

## Reciprocal Effects Between Multichannel Retailers' Offline and Online Brand Images

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### Abstract

Two experiments were conducted to disentangle reciprocal relationships between multichannel retailers' offline and online brand images. Results support the cross-channel effect of prior offline brand image on online brand beliefs (*biased assimilation*) and that of online performance on offline brand beliefs (*impact*). Consumers' online and offline brand attitudes were influenced by not only brand beliefs from the respective channel but also by beliefs from the other channel. But, strong prior offline brand image was found to mitigate the impact of online performance on offline brand beliefs in the presence of negative online performance (*impact minimization*) as a way to eliminate cognitive dissonance.

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### Introduction

Powered by the fast-growing Internet shopper population, most large retailers operate in multiple channels in today's marketplace. Consumers often find Web sites for traditional in-store retailers, TV home-shopping networks, or catalog retailers, the majority of which operated in just one channel only a decade ago. A recent survey reported that only six percent of the traditional in-store retailers remain offline (Internet Retailer 2004). More than 75 percent of consumers are "brick-and-click" multichannel shoppers, who search for products in one channel but purchase them from another (Lebo 2004). As compared to single-channel shoppers, multichannel shoppers are more shopping oriented and spend more money on shopping (Clearly 2000).

As more consumers adopt multichannel shopping, they increasingly demand consistent experiences across channels (Prior 2002). Nonetheless, little academic research has offered insights into such issues as how shoppers respond to multichannel retailers' various types of cross-channel marketing activity or how consumers' experiences with a retailer in one channel may

affect their brand image about the retailer in another channel. Previous studies of Internet retailing have viewed the Internet channel as isolated from the in-store channel. However, multichannel shoppers are unlikely to separate Internet shopping from other forms of shopping; rather they are likely to regard it as a part of their continual quest to meet their shopping needs (Kaufman-Scarborough and Lindquist 2002). Because virtually all online consumers are multichannel shoppers, the effects of retailers' online marketing activities on consumers' perceptual, attitudinal, and behavioral responses should be examined in a multichannel retailing context.

Consumers use brands as an important tool for organizing information and simplifying their decision making in both cyber and traditional marketplaces (Bergstrom 2000). Consumers respond to a brand's marketing activity according to the brand's image or associations that they have formed from their past experiences with the brand (Brady et al. 2008; Keller 1993). With few exceptions, most online retailers have initiated their online businesses to expand existing in-store or non-store retailing businesses. According to an industry report, only three percent of e-commerce consists of Internet-only "pure-players" (Nantel 2004). Offline retailers' expansion to the Internet may be analogous to product brand extensions. Most brick-and-click retailers operate under the same retail brand name in both channels to exploit the halo effect from their existing offline image, even though their offline and online retail services may differ.

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The brand extension analogy of retailer Internet expansion also suggests applicability of the *dilution effect* of brand extension (Loken and John 1993; Martinez and Pina 2003). That is, a retailer's online performance may dilute the brand's positive image if the online performance fails to meet consumers' high expectations that are based on the retailer's positive offline brand image. Even when multichannel retailers' online and offline operations are managed separately, consumers may associate them if both operations use the same brand name. Therefore, multichannel shoppers may form and update their brand images of a multichannel retailer based on their experiences both offline and online. How accessible, attractive, well-assorted, and controllable a retailer's Web site is and how trustworthy its online service is may damage or enhance the retail brand's offline image. A recent survey (National Survey 2008) reported that after a negative experience online respondents said they would be less likely to shop the retailer's offline store (40 percent), that their opinion of the retailer/brand would be negatively affected (60 percent), and that they would not return to the site (80 percent). In another report, about 30 percent of consumers stopped using the offline stores of a brand whose Web site was poorly designed (Shop.org 2005). Thus, a retail brand that operates in multiple channels may weaken its brand image if its products and services are inconsistent across the channels.

Drawing on the reciprocal relationships between images of a parent brand and a brand extension, we propose that similar reciprocal relationships exist between offline and online brand images of a multichannel retailer. Many studies have examined the effect of an Internet retailer's online performance on consumers' beliefs and attitudes about the Internet retailer (e.g., Hsieh, Chiu, and Chiang 2005; Menon and Kahn 2002; Weathers, Sharma, and Wood 2007). However, as multichannel retailing increases, so does the strategic importance of understanding possible effects on retail brand image when a retailer's performance interacts in the offline and online channels. For example, van Birgelen, Jong, and Ruyter (2006) found that customer satisfaction with a bank's offline and online services interacted to influence behavioral intentions toward the bank. With a few exceptions such as that, academic research on multichannel retail branding has been relatively scant.

To address this gap, we investigated reciprocal effects of offline and online brand images of multichannel retailers. In general, the reciprocity between offline and online images could be initiated in either channel depending on which channel the consumer was using when forming the first impression of the retailer. In this study, we attempted to disentangle psychological mechanisms specifically responsible for reciprocity beginning with an initial offline impression (prior offline brand image). This reciprocity includes (1) the halo effects of prior offline brand image on online brand beliefs and (2) the feedback effect of online performance on offline brand beliefs, which is moderated by prior offline brand image. We also investigated the offline and online cross-channel reciprocity between brand beliefs and attitudes and that between attitudes and purchase intentions. Finally, this study also examined moderating roles played by prior offline brand image in intra- and cross-channel belief–attitude relationships.

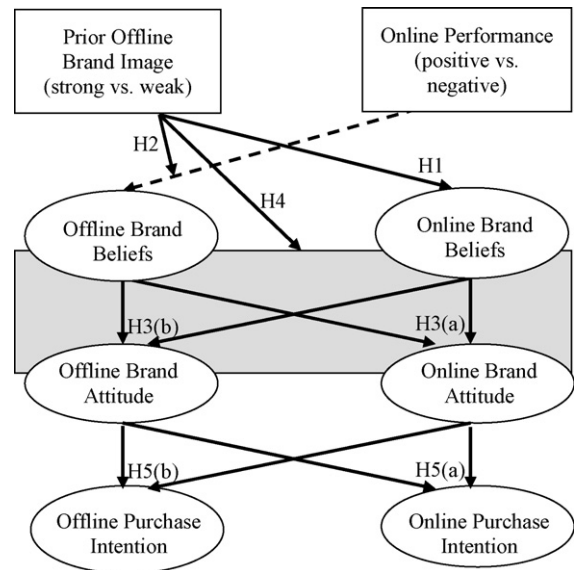


Fig. 1. Conceptual model and hypotheses.

For the context of this study, we selected vertically integrated specialty apparel retail brands (see Appendix A) that manufacture their products under a single brand name and retail them only in their retail stores of the same brand name. We chose these brands because the product brand name and the retail store brand name are identical, eliminating possible confounds from the interaction between different retail store and product brand names (Ailawadi and Keller 2004). We chose apparel brands—specifically those targeting young female consumers—because apparel is one of the best-selling online product categories; its online sales have grown rapidly (DesMarteau 2004), and exceeded online computer sales in 2006 (Mui 2007). Furthermore, apparel brands may be more meaningful than other brands to young consumers because they use apparel to symbolically express self image (Piacentini and Mailer 2004). Accordingly, brand management is an important issue for apparel retailers who need to convey social and psychological values of their products to young consumers (Dunne, Lusch, and Griffith 2002). Thus, specialty apparel retailers targeting young consumers are a good focus for this study.

### Theoretical framework

Fig. 1 presents a conceptual model that delineates (1) the formation of offline and online brand beliefs under an interaction of prior offline brand image and online performance, (2) the relationships between offline and online brand beliefs and attitudes, and (3) the relationships between offline and online attitudes and purchase intentions. This model was created based on cognitive psychology theories such as the summative model of attitude, theory of reasoned action (Ajzen and Fishbein 1980), and a theory of cognitive dissonance (Festinger 1957).

The summative model of attitude (Ajzen and Fishbein 1980) postulates that an individual's attitude toward an object is a multiplicative function of how strongly the individual believes the object possesses certain attributes (*belief strength*) and how

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