



# The role of store image, perceived quality, trust and perceived value in predicting consumers' purchase intentions towards organic private label food

Faruk Anil Konuk

Department of Business Administration, Sakarya University, Sakarya, Turkey



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## ABSTRACT

The trend of introducing organic private label (OPL) products aim to attract health-conscious, environmentally concerned consumers and create store loyalty. Within this context, this present study sheds insights on how store image (SI), perceived quality (PQ), trust in OPL, and perceived value (PV) influence consumers' purchase intentions (PI) towards OPL food products. Empirical data were collected from consumers with self-administered questionnaires in Istanbul, Turkey. The suggested hypotheses were tested utilizing structural equation modeling. The findings of this research reported that SI has a positive impact on PQ and trust in OPL. It was also revealed that PQ, trust in OPL contributes to perceived value. In addition, both PV, trust in OPL and PV was found to have a positive influence on consumers' PI. Moreover, the empirical findings also supported that the impact of PQ and trust in OPL on PI is partially mediated by PV. Some implications are also presented at the end of the study.

## 1. Introduction

Private label (PL) strategy is being used by increasing number of grocery retailers for obtaining competitive advantage. PLs (also known as own brand, store brand, retailers' brand) generally refer to "brands owned, controlled, and sold exclusively by retailers" (Sethuraman and Cole, 1999, p. 340). Retailers companies may prefer to use the store name for PL products or alternatively they create an individual brand name for these brands. PLs with considerably affordable prices enable retailers to differentiate themselves from competitions and consequently help to increase their store loyalty (Collins-Dodd and Lindley, 2003, p. 345) and market share. In addition, PLs provide higher margins and consequently greater profitability (McNeill and Wyeth, 2011, p. 95), increase bargaining power in the distribution channel and enable retailers to have a greater control over shelf space (Jin and Suh, 2005, p. 62). Moreover, retailers may get an opportunity to capture more consumers with providing relatively less expensive OPL food products and consumers conveniently reach organic food products in grocery retail stores (Perrini et al., 2010, p.515). Therefore, retailers are trying to expand their PLs into new product categories. Grocery retailers have also realized the importance of the organic (bio) food products to capture primarily health-conscious consumers and started to enter organic food market with PLs. As most of the organic food products are more expensive than conventional ones, PL strategy provides an opportunity to sell these products at relatively lower and

affordable prices. Consequently, with this strategy, retailers may attract consumers who have complaints about the prices of the national organic food products.

Despite the emerging trend of PL organic food production, still, limited numbers of food products are sold on shelves in grocery retailers. Specifically, in Turkey, this strategy is its early stage and new grocery retailers entering the market are also implementing OPL strategy in specific product categories to attract consumers' attention. Therefore, it is beneficial to understand factors influencing consumers PI towards OPL food for both retailers and producers.

Even though PLs are an alternative for many consumers some amount of distrust is still exists (McNeill and Wyeth, 2011, p. 107). For example, previous research found lack of trust in organic milk (Yin et al., 2016). OPL products are mostly produced by an unknown national or local food companies. Some consumers do not even look at the producer of PL. Therefore, SI is specifically important to build trust as consumers mostly rely on retailers when they come across PLs which were produced by an unknown food company.

Organic food products are considerably different than conventional ones as they primarily have environmental and health claims. Hence, trust in organic food is probably more important than other food products. Accordingly, it is important to examine how SI and PQ influence trust in OPL. Grewal et al., (1998, p. 331) also emphasized that for retailers creating positive SI and providing high-value products are fundamental elements for retailers to gain a sustainable competitive

E-mail address: [anil.kon@gmail.com](mailto:anil.kon@gmail.com).

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advantage.

PV is one of the most influential determinants in consumers' purchase decision process. In the context of OPL food, PV is probably more important as consumers' perceived lower prices may increase their PV and consequently motivate them to purchase. Therefore, examining predictors and consequences of PV is crucial in the context of OPL. As a fundamental determinant of PV, PQ should be more important in organic food products which include substantial health and environmental claims. Hence, it is beneficial to analyze how PQ influences PV and consumers' PI towards OPL products.

Previous research has widely examined PL products from consumer's perspective (e.g., Richardson et al., 1994; Semejina et al., 2004; Jin and Suh, 2005; Bao et al., 2011; Wu et al., 2011; Rossi et al., 2015; Rubio et al., 2017; Loureiro, 2017; Liu et al., 2018). On the other hand, relatively a limited number of studies have specifically focused on OPL products (Perrini et al., 2010; Pivato et al., 2008; Reinders and Bartels, 2017) and has failed to address the influence of SI, PQ, and PV in predicting consumers' PI towards OPL food products. Moreover, there is a lack of studies that analyze the mediating role of PV in the context of OPL food. Therefore, to fill this gap, the objective of this study is to examine the relationship between SI, PQ, trust in OPL, PV, and consumers' PI towards OPL. In addition, another purpose of this study is to understand the mediator role of PV on the relationship between PQ, trust in OPL, and PI towards OPL. The empirical findings of this current research may also draw retailers' attention to OPL products and encourage them to implement this strategy in new food categories by providing affordable prices to their customers.

The rest of this study is structured as follows. In the first part, the concepts of SI, PQ, trust in OPL and PV are defined and hypotheses were formulated based on comprehensive literature review. The second part includes methodology. In the third part, analyses and results of the empirical study are presented. Last part provides contributions, implications, and suggestion for future research.

## 2. Hypotheses and conceptual framework

### 2.1. Store image, perceived quality and trust in organic private label

The retail market has been facing fierce competition and companies struggle to differentiate themselves in the marketplace. In this context, SI is one of the most important distinctive features which provide substantial benefit for retailers. SI refers to "the complex of a consumer's perceptions of a store on different (salient) attributes" (Bloemer and de Ruyter, 1998, p. 501). In other words, SI is "the total impression represented in the memory as a gestalt of perceived attributes associated with the store, which are both independent and interdependent in consumer's memory learned from current and previous exposure to stimuli" (Hartman and Spiro, 2005, p.11). In general, merchandise quality, store atmosphere, and store personnel create SI (Grewal et al., 1998).

Perceived product quality is a critical issue for both producers and marketers as PQ may provide an opportunity for differentiation. PQ is conceptualized as "a consumer's judgment about the superiority or excellence of a product" (Zeithaml, 1998, p.3). Cue utilization theory emphasized that both extrinsic and intrinsic cues provide consumers to infer product quality (Collins-Dodd and Lindley, 2003, p.346). Intrinsic cues are "product-related attributes-such as price, brand name, and packaging-which are not part of the physical product and intrinsic cues represent product-related attributes, such as ingredients, that cannot be manipulated without also altering physical properties of the product" (Richardson et al., 1994, p.29).

Food-borne illness and food scandals have increased consumers attention towards health issues. In this context, PQ of food should be considered as a critical determinant for consumers to maintain future purchases. Specifically, for OPL food products, PQ is more crucial as these products have considerable health claims. Richardson et al.

(1994) confirmed that extrinsic cues explain more variance in consumers' quality perceptions than intrinsic cues in the context of PL food products. Previous research confirmed the positive role of store name on PQ (Dodds et al., 1991; Agarwal and Teas, 2001). Specifically, past research also found that SI contributes to PQ in the context of PL (Bao et al., 2011; Beneke et al., 2015; Beneke and Carter, 2015; Beneke and Zimmerman, 2014).

Trust is defined as "the expectation held by the consumer that the service provider is dependable and can be relied on to deliver on its promises" (Sirdeshmukh et al., 2002, p.17). In addition, Moorman et al., (1992, p. 315) conceptualized trust as "a willingness to rely on an exchange partner in whom one has confidence". Commitment trust-theory emphasize that trust is a prerequisite for maintaining long-term relationships with the company (Morgan, and Hunt, 1994a, 1994b). According to these definitions, brand trust is defined as "the willingness of the average consumer to rely on the ability of the brand to perform its stated function" (Chaudhuri and Holbrook, 2001, p. 82). It was also reported that brand image contributes to trust (Chiang and Jang, 2007; Kim and Ham, 2016; Flavián et al., 2005; Loureiro and González, 2008; Lin and Lu, 2010). Previous research also reported that SI is negatively related to perceived risk in the context of PL products (Diallo, 2012; Semejina et al., 2004).

Based on this aforementioned evidence, it is anticipated that a more positive SI may likely to increase consumers' PQ of OPL products. Similarly, higher positive SI is expected to enhance the trustworthiness of OPL products. Based on this argument, the following hypotheses are formulated.

**H1.** SI is positively related to PQ.

**H2.** SI is positively related to trust in OPL.

Trust in OPL appears to be more important than conventional PL products as consumers pay more for organic products because of additional health and environmental benefits. Past research confirmed the positive role of PQ on brand trust (Aurier and de Lanauze, 2012). Based on this evidence, it is expected that consumers who evaluate the quality of OPL as higher they will be more likely to trust these brands. Therefore, **H3** is posited.

**H3.** PQ is positively related to trust in OPL product.

### 2.2. Perceived value

The concept of PV has gained greater importance in consumer behavior and marketing field. One of the first conceptualizations of PV is developed by Zeithaml (1998), p. 14 refers to "consumer's overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given". In the same vein, Monroe (1990, p. 46), defined PV "a tradeoff between the quality or benefits they perceive in the product relative to the sacrifice they perceive by paying the price". These conceptualizations emphasize that utility and costs are two main components of PV. Holbrook (1994, p.22) argue that customer value "is the fundamental basis for all marketing activity". The major motivator of purchasing PL is the lower price than national brands (Sethuraman and Cole, 1999, p. 340). The main motivation for providing PLs is delivering value to the consumers (Ailawadi et al., 2001, p. 71). Therefore, a lower price may increase consumers' PV towards OPL food products. Previous research supported to the notion that PQ contributes to PV (Grewal et al., 1998; Chapman and Wahlers, 1999; Sweeney et al., 1999; Aurier and de Lanauze, 2011; Edward, 2013; Dodds et al., 1991). In the context of PL products, it was also reported that PQ influence PV (Beneke et al., 2013, 2015; Liljander et al., 2009). It was also found that trust contributes to PV (Guenzi et al., 2009). Therefore, it plausible to expect that consumer' higher quality perceptions may lead to increase in their PV towards OPL food products. In a similar perspective, higher trust in OPL may increase PV

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