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Culture and marketing strategy in discount retailing

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Abstract

Retail development and activity in transition economies is the context for this paper. The paper examines if differences exist in how retailer brand attitudes and store loyalty are realized across cultures. The objective is to contrast the Estonian situation with that of a typical Western country, Canada. Retail service quality (personal service and store organization), pricing and location express retail marketing strategy. This article focuses on retail marketing strategy. The article examines if the same structural model of the brand formation process applies to both cultures. To make the comparison meaningful, the article describes a study covering discount or low-price department stores. Confirmatory factor analysis tests the equivalence of constructs across cultures, and structural equation modeling with AMOS software was used to estimate the overall model of retailer brand formation. Retail service quality is a pivotal variable in the brand formation model.

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1. Introduction

Retailing and services often epitomize the transition from a planned economy to a market economy, yet these sectors receive limited attention in the literature. The Baltic countries, including Estonia and Lithuania, have received even less attention than other Central and Eastern European countries (Loker et al., 1994). Estonia was under very strong control during the Soviet era, and more isolated than some other Central and Eastern European countries until the early 1990s. Focusing research in Estonia helps to address the knowledge gap about the retailing domain in one of the Baltic States.

This paper measures various strategic marketing constructs in Estonia and Canada to compare the equivalence of the constructs across the two cultures. A new model of retailer brand formation is presented that is relevant to retailers in the discount department store category. Retail service quality is a pivotal variable in the model, which is estimated in both countries to ascertain whether similar processes apply to the way consumers form attitudes about the retailer as a brand. One retail category, discount department stores, is used to standardize the comparison between countries. In Estonia, Tallinna Kaubamaja and Maksimarket are two discount department stores. Canada is the Western country chosen as a benchmark for an East–West comparison (Merrilees et al., 2001). The Canadian retailing industry is very mature, with a long history of department store activity, specialist stores and more recently superstores. The two major chains in the discount department store category are Zellers (part of The Hudson Bay Company) and Wal-Mart (USA).

2. Literature review

The extensive service quality literature provides a backdrop for the specific literature on retail service quality, which is the foundation for this study. This study considers the retail service quality literature in the context of transition economies. Dabholkar et al. (1996) develop a model of service quality specifically grounded in the retail sector. Dabholkar et al. (1996) present a shift from the seminal work of Parasuraman et al. (1985, 1988). The hierarchical model produces a five-factor solution (physical aspects, reliability, personal interaction, problem solving, and policy). This model suggests that consumers evaluate retail service quality at an attribute level and at a level of integration. The theoretical framework of the

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Dabholkar et al. (1996) research is exemplary in the development and validation of a scale for measuring retail service quality. However, studies in two developed countries, Singapore (Mehta et al., 2000) and Hong Kong (Siu and Cheung, 2001) only replicate the model partially. The policy variable in particular seems problematic. The policy variable is sensitive to which items are included and also contains a spurious goods component. Building from these empirical and conceptual reasons, the current study excludes a policy dimension in retail service quality.

Transition economies attract much interest from marketers generally (see Batra, 1997; Liuhto, 1996; Merrilees and Serenty, 2000). However, only a few studies address the retail service quality construct in a transitional economy (Kim and Jin, 2002; Zhao et al., 2002). Through testing in China, Zhao et al. (2002) find that their study supports five dimensions of SERVQUAL. Despite the limitations, such studies advance the understanding of the external validity of existing retail service quality research to transition economies. One premise of existing retail service quality measures is that consumers have an ability to reasonably evaluate retail service experiences and make judgements about how marketers provide that service. If consumers' retail service experiences in transition economies can be shown to differ significantly from those of consumers in developed markets, then the use of Western-based items to measure these experiences can be questioned. Consumers in transition economies in the post-Soviet era likely share some of the same experiences as Western consumers.

The physical aspects dimension of retail service quality relates to the store layout. The ability, and capability, to find a product oneself, was something that transition economy consumers often had to do in order to acquire products in short supply. This trait might therefore outweigh the value to be gained from the speed of the service. Another dimension is that of personal interaction, defined as the actions of the retail service personnel, and how they interact with store customers (Dabholkar et al., 1996). Indicators of personal interaction include knowledgeable, courteous salespeople, and the speed of service (Dabholkar et al., 1996; Siu and Cheung, 2001). The importance placed on the attributes of polite, courteous, helpful, salespeople is expected to be more important in transition economies. With the shift to a market economy, and increased retail choice, the assigned role of the salesperson changed, and the expectation is that transition economy shoppers would believe they should now expect to receive greater respect from salesperson than in the past. The overt actions of the salesperson by smiling, saying hello, or thank you demonstrate respect (Schneider and Bowen, 1999). A final indicator of the personal interaction dimension concerns the promptness with which the salespeople serve the customer (Dabholkar et al., 1996; Mehta et al., 2000). The reasonable expectation is that if consumers were questioned directly, they would prefer prompt versus slow service (Garfein, 1988), in a similar vein to the physical aspect attribute of providing a well laid out store. However, the ability to locate and purchase a product may supplant speed of service for shoppers in a transition economy. One's self-sufficiency in finding a product may outweigh potential time savings from prompt service.

3. Research design

The current study focuses on retail marketing strategy through the retail mix of price, location, merchandise, and retail service. All of these variables have previously appeared as explanations of store patronage/loyalty. The current paper differs in that a sub-set of these variables, namely personal service and store organization, termed retail service quality are given special attention as an influence. Additionally, unlike most of the earlier patronage studies brand attitudes about the retailer is considered as a mediating variable. Finally, another difference from previous research is the attempt to measure these constructs and estimate the brand and loyalty model on an overtly cross-cultural basis, through a comparison of Estonia and Canada.

All constructs appear in a broader model of the formation of firstly, brand attitudes to the retailer, and secondly, store loyalty as Fig. 1 shows.

The multi-equation model proposed is:

- $L=f(B;\ \mathrm{Loc};\ P)$
- $B=f(P;\ \mathrm{ORG};\ \mathrm{PS};\ M)$

where L is store loyalty, B is brand attitude, Loc is location attribute, P is low prices, ORG is store organization; PS is personal service and M is merchandise selection.

The common approach for modeling store patronage is to express future purchase intentions as a function of specified store attributes. These attributes usually include variables such as merchandise selection, service, store design, price and location (Rinne and Swinyard, 1995; Dabholkar et al., 1996). Brand attitude likely mediates these processes. For example, the link between brand attitude and loyalty is given in Delgado-Ballester and Munuera-Aleman (2001), Low and Lamb (2000), Sandvik and Duhan (1996), Selnes (1993) and Taylor and Hunter (2003). The model includes price as a potential influence of brand attitude because of the nature of the industry. Price is a critical factor in the discount department store retail category, so price is important in that consumers perceive that low prices are an essential part of the retailer's offer. The study hypothesizes location directly influences patronage rather than have any impact on brand attitude because the brand relates to the national brand irrespective of a particular location. The research design

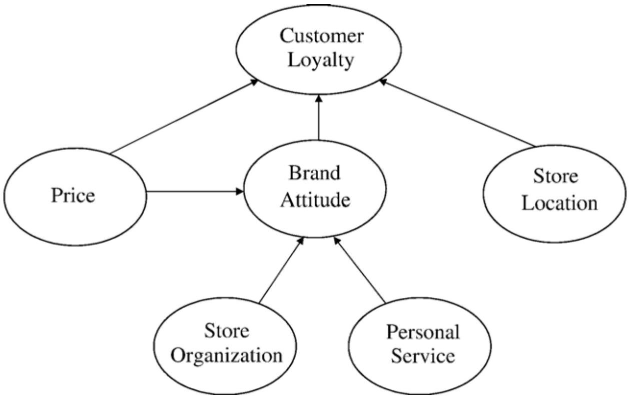

Fig. 1. Model of retailer brand formation in Canada and Estonia.

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