



## Retail brand equity: Conceptualization and measurement

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### ABSTRACT

This article focuses on retail brand equity to understand where this retail brand value stems from and how to measure it. A conceptual framework is defined based on Keller's contributions about brand equity. A qualitative methodology and a confirmatory analysis enable the conception of a model. This one is tested through structural equation modeling with Path-PLS. Results show that retail brand awareness and perceived quality explain the most significantly retail brand equity. Retail brand personalities and retailers with particular managerial values have also a significant influence. Hence, the performance of retail brands depends on the same factors as those of other brands.

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### 1. Introduction

There is a tendency today towards an increasing perceived quality level of retail brands in many countries (e.g., Huang and Huddleston, 2009; Kumar and Steenkamp, 2007; Quelch and Harding, 1996). Qualitative innovation,<sup>1</sup> sophisticated packaging and a wide range of retail brands – from generic products to value-innovator retail brands (Kumar and Steenkamp, 2007) – can create consumer value through real retail brand marketing (Ailawadi and Keller, 2004). One of the sources of retail brand success is perceived quality,<sup>2</sup> which leads to store differentiation and store loyalty (Burt and Sparks, 2002; Corstjens and Lal, 2000; Halstead and Ward, 1995; Richardson, 1997; Rondan Cataluna et al., 2006). Retail branding policies have been developed throughout Europe and, more specifically, in Belgium, the Netherlands, Switzerland and the United Kingdom (Oubina et al., 2006). However, retail brand policies developed by European retailers seem to differ both from one country to the next as well as from one retailer to another within the same country (Johansson and Burt, 2004).

This paper studies the situation of retail brands in France, which is at an intermediate performance level of retail brands in

Europe between the United Kingdom (probably the most advanced) and Italy (among the least developed) if we consider comparable countries. In 2005, retail brands in Europe had a 23% share across 17 markets (Lybeck et al., 2006), which is about the same rate as in France, whereas this rate is much higher in the UK. For example, 51.9% of Sainsbury's and 50% of Tesco's<sup>3</sup> sales come from their retail brands. The growth rate of retail brands (+5%) is twice the growth rate of manufacturer brands, which is about 2% (Lybeck et al., 2006). So retail brands continue their penetration, and they represent a dynamic perspective of development for retailers (Corstjens and Lal, 2000). It focuses on retail brand equity to understand both where this retail brand value stems from and how to measure it in the French retail context.

The retail brand equity concept is a recent view of the value created by retail brands. Few articles have focused on it (Swoboda et al., 2009). So, we define a model of retail brand equity based on Ailawadi and Keller's propositions (2004) and we test it empirically. In other words, the first objective of this research is to conceptualize retail brand equity, i.e., to identify the main components that create and maximize the value of this brand. We use Keller's model as a primary conceptual framework, and we pose the following assumption: the cognitive process used by consumers to perceive brands is the same between retail brands and manufacturer brands. However, as retail brands seem to be closer to service brands, a new model is proposed to reveal specific dimensions of retail brand equity. The second objective aims to confirm the validity of the measures of these components through a confirmatory analysis using a partial least squares (PLS)

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<sup>1</sup> Many retailers' innovations indicate the need to build strong positioning for their brands. For example, Sainsbury's proposes pizza pies with curry; Carrefour the wash liquid in doses; Boots (health and beauty products) launches giant effervescent pastilles for the bath, etc.

<sup>2</sup> Lybeck et al. (2006) showed that retail brands' quality no longer enables us to consider retail brands as cheap alternatives to national brands.

<sup>3</sup> Private Label Magazine, 2009 ([www.privatelabelmag.com](http://www.privatelabelmag.com)).

approach. Expected contributions of this work are both conceptual and managerial.

Because of a dearth of literature on retail brand equity, this research first attempts to provide theoretical contributions on how to conceptualize and measure this concept. Adapting the brand equity concept to retail branding is then of interest for new perspectives to define value components and develop retail brand positioning strategies.

The article is organized as follows. In the first section, Keller's conceptual framework of brand equity is adapted to retail brands in order to suggest a theoretical retail brand equity model and hypotheses. In the second section, a confirmatory analysis verifies measure reliability as well as convergent and discriminant validity of the main retail brand equity components. In the final section, we test hypotheses and theoretical nomological validity. Results are finally discussed in conclusion, including research perspectives.

## 2. Retail brand equity and hypotheses development

A retail brand equity model is proposed from Keller's model (1993) in order to define the main hypotheses of the research.

### 2.1. Keller's brand equity model applied to retail brands and main hypotheses

Keller (1993) defines brand equity as "The differential effect of brand knowledge on consumer response to the marketing of the brand". He suggests that consumer assessments concerning a product with a brand name should be compared to an unnamed product (without a brand). Comparing these two products could then explain the preference, the intention to buy or even the final consumer choice. Keller considers two general components, brand awareness and brand image, and defines them as follows: "Brand awareness relates to the likelihood that a brand name will come in mind and the ease with it does so" and "brand image is defined here as perceptions about a brand as reflected by the brand associations held in consumer memory". Hence, two components determine brand awareness: brand recognition, which requires a brand well known by consumers that means coming to mind spontaneously, and brand recall, which tests consumers' ability to remember brand names according to a specific product category. These brand associations form the meaning of the brand in consumers' minds. However, these associations are not homogeneous. Currently, three categories of brand associations emerge (distinguished by the level of abstraction of the association):

- Brand association with attributes corresponding to "descriptive features that characterize the product". These differences stem from the direct performance of the product, for example: price information, packaging appearance and brand personality<sup>4</sup> are non product-related attributes, unlike ingredients.
- Brand association with benefits corresponding to "the personal value consumers attach to the product attributes, that is, what consumers think the product can do for them". Three categories of benefits can be distinguished: functional benefits obtained from physical product-related attributes; experiential benefits from product-related attributes such as sensory pleasure, variety and cognitive stimulation; and symbolic

benefits from non product-related attributes such as personal expression and social approval.

- Brand association with attitudes corresponding to "consumers' overall evaluations of a brand", which are important because they can explain consumer behavior (e.g., brand choice). They are also related to both product benefits (attributes and functional and experiential benefits) and symbolic benefits. A correct specification or identification of associations is difficult, and the real attitude concept can be misidentified. That is why attitude is usually considered as a general component independent of other associations (Srinivasan, 1979).

According to Keller's model (1993), brand equity occurs "when the consumer is familiar with the brand and holds some favorable,<sup>5</sup> strong<sup>6</sup> and unique brand associations in memory". Based on this approach, general relations between constructs in building brand equity can be determined. However, the content of each construct must be adapted to the specific context of retail brands.

From the Keller's approach, we formulate four main hypotheses applied to retail brands:

**H1.** Retail brand awareness positively and directly influences the consumer's response (retail brand choice and intention to buy) towards the retail brand.

**H2.** Retail brand awareness positively and directly influences the retail brand image, or more precisely:

**H3.** Retail brand image positively and directly influences the consumer's response (retail brand choice and intention to buy) towards the retail brand, or more precisely:

**H4.** Retail brand image is a mediator variable in the relationship between retail brand awareness and the consumer's response (retail brand choice and intention to buy).

Before testing these previous hypotheses, retail brand image concept must be defined precisely. This concept is indeed multi-dimensional and specific for each object of research. To do so, literature review about service brands and an exploratory research are used.

### 2.2. Retail brand image in a retail brand equity model

Retail brands differ from manufacturer brands because retailing is a service business (Berry, 1986, 2000). As retail brands are linked to a real store, their brand image should include associations with the store image (Ailawadi and Keller, 2004; Burt, 2000; Burt and Sparks, 2002; Fullerton, 2005).

#### 2.2.1. Retail brands as service brands: impacts on the retail brand image construct

As a service brand, nothing links a retail brand to a product (as with manufacturer brands and consumer packaged goods) except for the retail company and its stores. As defined from the literature on service brands, a service brand is composed of tangible attributes (product-related) and associations related to the experience with the company (intangible attributes; Berry, 2000; Blankson and Kalafatis, 1999; Brodie et al., 2009; De Chernatony and Riley, 1999; De Chernatony et al., 2003; Hardaker and Fill, 2005; Padgett and Allen, 1997). Hence, a service-brand building process implies a holistic approach based

<sup>4</sup> Brand personality is an important factor for differentiating product-branded items, because "metaphorical and symbolic vocabularies available are much richer" (Biel, 1992). Moreover, brand personality enables us to capture a brand's levels of abstraction.

<sup>5</sup> Dacin and Smith (1994) argued that "the favorability of consumers' predispositions toward a brand is perhaps the most basic of all brand associations and is the core of many conceptualizations of brand strength/equity".

<sup>6</sup> The strength of brand associations depends on the quantity of associations evoked by consumer.

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