The Impact of Positive Word-of-mouth on Store Brand Purchase Intention with Mediated Effect of Store Image and Perceived Risk towards SBs

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Abstract

Several factors (positive word-of-mouth (PWOM), perceived risk toward store brands (SBs) and store image) have been underlined to explain store brand purchase intention in the context of an emerging market (IRAN). Data were collected from a consumer survey with 204 respondents. Structural equation modeling was used to test the hypothesized relationships. The result show that PWOM influence significantly store image. But there is no effect of PWOM, store image and perceived risk toward SBs on SB purchase intention. These findings are discussed and future research is proposed.

Keywords: PWOM; SB perceived risk; SB purchase intention; Store image

Introduction

Store brands (SBs), termed also as private brands or own brands, are brands owned and sold by a retailer in its own outlets. According to Ailawadi and Keller [1], one of store brand's aim is to identify the goods and services of a retailer and differentiate them from those of competitors. Store brands have been increasingly investigated by marketing scholars and focused retail manager's interest [2]. SBs experienced a phenomenal growth in various product categories during the past years [3]. For retailers, SBs become a reliable means to increase sales quickly at a relatively low cost. Consumers are also willing to purchase private brands products (PLMA, 2009). Several factors such as sociological [3], economical [4] and psychological [5-7] factors make consumers interested in buying of SB products.

In this survey, we gave questionnaires to participants who were eligible for (filtering question: buying from Etka store and were familiar with Etka brand) that never been seen in other studies. Therefore, we want to know whether PWOM, SB perceived risk and store image has effect on SB purchase intention with considering that participants. Richardson et al. [8,9] reported that store brand familiarity enhance store brand proneness while reducing extrinsic cue reliance, perceived quality variation and perceived risk of using SB. Because the costumers selected for this study were patron, at this article, we follow several objectives. First, we want to know if positive word-of-mouth (PWOM) will have positive and direct influence on store image and SB purchase intention with considering the fact that consumers use of others' experiences as an informational source when making purchase decision [10-12]. Second, we investigate if store image will have effects on SB purchase intention and SB perceived risk that consumers use of store image cues for purchasing decision [13]. Third, we asses effect of SB perceived risk on SB purchase intention. Extensive research has proved the effect of perceived risk on SB purchase intention [14-16]. The questions that we want to examine of indicated as follows:

1. Will PWOM have positive and direct effect on SB purchase intention?
2. Will PWOM have Positive and direct effect on store image?
3. Will store image have negative and direct effect on SB perceived risk?

4. Will store image have positive and direct effect on SB purchase intention?
5. Will SB perceived risk have negative and direct effect on SB purchase intention?

Rational for this research

Supermarket chains have been strengthening their position through mergers and acquisitions. With fewer and bigger players competing in markets, retailers need to assess their strategies carefully, in order to gain market share. Developing a strong store brand can play an important role in this effort. However, a store brand can be highly successful in some product categories while being ineffective in others [17].

There are many incentives for retailers to build store brand programs such as building store loyalty, increasing store traffic, enhancing negotiation strength toward manufacturers, etc.

For retailers, there are several risks in connection with the introduction of new products under a store brand. Store brands are typically umbrella brands, or brand that include various distinct product categories. A negative experience with one product category can prevent consumers from buying store brands in other categories, and even erode customer confidence in the store as a whole [18]. Retailer should therefore first assess the likelihood of acceptance of a new category under the store label. This assessment can be made by investigating consumer evaluations of store brands [19].

Based on what was mentioned above about the store brands and importance of these brands, PWOM can play a significant role in the purchase of store brands. Existing literature on marketing, suggests that WOM has an impressive function at purchase decision [20]. Research, continuously has shown importance of WOM in forming of
attitudes, purchase decision and reduction of risk related to purchase decision. PWOM nowadays is considered as powerful tool that quickly makes unknown and unfamiliar products popular [21]. Writz and chew [22] stated that relationship between customer and organization is most important incentive in creating PWOM. Some models are presented that show people are influenced by others [23].

**Conceptualization and hypotheses development**

The role and importance of store brands has been noticeably increased over the past decades. Store brands dramatically are evolving into impressive alternatives capable of competing successfully with national brands on quality as well as on price [24] and contributing substantially to profitability, store differentiation and store loyalty [25]. Sales volume and market share of store brands, as well as their appeal to consumers, have steadily increased [26,27]. Many retailers, instead of being distribution of national brands, would like to market their own brand. Store brands can help retailers to increase customers’ traffic and build loyalty to the store by offering high quality store brand.

**PWOM → SB purchase intention and/or store image**

WOM is informal, interpersonal communication about products and services [28,29]. WOM provides important information about a company that helps people to approach the company or away of it [30,31]. Previous studies have extensively examined the effect of PWOM [32,33]. When buying new product, consumers often rely on recommendations received through WOM because it is rapid and cooperative and provides valuable information [34-36]. Some researchers assume that PWOM will invariably lead to action, such as product purchase, on the part of the listener [37,38]. Zamil [39] studied the effect of WOM on consumers’ purchase decision. In this study, purchasing behavior of the final consumer was affected by WOM (negative more than positive). Some studies proved that PWOM plays an important role in store image perception, brand selection and etc. WOM is described as the process that allows consumers to share information and opinions that direct buyers toward and away from specific products, brands and services [40]. The basic idea behind WOM is that information about products, services, stores, companies and so on can spread from one consumer to another. In its broadest sense, WOM communication includes any information about a target object (e.g. company, brand) transferred from one individual to another either in person or via some communication medium [41]. Yavas and Shemwell [42] propose WOM as one of the main sources of image formation. Based on the things mentioned above, we propose:

**Hypothesis 1:** PWOM will have a positive and direct influence on SB purchase intention.

**Hypothesis 2:** PWOM will have a positive and direct influence on store image.

**Store image → SB perceived risk and/or SB purchase intention**

One of the definitions of store image was provided by Martineau. He stated that store image is the concept that shaping in the customer’s mind, partly by the functional features and partly by the psychological attributes. Consumers use store image dimension (layout, products, services, etc.) to decide on store brand purchase. Previous studies demonstrated that store image positively influence SB purchase intention (SBPI) [43]. Based on utilization theory, store image can be determinant of product quality [44]. In addition, we can consider store brands as a brand extension of store. Research of brand expansion supports the idea that store association and evaluation by customers can be generalized to store brand [45]. As store image perception provides a highly relevant cue for store brand, the brand acts as an original brand and considered a base for general quality of store brand.

Various researchers stated multiple characteristics as dimension of store. Lindquist [46] considers 9 elements as dimensions of store such as merchandise, service, customer oriented, physical facilities, convenience, promotion, atmosphere, post-buy satisfaction and institutional factors. Bearden et al. [47] conceptualized 7 elements as store image: price, quality, layout, atmosphere, parking, and employees’ behavior. In this study, four factors were selected as store image: Employees service, Convenience, merchandise, Price. Semeijn et al. examined the effect of store image and product attributes. Based on the findings there were direct and positive relationship between store image and consumer attitude towards store branded products. It was also cleared that consumers attitudes towards store branded products is inversely related to perceived financial risk. Liljander et al. worked on modeling consumer responses to an apparel store brand (store image as risk reducer). The study showed that the perceived quality and value of the store-branded products depend on: the levels of perceived risk and store image. Both categories influence consumers’ willingness to buy the specific store brand category. Store image was also found to mitigate perceived psychosocial. Therefore:

**Hypothesis 3:** Store image will have a negative and direct influence on perceived risk towards SBs.

**Hypothesis 4:** store image will have a positive and direct influence on SB purchase intention.

**SB perceived risk → SB purchase intention**

The Term of perceived risk is derived from psychological field. Bauer [48] believes that consumer behavior is associated with a risk in the sense that any action of a consumer will have consequences which he cannot predict with certainty, and some of which at least are likely to be unpleasant.

Some researchers have recognized perceived risk in the compound of several dimensions that involves functional, financial, social, psychological, and physical risks. These dimensions have been used by many researchers and even developed. Several dimensions of perceived risk have been measured including overall risk, “functional” or “physical” risk, “financial” risk, “performance” risk, etc.

Batra and Sinha [49] and Richardson et al, showed that perceived risk is a key element for understanding consumer behavior toward store brands. Dursun et al. showed that perceived risk of using SB significantly affects purchase intention. Liljander et al. have empirically demonstrated that consumers’ perceived financial risk of buying store-branded apparel product negatively influence SB purchase intentions. It Also was confirmed the effect of perceived risk on purchase intention [50]. In our research, SB perceived risk is divided into functional and financial risk. Therefore, we anticipate:

**Hypothesis 5:** SB perceived risk will have negative and direct influence on SB purchase intention (Figure 1).

**Research Methodology**

**Data collection and sample**

This research is based on a survey undertaken in the Iranian market. Iran is an emerging market which is best for retail expansion. Etka chain store (has started to work since 1954 and at the present has more than 429 sales centers in Iran) is one of biggest grocery retailers in Iran which serves several kinds of customers (public citizens and
families of the Army Forces). Data were collected using a questionnaire (Table 1) and all items were rated on a 5 point-Likert scale (1 "strongly disagree", 2 "disagree", 3 "no agree, no disagree", 4 "disagree" to 5 "strongly agree"). The respondents were intercepted inside of the store when buying. Choice-based sampling was used to select participants. The criteria for participating were that the respondent must be at least 18 years old and familiar with store brand (Etka) and frequent shopping experience of Etka store. To obtain more accurate results, distribution of the questionnaires was that after a questionnaire completed by a respondent, another questionnaire was given to next respondent. Distribution of the questionnaire took 23 days (interval between October to November 2013). The number of 380 questionnaires was distributed, that 204 questionnaires were usable and used for analyze (Table 2). 3 out of 7 branches of Etak chain stores in alborz province have been selected. For age, 37.1% of respondents were between 18 and 20; 49.6% between 35 and 54 and 11.3% over 54; 45.6 of the respondents were women; for education, 11.9% of them frequented high school or less; 82.2% were undergraduate or frequented university and 5.9% had a master's degree or higher.

**Analysis of data and the results**

Measurement scales factorial structure: In the present research, we used Sps 19 and Lisrel 8.8 software. To determine the patterns the structure each measurement model, we used exploratory factor [51,52]. Based on EFA, the KMO values are greater than 0.7 and Bartlett tests is significant. We kept the items that loaded significantly on only one factor (loading>0.5) with eigenvalue greater than 1 and communalities (R^2) greater than 67%. All constructs obtained Cronbach alpha greater

**Table 1**: Result of the confirmatory factor analysis (N=354).

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Dimension and measurement items</th>
<th>Stand. loading</th>
<th>t-values</th>
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<tbody>
<tr>
<td>Store image perception (α= 0.75)</td>
<td>Merchandise available when needed, Store offers high quality merchandise, Store offers broad assortment</td>
<td>0.62, 0.57, 0.69</td>
<td>10.90, 9.91, 12.04</td>
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<td></td>
<td>Service, Employees behave politely with customers, Employees answer to customers' questions patiently</td>
<td>0.73, 0.65, 0.84</td>
<td>12.31, 16.77, 11.91</td>
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<tr>
<td></td>
<td>Convenience, It is convenient to buy from the store for me, I save my time with buying from the store, Commuting to the Store is easy for me</td>
<td>0.59, 0.69, 0.48</td>
<td>10.22, 11.91, 7.33</td>
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<tr>
<td></td>
<td>Perceived price, I obtain value for my money at the store, I can buy products for less at the store, The prices at the store are fair</td>
<td>0.70, 0.70, 0.87</td>
<td>13.71, 13.63, 17.55</td>
</tr>
<tr>
<td>Perceived risk towards SB (α=0.737)</td>
<td>Functional risk, You are suspicious of the quality of this SB, You are worried that it is not a wise way of spending money</td>
<td>0.53, 0.39, 0.31</td>
<td>9.00, 6.40, 5.11</td>
</tr>
<tr>
<td></td>
<td>Financial, You think that buying this SB is a waste of money, You think that it is not a wise way of spending money</td>
<td>0.74, 0.65</td>
<td>12.31, 10.98</td>
</tr>
<tr>
<td>PWOM (α=0.885)</td>
<td>Words of friends and familiars has impact on my shopping of the store, Recommender's credit has impact on my shopping of the store, Good words of others is effective in my shopping of the store</td>
<td>0.47, 0.76, 0.68</td>
<td>7.97, 12.88, 11.54</td>
</tr>
<tr>
<td>SB purchase intention (α=0.717)</td>
<td>It is very likely that I will buy SB product, I would purchase SBs next time</td>
<td>0.88, 0.55</td>
<td>5.26, 4.88</td>
</tr>
</tbody>
</table>
The aim of this paper determines that if the variables used in this research (PWOM, Perceived risk towards SBs, Store image perception) has effect on SB purchase intention among patron customer (who experienced store brand and familiar with store brand). Some obtained results were unexpected. It is, thus requested researchers implement this research in other chain stores on patron customers for support.
our result. It is also important to use familiarity variable as mediated variable in order to understand whether PWOM, SB perceived risk and store image can effect on SB purchase intention through familiarity.

References


