



The effect of store image and service quality on brand image and purchase intention for private label brands

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ARTICLE INFO

Article history:

Available online 17 December 2010

Keywords:

Store image
Service quality
Private label brand
Perceived risk
Price consciousness
Purchase intention

ABSTRACT

This study aims to investigate the direct effects of store image and service quality on brand image and purchase intention for a private label brand (PLB). This study also investigates the indirect effects mediated by perceived risk and price consciousness on these relationships.

The sample in this study consisted of three hundred and sixty (360) customers of the Watsons and Cosmed chain of drugstores. The pre-test results identified “Watsons” and “My Beauty Diary” as the research brands of the PLB for the two stores, respectively. This study uses LISREL to examine the hypothesized relationships.

This study reveals that (1) store image has a direct and positive effect on the purchase intention of the PLB; (2) service quality has a direct and positive effect on the PLB image; (3) the perceived risk of PLB products has a mediating effect on the relationship between the brand image and the consumers purchase intention of the PLB.

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1. Introduction

Private label brands, also known as store brands, are brands owned by the distributor and sold in an exclusive store (Kotler and Armstrong, 1996). As the scale of modern distributors grows, their ability to bargain with manufacturers becomes stronger. In addition, as the economic downturn causes a reduction in consumer income, distributors aggressively build a PLB to increase profits and differentiation (Quelch and Harding, 1996; Richardson et al., 1996). One of the causes for an expanding PLB is that the manufacturers commit to promoting the brand image and transfer the costs to the customers. This raises prices and allows the distributors to participate in the market with lower prices. The annual sales revenue of the PLB worldwide approaches 1 trillion US dollars, and this amount is still increasing (Kumar and Steenkamp, 2007). For retail stores, apart from establishing the differentiation, a PLB can also retain customers and increase yield rate (Hoch, 1996; Private Label Manufacturers' Association (PLMA), 1999; Richardson et al., 1996). Therefore, developing a PLB becomes an important strategy for distributors.

Previous studies about the PLB can be divided into two categories. The first category addresses the proneness between the PLB

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versus national brand promotion (c.f. Hoch, 1996; Narasimhan and Wilcox, 1998; Quelch and Harding, 1996). Ailawadi et al. (2001) and Garretson et al. (2002) further identified some similarities and differences between the two groups. The second category discusses the factors that influence customer attitude towards, or consumption of the PLB (c.f. Baltas, 2003; Batra and Sinha, 2000; Burton et al., 1998; Richardson et al., 1996). Research factors appearing in studies in the second category mostly focus on product-level factors and consumer-level factors. Studies on the product-level factors examine product category (DelVecchio, 2001) and perceived risk (Semeijn et al., 2004), whereas studies on the consumer-level factors examine price consciousness (Burger and Schott, 1972; Jin and Suh, 2005; Sinha and Batra, 1999) and reliance on extrinsic cues (DelVecchio, 2001; Batra and Sinha, 2000).

Although previous studies rarely discuss store-level factors, they are becoming increasingly important (Semeijn et al., 2004). Collins-Dodd and Lindley (2003) and Vahie and Paswan (2006) found that when consumers are unfamiliar with the PLB, they use the store image as the cues for purchasing a PLB. Drawing from attribution theory (Sawyer and Dickson, 1984), the combination of continuously low prices and infrequent professionally developed advertising campaigns might contribute to the traditional belief that the quality of private brands is worse than national brands. Therefore, a store and brand image is a means for reducing these quality associations and extending the PLB's appeal beyond price sensitive segments. For example, 7-Eleven uses the “Open-Chan” (a promotional figure toy) as a symbol to communicate a friendly

store image and enhance the image of its PLB and to attract younger consumers (Qiu, 2006). The service quality of the store is also an important factor influencing the purchasing behavior of customers (Carrillat et al., 2009). Ailawadi and Keller (2004) asserted that retailers could create their brand image by attaching unique association to the quality of their service. Cosmed, a popular chain of drugstores in Taiwan, ensures good quality service by providing consumers with a pleasant physical service environment and a nice shopping experience, successfully enhancing its PLB image (Gao, 2010). However, few previous studies investigate these two factors in the PLB context. This study attempts to fill this gap, at least partially, by examining the effect of the two extraneous variables (store image and service quality) on the brand image and purchase intention of the PLB.

Consumers choose the brand with a better image to reduce the perceived risk. This affects the level of price consciousness and on the purchase intention (Dowling and Staelin, 1994; Rothe and Lament, 1973; Sinha and Batra, 1999). Therefore, perceived risk and price consciousness may be the mediator for the PLB image and the purchase intention. However, previous related empirical studies are rare and they primarily focus only on the mediating effect of price consciousness (Tseng and Hwang, 2003). Another contribution of this study is to integrate and examine the direct and indirect effects mediated by both the perceived risk (a product-level factor) and price consciousness (a consumer-level factor) of the PLB image on purchase intention.

In summary, this study investigates the direct effects of store image and service quality on brand image and purchase intention for the private label brand. This paper also then examines the indirect effects mediated by perceived risk and price consciousness on these relationships. Fig. 1 displays the conceptual framework of this study.

2. Theory and hypotheses

2.1. Research variables

2.1.1. Store image

Martineau (1958) introduced the concept of store image and defined it as the way in which the shopper's mind pictures the store, partly by its functional qualities and partly by its atmosphere of psychological attributes. James et al. (1976), on the other hand, defined store image as "a set of attitudes based upon evaluation of those store attributes deemed important by consumers." Grewal et al. (1998) mentioned that a store's consuming environment, service level, and product quality are so-called store image. In

summary, store image is the perception of consumers based on the multi-attributes of a store. This study defines store image as the overall attitude consumers derive from the intrinsic and extrinsic characteristics of the store.

2.1.2. Service quality

Chakrabarty et al. (2007) defined service quality as the conformance to customer requirements in the delivery of a service. The service gap model (the PZB model) established by Parasuraman et al. (1985) defines service quality as the overall evaluation attitude. This is the degree and direction of discrepancy between consumers' perceptions and their expectation of what is actually delivered. This study adopts the concept of Cronin and Taylor (1992) and uses the actual customers perceived quality as the service quality index. The concept is simple, easy to measure (Brady et al., 2002; Brown et al., 1993; van Dyke et al., 1997), and the effect is the same. For the dimensions of service quality, this study adopts Brady and Cronin (2001), and Rust and Oliver's (1994) assertion that used the overall perception of service quality on the customer's evaluation of three dimensions of the service encounter as the basis for measuring service quality. The dimensions are: (1) interaction quality – the interaction between customers and staffs; (2) service environment quality – the overall atmosphere of the store and the service environment; and (3) outcome quality – the actual service customers receive.

2.1.3. Private label brand image

Aaker (1991) defined brand image as a series of brand associations stored in a consumer's memory. Keller (1993) defined brand image as the sum the total of brand associations held in the memory of the consumers that led to perceptions about the brand. Keller also classified the associations of brand image into quality dimension and affective dimension. Based on the above research, the PLB image in this study is the association consumers add to PLB products, which leads to perceptions of the PLB.

2.1.4. Perceived risk

The term "perceived risk" originated in the field of psychology. Bauer (1960) believed consumer behavior involves risk in the sense that any action of a consumer will produce consequences that he or she cannot anticipate with anything approximating certainty, and some of which are likely to be unpleasant. This concept is based on the concept of the expected loss produced subjectively due to consumer's uncertainty towards the product or service (Stone and Gronhaug, 1993; Sweeney et al., 1999). Cox (1967) further measured perceived risk as a function of the uncertainty of the

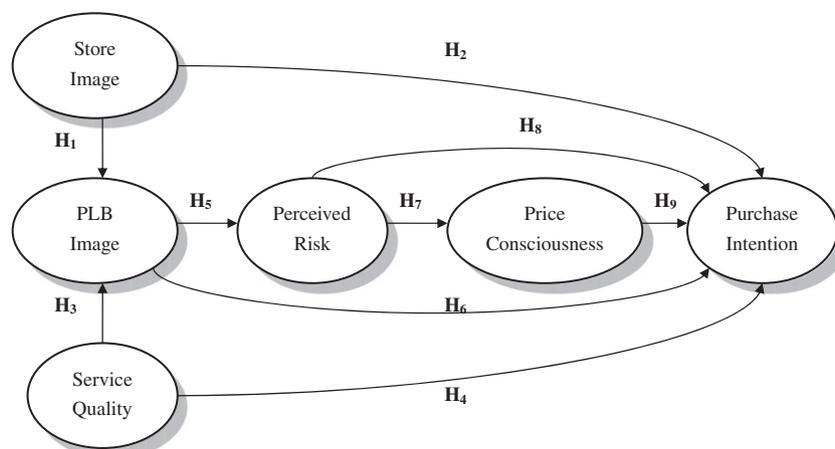


Fig. 1. Conceptual framework.

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