivery services. Lotus can also increase its Experience aspect by providing a pleasant environment (light, music) or developing store design (product shelf, price tag). Improving these aspects should increase customer engagement and ultimately, increase revenue.

## **6. CONCLUSION**

The aim of this study was to investigate relationships between the FMCG's retail mix elements and customer engagement by using the context of Thai FMCG retailers. The primary theoretical contribution of this paper is to answer the gap in the retail literature. Results indicated that most of the retail mix elements significantly affect customer engagement (experience-related, service-related, sales promotions-related, and store-related aspects), all except the product-related aspect.

Regarding practical contributions, the study's result led to a proposition of strategies that may be useful for the retailers under investigation to use, in order to enhance their customer engagement. The proposed strategies include general strategies that both retailers can use to improve the rate of customer engagement in retail, for example, how to increase the experience-related, service-related, and sales promotions-related aspects. The other set is the strategies specific for each retailer, which were identified from the multiple-group analysis of this study.

As with any research, this study has limitations. Future research should include more measurement items in the measurement model. Although the study could compare differences between the retailers, there may be differences between groups of respondents, for example age, frequency of shopping behavior, and spending. Further study should collect data regarding these

items and conduct a multiple-group analysis to reveal insights that may benefit the retailers under investigation.

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