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In-store quality (in)congruency as a driver of perceived legitimacy and shopping behavior

Damien Chaney [a,1], Renaud Lunardo [b,*], Camille Saintives [c]

[a] Marketing Department, Groupe ESC Troyes, 217 Avenue Pierre Brossolette, BP 710, 10002 TROYES Cedex, France
[b] Marketing Department, Kedge Business School, 680 Cours de la libération, 33405 Talence Cedex, France
[c] Marketing Department, Groupe INSEEC, France

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ABSTRACT

This research builds on the institutional theory literature to investigate the impact of retailer's in-store quality (in)congruency on consumer shopping behavior. Specifically, considering the consensual view of legitimacy as a variable of main interest to explain organizational survival, this research focuses on legitimacy as the mediating variable explaining the effects of in-store quality (in)congruency on shopping behavior. Results from a scenario-based experiment show that in-store quality (in)congruency affects legitimacy such that when merchandise quality is low, a high store environment quality leads to lower legitimacy. Also, the results show that legitimacy acts as a mediator that induces a decrease in shopping behavior. By highlighting perceived legitimacy as the underlying mechanism explaining the effect of in-store quality incongruency on consumer behavior, this research offer new insights for retailers.

1. Introduction

In a customer-oriented industry such as retailing, consumers pay strong attention to how retailers observe some moral, ethical and societal obligations that go beyond their own economic interests (Swindley, 1990; Brown and Dacin, 1997; Nguyen and Klaus, 2013). Previous literature shows that consumers see retailers as having important social responsibilities towards their customers and expect companies to be socially responsible (Oppewal et al., 2006; Gupta and Pirsch, 2008; Du and Vieira Jr., 2012; Kim et al., 2014). Retailers thus need to behave in a socially appropriate manner (Du and Vieira Jr., 2012; Kim et al., 2014; Lombart and Louis, 2014) and to comply with obligations to society (Arnold et al., 2001). Doing so and respecting social norms and values, organizations are more likely to achieve legitimacy (Handelman and Arnold, 1999; Varman and Costa, 2009).

Such legitimacy appears as a crucial condition of organizational success (e.g., Reast et al., 2013). Organizations that implement legitimation strategies get an easier access to resources and receive more support from their stakeholders, including consumers (Handelman and Arnold, 1999; Uusitalo and Rökman, 2004; Scott, 2013). Consumers reward companies that adopt socially accepted practices with greater loyalty, ultimately enhancing the firm's financial value (Sen and Bhattacharya, 2001; Ailawadi et al., 2013). Hence, retailers may gain in implementing marketing strategies that make consumers perceive them as behaving in a moral manner and as legitimate (Gupta and Pirsch, 2008; Kim et al., 2014).

In spite of such moral obligations, the retail industry is facing an increasing competitive market environment that leads retailers to differentiate themselves from competitors (Wagner et al., 2008). In this context, retailers may be tempted to use unfair commercially outcome-oriented tactics (Wagner et al., 2008; Nguyen and Klaus, 2013). One option lies in designing the in-store environment in a way that leads consumers to perceive the merchandise as being of a higher quality than it is actually. The store environment, including ambient, design and social factors, can indeed be a powerful marketing tool that retailers can control to expect positive responses from consumers (e.g., Akhter et al., 1994; Turley and Milliman, 2000; Kaltcheva and Weitz, 2006). Hence, the temptation for retailers to use the store environment in an immoral way may exist. For example, retailers may use pleasant ambient scents in the hope to increase consumers' perception of merchandise quality and thus to covertly persuade them to purchase products (Bradford and Desrochers, 2009). However, the question remains unanswered as to how consumers react to incongruent cues that suggest a merchandise of high quality. More specifically, no research to date has investigated the effect of incongruent quality cues on consumer's perception of retailer's legitimacy. What

* Corresponding author. Fax: +33 556 84 55 00
E-mail addresses: damien.chaney@get-mail.fr (D. Chaney), renaud.lunardo@kedgebs.com (R. Lunardo), csaintives@inseec.com (C. Saintives).
[1] Fax: +33 325 71 22 38.

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previous research shows is that incongruency exerts a negative impact on persuasion (Bosmans, 2006) and can lead consumers to appraise the in-store environment as a manipulative tool (Lunardo and Mbengue, 2013). Since legitimacy is derived from the social acceptance of an organization behavior (Pioch et al., 2009; Humphreys and Latour, 2013), in-store environment cues that lead consumers to overestimate the merchandise quality may be likely to result in lower legitimacy and more negative consumers' responses, thus putting under question the long term existence of the firm.

In this article, we investigate this potential negative effect of incongruent quality cues on legitimacy and subsequent outcomes. Overall our results contribute to the literature by showing that when the store environment is of high quality but the merchandise is of low quality, such incongruency results in a decrease in legitimacy. Of importance, our results also identify legitimacy as a mediating variable of the effects of such incongruency on shopping behavior. By examining such effects, our findings extend existing knowledge in the understudied area of the store environment as a variable affecting retailers' legitimacy.

The remainder of this paper adopts the following organization. First, we review the two distinct bodies of literature on legitimacy and incongruency in the store environment. Then, we link these literature streams and propose hypotheses. Second, we test the hypotheses in an experiment. Third, we conclude with some managerial and theoretical implications and suggestions for further research.

2. Theoretical background

2.1. Institutional theory and legitimacy

Institutional theory posits that firms exist within a given organizational field. A field refers to a recognized area of institutional life with common understanding systems (DiMaggio and Powell, 1983; Varman and Costa, 2009) in which constituents share values and norms (Scott, 2013). In this context, the survival of a firm depends on the acceptance of its existence by the constituents of the environment (Suchman, 1995; Du and Vieira Jr., 2012). According to institutional theory, successful organizations accommodate societal norms, values and symbols prevalent in the environment (Powell and DiMaggio, 1991; Uusitalo and Rökman, 2004). To this regard, Humphreys and Latour (2013,) demonstrate how the casino gambling industry, long considered illegitimate in the US, has grown progressively since its social acceptance. This illustration exemplifies the extent to which an organization achieves legitimacy on the basis of how well it conforms to social norms (Meyer and Scott, 1992; Palazzo and Scherer, 2006). Contrary to explicit regulations, social norms serve as implicit guidelines to which firms must adhere in order to maintain a moral fit with key publics, including consumers. A firm that complies with the norms and what consumers consider as socially appropriate receives allegiance and is therefore likely to be legitimized (Arnold et al., 2001; Humphreys and Latour, 2013). When consumers consider an organization as legitimate, they perceive that the actions of the organization are "desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574). Such legitimacy appears necessary for the survival of organizations (Arnold et al., 1996; Bianchi and Arnold, 2004), making public endorsement a critical condition to meet success (Chaney and Marshall, 2013). Hence, retailers have to realize that their decisions may influence the support and resources they will obtain from their stakeholders – among which customers – and as a consequence their legitimacy and their survival (Uusitalo and Rökman, 2004; Maignan and Ferrell, 2004). Otherwise, retailers take the risk of not receiving legitimacy, which may result in a lack of social support and resources from the stakeholders (Palazzo and Scherer, 2006; Scott, 2013; Reast et al., 2013).

Although necessary for organizations of all fields, receiving legitimacy is even more important in the retail customer-oriented industry because of the unique relationship retailers have with consumers (Swindley, 1990). Legitimacy helps retailers to build reputational capital and to answer to the increased sensitivity of consumers to ethical concerns (Du and Vieira Jr., 2012; Lombart and Louis, 2014). Consequently, retailers have to behave in a socially appropriate manner and to adapt their actions to the socially accepted norms in their field (Arnold et al., 2001; Varman and Costa, 2009; Kim et al., 2014). To this regard, what previous research shows as an important source of legitimacy for retailers is the ability to satisfy customers' needs (Handelman and Arnold, 1999). This utilitarian vision of legitimacy consists in judging whether the retailer's business will benefit the individual (Suchman, 1995; Bianchi and Arnold, 2004). A retailer will also be judged as legitimate on the basis of how much it can be considered as exhibiting an altruistic nature whose aim is the welfare of others (Suchman, 1995). Here, the main question is to judge whether the retailer's business is ethical and beneficial for society as a whole (Handelman and Arnold, 1999). As demonstrated by many studies (e.g., Arnold et al., 2001; Bianchi and Arnold, 2004; Oppewal et al., 2006), when retailers meet both individuals' and society's expectations, the legitimacy they achieve is beneficial to performance. For instance, Pioch et al. (2009,) provided strong evidence for the impact of Wal-Mart's lack of legitimacy on its failure and German market exit. However, what remains to be examined is the actions that retailers implement that can negatively impact legitimacy and consumer shopping behavior.

2.2. Incongruency, legitimacy and consumer responses

Retailers are currently facing an increased competition which forces them to seek ways to differentiate at all costs. Looking for differentiation may sometimes lead to the adoption of questionable marketing practices. As exemplified by Wagner et al. (2008,), retailers become more and more criticized for their business practices by mass media and consumer advocacy groups. Such tactics could be detrimental to retailers' legitimacy. As proposed by the Persuasion Knowledge Model (Friestad and Wright, 1994), consumers are no longer passive individuals but rather active interpreters of their environment. Consumers develop beliefs about the persuasion tactics marketers use, and try to thwart those that hinder the achievement of their own goals. When confronted to persuasion attempts within their environment, consumers come to decode its underlying influence, and under specific circumstances, seek to identify the agent responsible for the persuasion attempt and find plausible meanings to explain the agent's strategy (Kirmani and Campbell, 2004). Hence, consumers may recognize that marketing agents have to meet specific organizational objectives and thus may be likely to use tactics to influence and control the consumers' purchasing behavior through the use of unfair means (Campbell, 1995). As a consequence, consumers may attribute legitimacy on the basis of how much they do not perceive retailers as influencers. The use of inappropriate tactics may be perceived as going against the accepted norms, thus negatively impacting the legitimacy consumers attribute to the retailers.

Among the different marketing tactics retailers can use to influence shopping behavior, recent retailing research has emphasized the role played by the store environment, encompassing the ambient (music, scent, colors) and design (architecture, setting) factors (Baker et al., 1994). The store has lately been seen as a component of the mix that consumers have come to decode as a