

Reciprocity of a Retailer's Corporate Image and Store Image: Moderating Roles of Evaluation Approaches and Corporate Brand Dominance

Bernhard Swoboda and Karin Pennemann

Abstract

The aggressive internationalization and diversification of service organizations, especially retailers, has been accompanied by a dearth of research on the advantages of establishing relations among corporate, store and product brands across countries. To address this lack of information, this study examines the reciprocity of retailer's corporate image and store image as well as the moderating roles of culture-specific and firm-specific factors. Based on the accessibility-diagnostics theory, we hypothesize that the two images are connected through feedback loops, where the store image has a greater degree of influence on the corporate image than vice versa. Furthermore, we hypothesize that the variation in the reciprocal effects of the corporate and store images is explained by consumers' culture-specific evaluation approaches and corporate brand dominance. Based on experiments conducted in a country with an analytical style of thinking and a country with a holistic style of thinking as well as an experiment considering a fictitious retailer, the results from the non-recursive models indicate that the two images interact throughout several cycles of the feedback loop. Moreover, the degree of reciprocity is enhanced by the consumers' holistic thinking and perceptions of a firm's branding strategy. Managers should take note of these important reciprocal relations because although they manage retail brands across different organizational levels, for consumers, the store image is more important than the corporate image. Moreover, the reciprocity of the corporate and store images provides greater benefits in predominantly holistic Asian countries than in analytic western countries.

Keywords

International retailing, image, reciprocity, evaluation approach, culture

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1 Introduction

A retailer's corporate image and store image, i.e., the perceptions a customer holds about the retail firm or retail store (Keller 1993), are known to be drivers of a consumer's choice of store and a retailer's performance (Ailawadi/Keller 2004; Corstjens/Lal 2000; Grewal/Levy/Lehmann 2004; Martenson 2007). However, a retailer's corporate image may be a function of the retailer's store image and vice versa. Therefore, the interrelations between the two are important. This study addresses the lack of empirical findings on this reciprocity that is the effect of corporate image on store image and the resulting feedback effect of store image on corporate image (this cycle continues until the feedback loop is closed) (Martens/Haase 2006). This relationship is crucial because the two images are managed at different organizational levels (i.e., the corporate and store levels), although both levels aim to attract customers. More importantly, because of their diversification and internationalization, leading retailers have grown to become complex organizations that manage multiple retail brands and are forced "to carefully design and implement a brand architecture strategy to maximize retailer brand equity and sales" (Ailawadi/Keller 2004). For example, the retail giant Carrefour has become a multi-format retailer that includes different brands, chains and formats (e.g., Carrefour hypermarkets, Ed supermarkets and Shopi convenience stores). Carrefour has recently endorsed select retail brands (e.g., Carrefour City, Carrefour Express and Carrefour Contact) under its corporate banner and has implemented this strategy consecutively in over 40 countries. Thus, it is of particular importance for global retailers to know whether the reciprocity between their corporate and store images benefits them internationally. While considering this type of global-retailer perspective, this study addresses the reciprocal relationship between corporate and store images by focusing on consumers' analytic and holistic styles of thinking (i.e., their evaluation approaches) to determine the differences in consumers' culturally inherent perceptions across countries.

Neither the reciprocal relations between a retailer's corporate and store images nor the international retail brand management of retailers has been intensively analyzed in previous studies. Thus, two research gaps exist.

'Reciprocal relations' are explored by Kwon and Lennon (2009) for multi-channel retailing, but their analysis does not adhere to our understanding of a feedback loop. Moreover, many studies explore so-called top-down or bottom-up effects separately rather than as feedback loops. Prior research on top-down effects mostly considers the corporate level first and analyzes its spillover effects to the lower levels of the brand hierarchy, such as stores (Chebat/Sirgy/St-James 2006; Helgesen/Havold/Neset 2010), service brands or national brands (private labels) (Berens, van Riel/van Bruggen 2005; Martenson 2007). Few studies

discuss the bottom-up direction (for calls on this research direction, see, e.g., Keller/Lehmann 2006). More significant is the lack of empirical research considering how the images at the corporate and store levels interact reciprocally. However, the relationship between corporate image and store image might be dominated by multi-sensual store experiences or by the perception of the corporate communication. Both scenarios are relevant for retailers and should be analyzed in detail in terms of the accessibility-diagnostics theory (Feldman/Lynch 1988).

There is a dearth of research focused on international retail brand management (two studies that consider expectations from a consumer's perspective are Chaney/Gamble 2008 and de Mooij/Hofstede 2002). However, increasing retailer diversification and internationalization in particular have caused the management strategies of brand architectures to become more ambiguous and have thus increased the difficulty of benefiting from the implementation of different strategies across countries. First, the differences in consumer behavior across countries are crucial because, for example, culture-specific styles of thinking affect consumers' evaluation of brand extension (Monga/Roedder John 2007). Thus, typical holistic thinkers, who constitute the majority in Asian countries and evaluate an object based on the context and relationships, perceive top-down and bottom-up effects differently from analytic thinkers, who constitute the majority of the population in Western countries (Nisbett/Peng/Choi/Norenzayan 2001). The differences in culturally inherent perspectives are relevant because retail internationalization has recently involved expansion into developing, culturally distant countries (Goldman 2001). Second, firm-specific factors, such as the branding strategy or the corporate brand dominance, can strengthen the top-down effect via their interactions with the corporate image (Berens et al. 2005).

In summary, the aim of this study is to analyze the following research question: How are corporate image and retail store image reciprocally related i.e., are the effects of corporate image or store image more significant? Expecting strong moderating effects to exist with regard to the contexts of global and diversified retailers, we explore the following questions: Does the evaluation approach moderate the reciprocity between these two images? Does corporate brand dominance or the perceived corporate branding strategy moderate the reciprocal relationship between corporate and store images?

In response to these questions, this study contributes to the field of marketing research, especially to our understanding of the effects of reciprocal images within an international context. We chose retailing as the context, but the results may also apply to international multi-channel service corporations in general. From a theoretical perspective, we contribute to the knowledge of the reciprocity between international retailers' corporate and store images

by elucidating how customers draw inferences from these two image levels. Using the accessibility-diagnostics theory (Feldman/Lynch 1988), we demonstrate how reciprocal effects vary according to a consumer-specific criterion (i.e., the evaluation approach) and according to a firm-specific criterion (i.e., corporate brand dominance). From a methodological perspective, we contribute to the literature by employing a non-recursive structural equation model based on an experimental design that accounts for feedback loops to test simultaneously reciprocal effects (Martens/Haase 2006). This methodological approach correctly disentangles the reciprocity in terms of the initial effects and the feedback effects. Finally, this study is of interest to managers because they attempt to influence consumer behavior through actions undertaken at both the corporate and store levels. Thus, managers should understand how these levels interact. Specifically, we contribute to a globally relevant understanding of how culture-specific styles of thinking affect perceptions of reciprocal images, which enhance a retailer's capability to manage both levels efficiently in accordance with the increasing internationalization into culturally distant countries.

The remainder of the article is structured as follows. We apply the accessibility-diagnostics theory to deduce a set of hypotheses that are tested experimentally. In a first experiment, we apply a 3 (message) x 2 (evaluation approach) x 2 (branding strategy) design by using the answers from 600 respondents from two countries (a Western country with an analytical style of thinking and an Asian country with a holistic style of thinking) to evaluate a retailer that operates with two retail brands in both countries. In a second experiment, we validate and extend our results by using a 2 (message) x 2 (evaluation approach) x 3 (branding strategy) design while considering a fictitious corporate brand. We then present the results, which are followed by a discussion and suggestions for further research.

2 Theory and conceptual framework

2.1 Accessibility-diagnostics theory

To explore consumers' perceptions (e.g., images), we need to understand their preceding cognitive processes. The accessibility-diagnostics theory introduced by Feldman and Lynch (1988) explains which information consumers rely on while making evaluations and under what conditions they do so. Therefore, this theory serves as the theoretical foundation of our study. The theory consists of two mechanisms: accessibility represents the ease of retrieving an input from memory (Menon/Raghubir 2003), and diagnostics refers to the usefulness of the retrieved information in making a certain evaluation about a target (Schwarz et al. 1991). The likelihood of using information for an actual evaluation is described as a function of the

accessibility and diagnosticity of the information in the memory (Lynch/Marmorstein/Weingold 1988).

The first premise to making memory-based evaluations states that certain memories are accessible (Feldman/Lynch 1988). This assumption is true if the consumer can retrieve this information from his or her memory. In addition, Feldman and Lynch (1988) argue that cognitive processes can differ greatly depending on a previous response or action that causes certain information to be more accessible and more diagnostic than other available information.

The second premise for making memory-based evaluations states that diagnostic memory is used for a task at hand. Diagnosticity refers to the “degree to which the use of each type of information allows consumers to accomplish their objectives in the particular decision task at hand” (Lynch et al. 1988). A high similarity or a greater degree of shared associations between two objects enhances the diagnosticity of information about one object to the evaluation of the other object (Skowronski/Carlston 1987; Ahluwalia/Gürhan-Canli 2000). If information is highly accessible, this high degree of accessibility serves as a proxy for diagnosticity (Schwarz et al. 1991; Menon/ Raghurir 2003). That is, the consumer is a “cognitive miser” (Lynch et al. 1988) who will attempt to reduce search costs if accessibility on its own provides a sufficient amount of input for a decision.

2.2 Conceptual framework

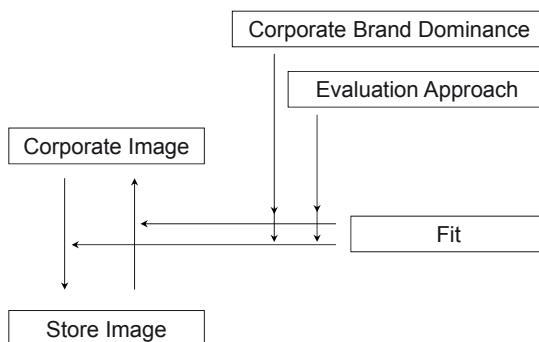
Our conceptual framework (see Figure 1) relies on both theoretical mechanisms (i.e., accessibility and diagnosticity). We assume that there is reciprocity between a retailer’s corporate and store images that is determined by the perceptions that customers hold of the retail firm and the retail store based on their memory-based associations (Keller 1993), which are distinct from the reputation of the corporation and/or store (Walsh/Beatty 2007). Reciprocity (i.e., the effect of store image on corporate image and the resulting feedback effect of corporate image on store image) follows the accessibility mechanism through which customers easily retrieve related associations. The corporate image and store image are related across nodes in a consumer’s memory, and image information (e.g., the image of a store) becomes accessible and salient for evaluating the target image (e.g., the corporate image).

To anticipate the boundary conditions of the reciprocity of images, we consider culture-specific and firm-specific variables because both influence accessibility and therefore the ease of retrieving information.

The evaluation approach is a culturally inherent style of thinking (Nisbett et al. 2001). Holistic thinkers evaluate an object (e.g., a corporation) based on the relationships that exist between the object and the context, whereas analytic thinkers decontextualize the object and focus on the object itself. Therefore, an individual's evaluation approach affects the accessibility of his or her contextual information. If a holistic consumer evaluates, for example, a corporate image, he or she may consider the store as contextual information and rely on this information to evaluate the target image (e.g., the corporate image) based on his or her primed thinking even more than an analytic consumer.

In addition, the corporate branding strategy determines the accessibility of information. The perceived linguistic and visual dominance of the corporate brand in customer communication is defined as corporate brand dominance and depends on the corporate branding strategy (Berens et al. 2005). A monolithic branding strategy implies high corporate brand dominance, whereas standalone branding (e.g., mono-brands) indicates low corporate brand dominance (Olins 1989; Berens et al. 2005). In the monolithic case, the communication of the corporate brand dominates the communication concerning of the store. Thus, customers may perceive a high level of corporate brand dominance and easily recall corporate information when evaluating the store image.

Figure 1: Conceptual Framework



However, the culture-specific and firm-specific determinants of accessibility may not provide sufficient criteria for explaining information retrieval. Thus, as an additional criterion, diagnosticity, which stimulates the retrieval of information from a certain image level, is determined by the fit between the corporate image and the store image. The fit is defined as the number of shared associations between images (i.e., the fit characterizes the similarity between objects Park, Milberg & Lawson 1991). If a high level of similarity between images

is assumed, a related image is a diagnostic piece of contextual information used to evaluate the target image (Ahluwalia/Gürhan-Canli 2000; Morrin 1999). Consequently, as Feldman and Lynch (1988) suggest, accessibility (in terms of the evaluation approach and corporate brand dominance) and diagnosticity (i.e., the fit) interact and may affect both the top-down and bottom-up effects on image perceptions.

In sum, the conceptual framework is explained by two underlying mechanisms: accessibility and diagnosticity. Accessibility varies depending on the following: the affective character of the image level from which information is retrieved, the moderating role of the consumer's evaluation approach, and the moderating role of corporate brand dominance. Diagnosticity varies depending on the level of fit between the cause and objective of the information transfer. Additionally, diagnosticity can be overridden by a high level of accessibility.

In the following sections, each relationship is discussed from a theoretical perspective and supporting literature for the assumptions is provided.

3 Development of hypotheses

3.1 Main effects

3.1.1 Reciprocity of corporate image and store image

The accessibility-diagnosticity theory explains how customers easily retrieve related associations. Because memory is related across nodes and structured into categories (e.g., store and corporate), customers may draw inferences from one category to evaluate a related category. This process is especially likely to occur if the information regarding the first category is highly accessible and more diagnostic than the other contextual information from which a consumer draws inferences about the target category. Because the corporate image and store image are related within the retailer's brand hierarchy, we assume that reciprocal effects exist between the corporate and store images.

The study of Kwon and Lennon (2009) is the only empirical study that provides support for 'reciprocal effects' in the context of multi-channel retailing by illustrating that consumers' online beliefs are influenced by an online channel and an offline channel. However, the understanding of reciprocity is conceptualized stepwise along the attitude chain instead of as a simultaneous reciprocal model. Thus, further empirical support for reciprocity may be provided by research on one-directional approaches. As mentioned previously, the top-down perspective (e.g., the influence of corporate image on store image) considers how customers

draw inferences from a brand image anchored on the top of the brand hierarchy with regard to a brand image anchored on the bottom of the brand hierarchy and has been evaluated from various starting points, such as the influences of mall image on store image (Chebat et al. 2006), network image on store image (Helgesen et al. 2010), and corporate image on service products (Berens et al. 2005). In contrast, the bottom-up perspective (i.e., the influence of store image on corporate image) has been explored by previous research examining the influence of private labels on store image (Steenkamp/Dekimpe 1997; Sayman/Hoch/Raju 2002; Grewal et al. 1998). Both perspectives indicate that corporate image affects subordinate images and vice versa. With regard to the brand extension literature on service lines, Lei, Ruyter, and Wetzels (2008) demonstrate that reciprocal effects exist between the parent and the extension while testing this relationship in two separate experiments.

In sum, despite the lack of empirical research on reciprocal relations, customers may derive inferences about a retailer's corporate image from their original perceptions of its store image. In turn, these inferences affect the customers' perceptions of the store image. Our assumption is supported by the accessibility-diagnostics theory, which states that images are related and therefore easy to access for the evaluation of the target image. Therefore, we conclude the following:

H1a: There is a reciprocal interaction between a retailer's corporate image and store image if the corporate image is the primary image accessed by the consumer.

H1b: There is a reciprocal interaction between a retailer's corporate image and store image if the store image is the primary image accessed by the consumer.

3.1.2 Higher valence of store image

The accessibility-diagnostics theory proposes that highly accessible information will be considered first. Accordingly, Verplanken, Hofstee, and Janssen (1998) find that individuals respond more rapidly to their feelings than to their thoughts. In our context, we attach higher accessibility to store images based on emotional immediacy (Zimmer/Golden 1988) and multi-sensual experiences (Ailawadi/Keller 2004). The high accessibility of a store image based on emotion can serve as a sufficient criterion for retrieving the information for a task at hand because the diagnostics threshold is overridden (Schwarz et al. 1991).

From a retailer's perspective, stores are an important point of customer contact through which customers experience the store. A customer who visits a Starbucks not only purchases coffee but is also immersed within the Starbucks experience, which might successfully provide an emotional picture of Starbucks's corporate image. The store's layout, atmosphere and employee interactions provide affective and multi-sensual cues through which customers

experience the store's image (Martineau 1958; Ailawadi/Keller 2004). When recalled from a customer's memory, this personal experience provides an emotionally constituted image. Moreover, Friestad, and Thorson (1993) show that emotional information and events are more memorable than neutral ones.

In sum, we propose that store image is more accessible than corporate image. A person can easily retrieve an emotionally constituted store image from his or her memory if the diagnosticity threshold is overridden. Therefore, we assume the following:

H1c: Store image affects corporate image more strongly than corporate image affects store image.

3.2 Interaction effects

To understand the reciprocity of corporate image and store image, we explore the boundary conditions framed by the accessibility-diagnostics theory (i.e., accessibility and diagnostics interact and affect the top-down and bottom-up effects of images). The evaluation approach and corporate brand dominance are accessibility transmitters, whereas the fit of images represents a diagnostics transmitter.

3.2.1 Interaction of evaluation approach and fit

Information retrieval is a function of the accessibility and diagnostics of information. The latter is determined by the fit of information (i.e., images). To evaluate the target object, holistic thinkers access more contextual information and perceive this information to be more related to the target image than analytic thinkers (Nisbett et al. 2001). Consequently, holistic-thinking consumers from Asian countries perceive a higher magnitude of fit, which affects the top-down and bottom-up effects of images on their perceptions.

Holistic thinkers easily access contextual information (e.g., if a store image is the subject of evaluation, the corporate image is a contextual piece of information) and perceive similar information (i.e., information characterized by a high fit) as more diagnostic in the evaluation process. Referring to the influence of the evaluation approach, Aaker (2000) concludes that the ease of information retrieval varies across cultures, and Monga and Roedder John (2007) find a relationship between holistic thinking and the perception of a higher degree of fit. With respect to the fit, Morrin (1999), Ahluwalia and Gürhan-Canli (2000) and Berens et al. (2005) find empirical support for the argument that the fit of brand images serves as a diagnostic criterion that strengthens the spillover effects between two images. Lei et al. (2008) and Thamaraiselvan and Raja (2008) present similar findings in the context of brand extensions in the service sector

and Gierl and Huettl (2011) and Kapoor and Heslop (2009) for different product categories. In our context, a high fit between a retailer's corporate and store images may also lead to top-down or bottom-up effects within the brand hierarchy.

In sum, in accordance with our theory, holistic thinkers easily access contextual information. Additionally, they perceive contextual and target information to be similar, which renders the contextual information salient to the evaluation of the target image. For this reason, we assume the following:

H2a: The moderating impact of fit on the effect of corporate image on store image is strengthened more by holistic thinking than by analytic thinking.

H2b: The moderation impact of fit on the effect of store image on corporate image is strengthened more by holistic thinking than by analytic thinking.

3.2.2 Interaction of corporate brand dominance and fit

Theoretically, corporate brand dominance determines the accessibility of corporate related information. If the communication of the corporate brand dominates the communication of the store, consumers can easily retrieve corporate information. Nevertheless, this contextual information (e.g., corporate image) becomes diagnostic for the evaluation of the target image (e.g., store image) if there is a high level of fit between the corporate and store images.

Consumers perceived degree of corporate brand dominance depends on the implemented branding strategy (Rao, Agarwal/Dahlhoff 2004; Berens et al. 2005). For the present study, these findings may apply to the retail industry in that retailers may modify their strategies to embrace monolithic branding and brand their stores with the corporate name in response to increased internationalization (Perkins, 2001). Devlin (2003) applies corporate branding strategies to the service industry. Berens et al. (2005) find that in the service sector, there are positive interactions among corporate ability, fit, and corporate brand dominance. These interactions cause the corporate image to be more salient if consumers evaluate lower brand levels.

In sum, if the corporate brand is dominant and easy to access, consumers perceive a higher level of similarity between the corporate and store images and evaluate corporate information as being highly diagnostic when evaluating the store and vice versa. Therefore, we assume the following:

H3a: Corporate brand dominance strengthens the moderating impact of fit on the effect of corporate image on store image.

H3b: Corporate brand dominance strengthens the moderating impact of fit on the effect of store image on corporate image.

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