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How store service quality affects attitude toward store brands in emerging countries: Effects of brand cues and the cultural context

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ABSTRACT

This cross-cultural research investigates how store brand perceptual cues and cultural differences affect the relationships between service quality and attitude toward store brands in two emerging countries. Using mall intercept surveys, the authors gather data from 1027 respondents in Brazil and Vietnam. Based on structural equation modeling results show that both positive and negative perceptual brand cues mediate the effects of overall service quality, store physical aspects, store reliability, and personnel attention on attitude toward store brands. Moreover, specific mediation processes arise; perceived price and functional risk mediate these effects in both countries investigated, whereas store brand perceived value and financial risk do not. The cultural context moderates the relationships as well, such that the effects of overall service quality, store physical aspects, and store personnel attention on attitude toward store brands are stronger in Brazil than in Vietnam. However, the effect of store reliability does not differ across countries.

1. Introduction

Store brands - products offered exclusively by retailers that usually carry the retailers' name - have arisen as prominent competitors in today's retail environment (Bao, Bao, & Sheng, 2011; Manzur, Olavarrieta, Hidalgo, Farias, & Uribe, 2011), achieving impressive market shares that average around 40% in developed economies (Nielsen, 2014). In Europe, the growing success of store brands has granted retailers "greater bargaining power" and "a prominent position" in these markets (Jin & Suh, 2005, p. 62). In contrast, store brand market shares remain weak in most emerging countries ($<$ 10% on average) (Nielsen, 2014). Au-Yeung and Lu (2009) explain these low market shares by citing poor customer attitudes toward these products, though more recently, their popularity has grown even in emerging economies (Sarkar, Sharma, & Kalro, 2016). Improving store brand attitudes thus represents a critical issue for retailers, especially those working in emerging nations.

For this study, attitude toward store brands is defined as consumers' predisposition to respond, favorably or unfavorably, to store brands as a result of their product, purchase, or self-evaluations (Burton, Lichtenstein, Netemeyer, & Garretson, 1998). Perceptual cues (e.g., manufacturer names) and service quality levels could function as drivers of these customer attitudes (Cho, Rha, & Burt, 2015). Researchers also indicate that price sensitivity (Ailawadi, Neslin, & Gedenk, 2001), value perceptions (Jin & Suh, 2005), and perceived risk (Batra & Sinha, 2000) affect attitude toward store brands. However, their mediating effects on the relationship of, for example, store service quality and store brand attitude has not been assessed formally.

Furthermore, culture could determine which drivers have the most powerful effect on store brand evaluations in a given country. Geographic shifts in customer spending, including rising incomes, improved infrastructure, institutional changes, and fewer tariffs, have made emerging markets more accessible and attractive to many firms (Euromonitor, 2013), yet the troubling lack of research in developing countries persists (e.g., Lages, Pfajfar, & Shoham, 2015). For example, studies of service quality in emerging markets tend to focus on single emerging countries, using the SERVQUAL or other service models (Wang, Kim, Ko, & Liu, 2016). Tsang, Lee, and Qu (2015) highlight that service quality management and service quality evaluations are the most popular topics in service research in China. Other researchers investigate differences between developed and developing countries and the influence of culture on service evaluations (Donthu & Yoo, 1998). Malhotra, Ulgado, Agarwal, Shainesh, and Wu (2005) identify

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differing perceptions of service quality between the United States and two emerging countries, India and the Philippines. To expand these insights, the current study adopts a cross-cultural approach (e.g., Bian & Forsythe, 2012; Ladhari, Pons, Bressolles, & Zins, 2011; Wang et al., 2016) and addresses how perceptual brand cues (e.g., value, risk perceptions) and cultural differences affect the link between service quality and attitude toward store brands in two different emerging countries. That is, emerging country consumers have specific expectations of service quality (Malhotra et al., 2005; Ueltschy, Laroche, Zhang, Cho, & Yingwei, 2009), but those expectations might vary due to cultural differences or different meanings assigned to brand-related perceptual cues.

By investigating whether brand-related perceptual cues mediate the relationships of store service quality and its specific dimensions with attitude toward store brands, as well as how the cultural context moderates these relationships in emerging countries, the current research addresses two notable research gaps. First, in line with cue utilization theory (Jacoby, Olson, & Haddock, 1971; Olson & Jacoby, 1973), this study details how brand-related cues mediate the effect of service quality on attitudes toward store brands in emerging countries. In contrast with prior studies that consider general brand cues, the current investigation focuses on positive (price and value perceptions) and negative (functional and financial risks) cues related specifically to store brands in emerging markets, which prior research identifies as closely related to store brands (Beneke & Carter, 2015; Cho et al., 2015; Diallo, 2012). The multidimensional approach produces insights about the mediation of both overall service quality and its dimensions (i.e., physical surroundings, reliability, personnel attention). Second, in accordance with culture theory (Hofstede, 1980; see also Donthu & Yoo, 1998), this research establishes a moderating role of culture on the relationships of service quality and its specific dimensions with attitudes toward store brands in emerging countries. As an extension of prior studies (Ciravegna, Lopez, & Kundu, 2016; Guesalaga, Pierce, & Scaraboto, 2016; Wang et al., 2016), it reveals how culture shapes the effect that service quality and its dimensions (physical surroundings, reliability, personnel attention) exert on customers' attitudes toward store brands in different contexts. The growing presence of store brands in emerging economies (Sarkar et al., 2016) and the growth opportunities for retailers (Diallo, 2012) highlight the need to identify how store brand perceptual cues and cultural differences affect the focal relationships and potentially help retailers increase the purchases and market shares of their store brands. Global firms, and especially retailers, may face both homogeneous and heterogeneous service quality expectations (Guesalaga et al., 2016) and attitudes toward store brands in emerging countries. Thus, delineating the conditions in which service quality can improve attitude toward store brands should offer meaningful insights for their success.

The next section presents the theoretical framework and hypotheses, followed by the research methodology. After outlining the results of a multicountry survey, this article concludes with theoretical and managerial implications, limitations, and suggestions for continued research.

2. Literature review and hypotheses development

2.1. Theoretical framework

2.1.1. Cue utilization theory

Cue utilization theory (Jacoby et al., 1971; Olson & Jacoby, 1973) predicts how brand perceptual cues might affect the relationship between store service quality and attitude toward store brands in emerging countries. In the absence of perfect information (information asymmetry), consumers rely on filters (e.g., cues, signals) to help them make decisions or develop attitudes and evaluations of products and brands. For example, in the absence of indications of actual quality, consumers might use product prices or service quality to infer the likely quality of the brand and develop accordant attitude toward it. The cues that customers use might be extrinsic or intrinsic (Richardson, Dick, & Jain, 1994). Extrinsic cues refer to the brand but are not part of the actual product (e.g., price, brand name). Such cues are especially helpful to consumers who lack brand experience, so extrinsic signals might be very pertinent in emerging countries, where consumers tend to have less experience with store brands (Diallo, Burt, & Sparks, 2015). Intrinsic cues instead are the tangible, component parts of a branded product that define its functional performance (e.g., ingredients). Rao and Monroe (1988) indicate that the use of price and intrinsic product cues to assess product quality depends on consumers' prior knowledge; for example, for a product with a positive price–quality association, less and highly familiar customers perceive a stronger price–quality relationship than do moderately familiar customers. Furthermore, cues can be negative or positive. Positive cues (e.g., perceived value) increase purchase intentions (Diallo et al., 2015), but negative ones (e.g., perceived risk) reduce the perceived value of the brand (Beneke & Carter, 2015).

2.1.2. Service quality in emerging markets

Service quality constitutes a global judgment, related to the overall superiority of the service at a specific retail outlet (Parasuraman, Zeithaml, & Berry, 1988). Although service quality is conceptualized as a multidimensional concept (Parasuraman et al., 1988), in some contexts it can be depicted as a unidimensional (overall) construct (Carman, 1990). “The possibility exists that consumers may form an overall unidimensional abstraction of quality” (Babakus & Boller, 1992, p. 26). Therefore, the current research considers both the overall construct and its dimensions. The multidimensional construct includes five main dimensions (Parasuraman et al., 1988), as in the popular SERVQUAL model: reliability, assurance, tangibles, empathy, and responsiveness. Yet this model “does not adequately capture service quality for retail stores” (Kim & Jin, 2002, p. 225); the Retail Service Quality (RSQ) model (Dabholkar, Thorpe, & Rentz, 1996) may provide a better fit for retail contexts. The five dimensions of the RSQ model are physical aspects, reliability, personal interaction, problem solving, and policy. Kim and Jin (2002) reveal that three specific dimensions of service quality (physical aspects, reliability, and personnel attention) are most appropriate in cross-cultural studies that include emerging markets. In a study designed to validate Dabholkar et al.'s (1996) RSQ scale in the United States and South Korea, Kim and Jin (2002) determine that consumers in both markets combine the dimensions “problem solving” and “personal interaction,” without any clear distinction. Furthermore, they find that the policy dimension is an unreliable measure of stores' service quality. Therefore, this research focuses on the three reliable dimensions (Kim & Jin, 2002): physical aspects, reliability, and personnel attention (i.e., combination of problem solving and personal interaction).

Service quality research in emerging countries also offers some insights. First, service quality affects customer intentions and behavior. As Yavas, Bilgin, and Shemwell (1997) show, service quality reduces complaint behavior in an emerging economy. Second, service quality increases the satisfaction of emerging economy customers. For example, Greenland, Coshall, and Combe (2006) find that the value of a product/service, attractiveness, accessibility, effective queue management, and professional staff have significant effects on customer satisfaction in emerging markets. Third, service quality exerts a significant positive effect on customer attitudes (Richardson et al., 1994). According to Bao et al. (2011), higher perceived quality leaves consumers more prone to purchase store brands.

However, prior studies do not reveal the conditions in which service quality affects attitude toward store brands, the potential mediating effects of brand perceptual cues, or the possible moderation of the cultural context. These research gaps likely reflect the nature of early store brands, marketed as low quality/low price offers in developed countries (US, UK, France). Yet in the past decade, store brands have

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