Journal of Retailing 85 (4, 2009) 437–452

Journal of Retailing

The Impact of Product-Country Image and Marketing Efforts on Retailer-Perceived Brand Equity: An Empirical Analysis☆

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Received 24 April 2008; received in revised form 6 April 2009; accepted 10 April 2009

Abstract

Although both product-country images (PCI) and firm assets such as brand equity have been extensively studied in separate contexts, we know very little about the combined performance effects of these two important constructs in international research. Extant research has investigated brand equity primarily from a consumer perspective, but rarely from the point of view of a retailer. Retailers represent the ultimate participants in the value chain selling the product to consumers. They have the ability to significantly influence consumers' evaluations and purchase decisions. Based upon existing literature documenting the contributions of PCI and marketing activities on brand equity, this study extends these findings by investigating their effects on retailer-perceived brand equity (RPBE) and ultimate brand profitability performance. Results indicate that both marketing activities and PCI affect retailer-perceived brand equity with PCI also strongly and positively influencing brand profitability performance.

Keywords: Country of origin; Product-country image; Retailer-perceived brand equity; Brand performance

Introduction

In the last two decades, research on brand equity or the value with which a brand name endows a product (Farquhar 1989) has flourished. Within this stream of research, numerous studies have examined the value brands create for investors and manufacturers and ultimately also for consumers (for relevant reviews, see Bello and Holbrook 1995; Keller and Lehmann 2006). However, a large number of products is not sold directly to consumers, but delivered indirectly through retailers. Large retailers such as Aldi, Tesco or Wal-Mart often have much more power than their suppliers, and their decision to carry a product or not can significantly affect a manufacturer's success (Bloom and Perry 2001). For example, if retailers believe that a specific brand does not enhance their performance, they will simply remove it from their assortment (Sloot and Verhoef 2008). If, on the other hand, retailers perceive that the brand delivers value for them, they may provide favorable shelf space or be more willing to cooperate with the manufacturer's marketing activities (e.g., in-store displays, promotions, etc.). Also for retailers, choosing the right brands and/or products is important for their success as a large portion of the revenue and profit of most retailers is generated from selling manufacturer brands (Ailawadi and Keller 2004; Juhl et al. 2006). Despite the crucial role of retailers in the value chain, we know little about retailers' perceptions of brand equity.

In an international setting, several studies show that country-of-origin (COO) directly affects brand equity (e.g., Pappu, Quester, and Cooksey 2006, 2007; Shimp, Samiee, and Madden 1993; Yasin, Noor, and Mohamad 2007). Keller (1998, p. 277) states that, "besides the company that makes the product, the

☆ The authors are listed in alphabetical order and contributed equally to the research. They gratefully acknowledge the insightful comments made by Steven P. Brown, David W. Cravens, the editor and three anonymous reviewers. We also thank Gudrun Binder for her data collection efforts and research assistance.

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0022-4359/$ – see front matter
doi:10.1016/j.jretai.2009.04.004

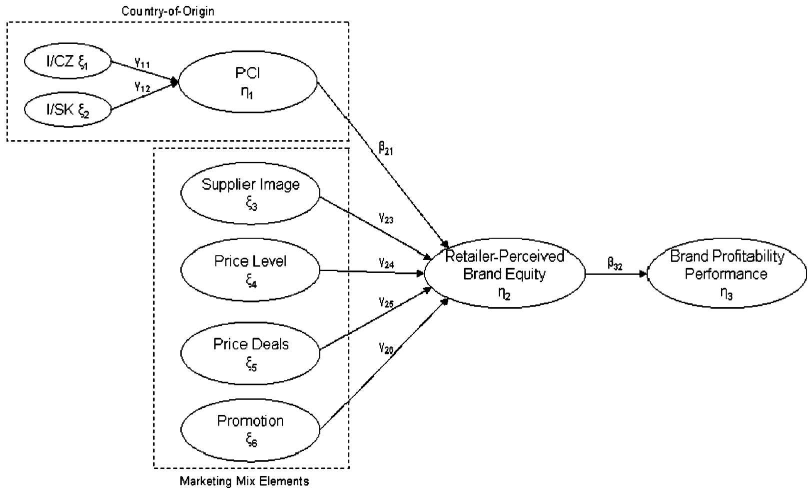

Fig. 1. Conceptual model (without control variables).

country or geographical location from which it is seen as coming from may also become linked to the brand and generate secondary associations". While an impressive body of research has investigated the nature and importance of brand equity (e.g., Keller and Lehmann 2006), our knowledge base needs to be expanded to determine which factors actually *build* brand equity (Barwise 1993; Shocker, Srivastava, and Ruekert 1994). Yoo, Donthu, and Lee (2000) examine the influence of marketing mix elements on consumer-based brand equity. They found that store image, advertising and price level increase consumers' perceptions of brand equity whereas frequent sales promotions destroy brand equity. However, Yoo, Donthu, and Lee (2000) focus only on consumers and do not examine the extent to which COO and marketing mix elements influence retailers' perceptions of brand equity or how they collectively affect brand performance. Certain marketing mix elements such as supplier image and promotion activities might add value to a brand from a consumer and a retailer perspective. High prices, on the other hand, are expected to negatively affect retailers' competitive advantage. Retailers occupy an intermediary position in the value chain, which requires constant comparing and negotiating of prices. High price levels are difficult to justify internally and externally and limit value-creating opportunities (Choi 1991).

The intended contribution of our study is four-fold. First, we assess how brands are perceived by *retailers* (which we subsequently define as retailer-perceived brand equity–RPBE). Second, we extend research on the determinants of brand equity by investigating potential antecedents of RPBE (i.e., various marketing mix activities that enhance or diminish RPBE). Third, we investigate the *incremental* effect of COO as a potentially important driver of RPBE. To our knowledge, no extant research has evaluated the impact of COO over and above that of the marketing mix on brand equity. Fourth, we analyze the performance consequences of RPBE (i.e., its impact on brand profitability—a key indicator of retailer performance; Keller 2003). Because the market success of retailers is largely dependent upon their selection of strong brands, understanding the drivers of brand performance is essential for both manufacturers and retailers (Hoeffler and Keller 2003).

In the following section, we introduce the core constructs under study and develop our hypotheses. Next, we outline the study's methodology, focusing on data collection and measurement issues. We then report the results of testing our hypotheses and conclude by considering theoretical and managerial implications of the findings and offering suggestions for future research.

Conceptual framework and hypotheses

The conceptual model underlying our research is exhibited in Fig. 1 showing antecedents and performance consequences of RPBE. We first focus on the nature of the RPBE construct and its distinction from other constructs, namely retailer equity (Arnett, Laverie, and Meiers 2003; Pappu and Quester 2006) and consumers' perceptions of brand equity. Second, based on prior research (i.e., Pappu, Quester, and Cooksey 2006, 2007; Yoo, Donthu, and Lee 2000), potential antecedents of RPBE are identified. Third, the impact of RPBE on brand profitability performance is assessed.

Retailer-perceived brand equity

Brands create value for all constituents of the value chain (i.e., manufacturers, wholesalers, retailers, and consumers; Aaker 1991; Cobb-Walgren, Ruble, and Donthu 1995). We analyze brand equity from the retailer's point of view and consider three conceptual perspectives: (1) the equity associated with the retailer's brand (e.g., Wal-Mart), (2) the equity associated with the retailer's store brand (also known as private label products such as Great Value, Mainstays, Sam's Choice; see Choi and Coughlan 2006), or (3) retailer's perceptions of the brands they sell.[4] In contrast to Arnett, Laverie, and Meiers (2003) and Pappu and Quester (2006) who focus on the former two perspectives, we concentrate on the third issue, i.e., how retailers perceive the equity of the brands they sell.

[4] We thank one anonymous reviewer for suggesting this important distinction.