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Price image consequences

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ABSTRACT

This study investigates the consequences of price image. Two conditions, a policy of intermediate price condition and a policy of low price condition, were distinguished in an experiment. Three moderators (consumers' price conscientiousness, retailer's motives perceived by consumers and consumers' familiarity with the retailer) were considered for these two conditions. Using partial least squares analyses (PLS), we propose integrated models of the consequences of price image highlighting the direct and indirect effects of this concept on consumers' satisfaction, trust, attitude and future behavioral intentions to the retailer. This research fills a gap in the literature since previous studies have mainly focused on the antecedents of price image or have only investigated specific links between the variables considered. Finally, considering our findings, we recommend to managers to favor either a policy of intermediate or low price depending of their consumers' characteristics.

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1. Introduction

Pricing is an important topic for retailers since shoppers visit stores based on their subjective beliefs and feelings about a retailer's pricing activities that is price image (Zielke, 2006, 2010; Murthi and Rao, 2012). It is especially true for grocery retailers where assortments are often similar and where discount retailing inflates price competition (Zielke, 2011). Given the importance of the concept of price image in this context, it becomes a crucial task for retailers to understand what price image is, how consumers form a price image and to identify what the consequences of price image are.

Authors generally define price image as a global representation of the relative level of prices at a point of sale (Mazursky and Jacoby, 1986; Cox and Cox, 1990; Simester, 1995; Hamilton and Chernev, 2013) that can lead to the categorization of retailers as expensive or inexpensive (Fady et al., 2008). Several approaches have been used to operationalize this definition. Measures can be grounded in the objective characteristics of a store (Buyukkurt and Buyukkurt, 1986) but more often the measure uses consumers' perceptions (Zielke, 2006; Ngobo and Jean, 2012; Coutelle and Rivière, 2013). Consumers indeed infer their own price image of the retailer from their perceptions of price levels at the points of sale of a retailer they know or frequent, compared to prices of other points of sale of competing retailers in the same customer catchment area.

Researchers have extensively investigated the antecedents of price image and have recently proposed an integrated model of the determinants of this concept (Ngobo and Coutelle, 2014). They considered different elements: assortment (Desai and Talukdar, 2003), price levels (Alba et al., 1994), sales promotions (D'Andrea et al., 2006), advertising (Desmet and Le Nagard, 2005), interior (Baker et al., 1994) and exterior architecture (Zielke and Toporowski, 2014). Price image thus rests on consumers' perception of rational elements, mainly prices and sales promotions offered, communications by the retailer and its stores along these two lines, and assortment offered (types (i.e., national and/or store brands) and number of brands). Nonetheless, price image also results from consumers' perception of affective elements such as architecture of the point of sale (interior and exterior) and communication by the retailer and its stores (POS ads, prospectus, etc.).

In contrast, the consequences of retailers' price image have rather remained unstudied while this topic is crucial for managers. Previous studies have indeed mainly focused on specific links (for instance, between price image and consumers' shopping intentions in retailers' stores). Consequently, the objective of the present contribution is to propose an integrated model of the consequences of price image which highlights the direct and indirect effects of price image on consumers' satisfaction, trust, attitude and future behavioral intentions to the retailer. More specifically, we first studied these consequences of price image in two conditions manipulated in an experiment: a policy of intermediate price

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condition versus a policy of low price condition. We then investigated the effects of three moderators (consumers' price conscientiousness, retailer's motives perceived by consumers and consumers' familiarity with the retailer) on the links postulated between price image and consumers' satisfaction, trust, attitude and future behavioral intentions for both conditions (policy of intermediate price and policy of low price). The remainder of the article is organized as follows. First, we present the theoretical framework and the hypotheses development. The methodology used is then described and the results presented. Finally, the limitations of the study are noted and future research avenues are proposed.

2. Theoretical background and research hypotheses

2.1. The consequences of price image

The consequences of retailers' price image are seldom investigated. We can however mention the work of Zielke (2006, 2010) who has shown that a retailer's price image has a positive and significant impact on consumers' future behavioral intentions, notably their shopping intentions in its store. In the same vein, Diallo et al. (2014) indicate that price security or price level perception (i.e., consumers perceive the price level as generally low) has a positive direct effect on consumers' store loyalty intentions. Zielke (2006) also demonstrated that price image is a determinant of consumers' price attitude. More generally, regarding prices perceived by consumers, which is a major determinant of price image (Zielke, 2006; Fady et al., 2008; Ngobo and Jean, 2012), several authors have shown the influence of prices (e.g., Voss et al., 1998; Varki and Colgate, 2001; Iyer and Evanschitzky, 2006) or price image (Lombart and Louis, 2014) on consumers' satisfaction and consumers' attitude toward a point of sale (Stan et al., 2007). Zielke (2008) found that prices perceived by consumers (specifically the dimensions price level, price value, price fairness, price perceptibility, price processibility, special offers, price advertising and products in the upper price range) influence consumers' price satisfaction, a determinant of the global level of satisfaction consumers feel (Lymperopoulos and Chaniotakis, 2008). Specifically, consumers' perception of price fairness has a positive and significant impact on their level of satisfaction and an indirect impact on their loyalty via the variables satisfaction and commitment (Matute-Vallejo et al., 2011). Consumers' perception of price fairness is also an antecedent of trust (Buttle and Burton, 2002).

Based on studies that examine price image and its consequences directly or indirectly via one of its main antecedents, the prices perceived by consumers, we formulate the following hypotheses:

H1a. *The retailer's price image has a positive influence on consumers' satisfaction with the retailer.*

H1b. *The retailer's price image has a positive influence on consumers' trust in the retailer.*

H1c. *The retailer's price image has a positive influence on consumers' attitude toward the retailer.*

H1d. *The retailer's price image has a positive influence on consumers' future behavioral intentions toward the retailer.*

2.2. The links between the consequences studied

Given that the links between the consequences considered in this study (satisfaction, trust, attitude and future behavioral intentions) were suggested several times by the literature, they should also be integrated in the model developed in this study.

Aurier and N'Goala (2010) established positive and significant links between, in turn, perceived value, global satisfaction, trust and commitment, thus forming a relational chain. The authors argue that consumers' satisfactory experiences with the services supplier should reinforce their trust in this supplier. Swaen and Chumpitaz (2008) also demonstrated a positive and significant influence of satisfaction on credibility and integrity, two facets of trust. Consumer satisfaction is another important determinant of loyalty (Oliver, 1997). Many empirical studies report a positive and significant link between consumer satisfaction and behavioral and/or attitudinal loyalty (e.g., Oliver and Linda, 1981; Taylor and Baker, 1994; Hallowell, 1996; Magin et al., 2003; Ekinci et al., 2008). Lastly, since the seminal work of Fishbein and Azjen (1975), many authors affirm that consumers' attitude has a positive and significant influence on future behavioral intentions, which in turn conditions real behavior (e.g., Oliver, 1980; Berger and Alwitt, 1996; Ekinci et al., 2008). Fournier (1998) maintains that trust is a determining factor in developing a favorable attitude toward a brand. Several studies validated the positive and significant influence of trust in a brand on consumer's attitude toward the brand (e.g., Okazaki et al., 2007; Herault, 2012). Trust is also an antecedent of loyalty. The positive and significant influence of trust on loyalty (measured by future behavioral intentions) has been demonstrated (e.g., Lin et al., 2011; Stanaland et al., 2011). Similarly, it has been shown that the more consumers trust in the store brand, the stronger their intention to buy products (associated with organic agriculture or fair trade) offered by the store brand (e.g., Pivato et al., 2008; Castaldo et al., 2009).

Considering the works reviewed above, we formulate the following hypotheses:

H2a. *Consumers' satisfaction with a retailer has a positive influence on their trust in the retailer.*

H2b. *Consumers' satisfaction with a retailer has a positive influence on their attitude toward the retailer.*

H2c. *Consumers' trust in a retailer has a positive influence on their attitude toward the retailer.*

H2d. *Consumers' satisfaction with a retailer has a positive influence on their future behavioral intentions toward the retailer.*

H2e. *Consumers' attitude toward a retailer has a positive influence on their future behavioral intentions regarding the retailer.*

H2f. *Consumers' trust in a retailer has a positive influence on their future behavioral intentions toward the retailer.*

The hypothesized relationships appear Fig. 1.

3. Research method

3.1. The experiment conducted

The study was conducted on a convenience sample of 298 individuals, ages 20 to 25, within the store laboratory of the retailer partner of the research, Système U. Système U is a French cooperative of food retail merchants. The store laboratory is an exact replica of several food shelves (pasta and rice, fruit juice) and hygiene (shower products and shampoo) of a Système U supermarket (Super U). The choice of using a store laboratory was motivated by several reasons: 1° it would have been difficult to conduct this study in a real store without disrupting normal operations (reading of the scenario of the experiment); 2° the store laboratory allows a faithful reproduction of the purchasing act environment (shelves, POS information, baskets, cash registers); 3°

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