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Store within a store: Matched versus mismatched image perceptions

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1. Introduction

While shopping at Target or Dillard's a customer will pass by several smaller vendor shops for jewellery, cosmetics, clothing, fast food and coffee. These shops are independently staffed and operated and are referred to as a “store within a store.” As defined by Jerath and Zhang (2010),“in a store within a store arrangement, retailers essentially rent out retail space to manufacturers and give them complete autonomy over retail decisions, such as pricing and in-store service”.

Large retailers such as Safeway, Walmart and Bloomingdale's have a number of smaller stores like McDonald's and Starbucks within their premises. Additionally the cosmetic and jewellery sections at almost all major department stores are populated with smaller vendors, such as Chanel, MAC, Lancome, and others (Anderson, 2006). Although the store within a store arrangement is widely practiced globally little scholarly research has been devoted to understanding image perceptions that the pairing of a smaller store has with a larger store (Netemeyer, Heilman, Maxham, 2012).

In the past, a store within a store was treated primarily as a source of additional revenue by department stores. Presently, a growing number of retail formats such as discount, grocery, gas stations and big box retailers are locating smaller stores within their premises (Gulati, Huffman and Neilson, 2002). In order to maximize revenue the larger retailer charges the smaller SIS partner rent and may also share a percentage of revenues (Jerath and Zhang, 2010). Further, Netemeyer, Heilman, Maxham, (2012) found that when a department store has a new brand that is displayed in a SIS setting sales growth of the new brand is higher than when the new brand is not in an SIS setting. However, the rationale behind the partnering goes beyond goals of profitability in SIS arrangements.

A large retailer can partner with a smaller retailer for various reasons including transferring the responsibility of high value, sensitive or niche items to a third party without having to invest in additional merchandise or manpower (Jerath and Zhang, 2010). A smaller SIS can bring in an exclusive brand that will increase traffic in the larger store or take care of shrinkage prone categories of products without having to invest in additional resources (Gulati, Huffman and Neilson, 2002). Cosmetics and jewellery are common product categories that are susceptible to theft and usually need more store personnel to supervise. Another important function of an SIS partner is that they can extend the variety of their store through services that customer's value. Presently, a growing number of retail formats are offering food services which allow customers to buy complimentary products and give them a place to relax and be comfortable.

A store within a store operated by a manufacturer typically has the following characteristics: inventory is owned by and the prices are set by the manufacturer, the employees are managed and trained by the manufacturers and the smaller SIS offers service exclusively for the products offered by the brands (Jerath and Zhang, 2010). The larger retailer gains from an SIS partner by way of increased competition due to the presence of popular brands and from an increase in store traffic (Jerath and Zhang, 2010). Similarly, the smaller retailer's primary interest is the clientele of the larger store and the readily available retail space.

In practice there is evidence that there have been failures when SIS associations have been poorly conceived. For example, Exxon had been testing a dollar store in its Tiger Mart gas stations but consumer responses weren’t favourable and the SIS was ended (Anderson, 2005). Similarly, Target was in the news in early 2012 for unveiling “The Shops at Target,” mini stores located within a larger Target location that featured the designs of a handful of small boutiques from around the country (Tuttle, 2013). However, Target ended the relationship later because the initiative didn’t generate much excitement among shoppers. In both cases consumer responses were poor and the SIS partnership was terminated.

In this study, the authors investigated questions with regards to matched and mismatched store images and the affect that the small store has on its larger partner and vice versa. More specifically, can a poor retail store image harm the SIS partnering store with a higher image or can a high image retailer increase the image of a lower image SIS partner? Are perceptions of a matched versus mismatched SIS more favourable? Do matched SIS retail partnerships lead to higher levels of purchase intention than mismatched SIS arrangements? In order to better understand consumer perceptions of a match versus a mismatch Balance (Heider, 1946) and Congruency Theories (Osgood and Tannenbaum, 1955) are considered. Both theories suggests that when brand images are highly mismatched consumers will have negative responses but where there is a match consumers will have

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more favourable attitudes. This study is the first to examine the image perceptions of both SIS partners in order to empirically test if matching versus mismatched store images are perceived positively or negatively by consumers.

2. Background

There have been several views as to how a retail store image is created and what the factors are that constitute a store's image (Baker et al., 1994; Dickson and MacLachlan, 1990; Doyle and Fenwick, 1974; Grewal et al., 1998; Zimmer and Golden, 1988). Although definitions vary, store image has generally been defined as the way in which the store is defined in the shopper's mind, partly by the functional qualities and partly by an aura of psychological attributes (Martineau, 1958). Marineau (1958) conceived store image as part of the retail store's personality. The term ‘store image’ is also often used interchangeably with attitude towards the store to describe the overall impression a customer has of it (Doyle and Fenwick, 1974). Store image includes the cues located within the store as important factors frequently used by consumers to determine how suitable they are as customers for a particular store and whether or not they want to patronize a store given its image (Dickson and MacLachlan, 1990; Baker et al., 2002; Grewal et al., 1998).

The concept of store within a store creates a more complex retail environment for customers to assimilate and process because they are no longer assessing a single store image but two or more stores simultaneously in cases that the consumer is able to perceive the SIS partnership . In some cases consumers may not be aware that a cosmetic or jewellery vendor are indeed two separate stores but assume that they are just a part of a larger retailers merchandise mix. When the concept of SIS is clear through signage, branding or other cues the consumer is not only engaging in assessing a single store image but two distinct store images that may have different levels of merchandise and service quality as well as dissimilarities in atmospherics. According to research on atmospherics these cues are important in making assumptions about the desirability of the retailer as well as hedonic and utilitarian shopping value of the store (Rayburn and Voss, 2013).

Academic literature on store image treats merchandise and service quality as key variables influencing store image (e.g., Hildebrandt, 1988; Mazursky and Jacoby, 1986). Consumers make inferences about merchandise and service quality based on store environment factors and these inferences, in turn, influence store image (Baker et al., 1994). In general store image is complex from the customer's point of view as they take in several cues regarding the atmospherics, merchandise within the store and levels of service (Baker et al., 1994; Rayburn and Voss, 2013).

Presently there are no studies that have examined the relationship between the larger and smaller stores image while in a SIS venture. There have been a number of studies undertaken in the past to evaluate the effect store image can have on the brands the retail store carries and vice versa (eg. Jacoby and Mazursky, 1984; Sirgy et al., 2000; Baker et al., 2002; Collins-Dodd and Lindley, 2003). Also, the effect of store name, image and price discounts have been extensively evaluated against the customer's brand quality and value perceptions (Grewal et al., 1998).

Jacoby and Mazursky's (1984) research evaluated the effect that a retail stores’ image has on manufacturer brands located in the store as well as the brands effect on the stores’ image. Using congruity theory as the underpinning the findings demonstrated that a retailer with a relatively low image was able to improve its image by carrying popular manufacturer brands that have relatively more favourable image perceptions. Further, the retailer might damage its image when partnering with brands that have lower image perceptions. Manufacture brands were also found to experience a decrease to their image when associated with a lower image retailer but no positive effects were found when a brand with a lower image was associated with a retailer with a more positive image.

Another similar study carried out by Collins-Dodd and Lindley (2003) on manufacturer brands and retail differentiation provided evidence that retailers with an unfavourable image could improve that image by associating with brands that carry a more favourable image and vice versa. The idea behind the study suggests that when such associations take place in the retail scenario, the party with a lower image is favourably impacted by association with a relatively stronger brand image whereas, the party with the more favourable image is adversely affected. Other research on private label and manufacturer brands also supports the notion that high image manufacturer brands can positively impact retailers (Ailawadi and Keller, 2004). Richardson et al. (1996) found in their research that consumers’ ratings of private labels were higher when the store image was high. In a similar study Simmons et al. (2000) found that when retailers’ carry high image manufacturer brands it improves the sales performance of the retailers private label brands.

In another study on clothing boutiques the fit between a parent brand and new brand extension were examined with regards to sales growth and transaction value. The authors found that sales growth of a new brand extension was greater when the new brand was placed in an SIS setting than when not (Netemeyer et al., 2012). Further the fit of the new brand to the parent brand was important to customers when assessing the desirability of the brand extension. The authors also stated that due to the comparable nature of the merchandise in their study that future studies should examine the effects of independently owned SIS partners who offer products in different categories.

2.1. Congruity theories

These articles bring forth the importance for retailers as well as manufacture brands to consider their association with a manufacturer brand or retailer that has a more favourable or less favourable image. Any association established by one party when the other party has a very different image perception in the minds of the customers can have serious implications on its own brand image. Balance theory and Congruity theory are both rooted in social psychological consistency theories (Jacoby and Mazursky, 1984). Both maintain that when an individual has consistent thoughts about two things (or objects, people) there is psychological harmony however, when there is inconsistency psychological tensions arise and it results in a desire for the individual to restore consistency between the two related thoughts. Heider (1946) in his study on individual attitudes towards others maintained that inconsistency creates an imbalance and the individual strives to restore balance by adjusting their perception about the two attitude objects. For instance if the individual were to view Saks Fifth Avenue as a classy store and Taco Bell as a cheap store and the two were paired together the individual would lower their attitude of Saks and increase their attitude toward Taco Bell so that they would seem to be more congruent.

Much like balance theory, congruity theory maintains that people are motivated to adjust their perception of two related objects in the case of incongruity (Osgood and Tannenbaum, 1955). People strive for consistency and have a natural tendency to restore it. The authors assume that individuals have "judgmental frames of reference” and there is a tendency toward simplicity. When the attitudes toward a person, or object are incongruent, there will be an inclination to change the attitudes toward the person and the object of the assertion in the direction of increased congruity (Osgood and Tannenbaum, 1955). Furthermore, studies on brand extensions maintain that the fit between the parent brand and extension is key to being successful because customers want to see a logic fit between both (Netemeyer et al., 2012).

3. Hypotheses development

Balance and congruity theories maintain that harmony between two