Does Social and Ecological Image of Retailer Organic Branding Have a Positive Effect on Consumers' Beliefs?

Yating Tian
Technische Universität München

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Abstract

The research explores effects of social and ecological image of retailer organic brands on consumers' beliefs. Consumers can perceive the retailer brand value by borrowing from social and public information sources, other than the product self. This study fills the research gap between brand knowledge transfer and consumers' purchase intention by investigating the influence of the social and ecological image of associated entities and retailer identity. The research uses the method of structural equation modeling. Consumers' belief, social and ecological image, retailer identity, and brand knowledge are four constructs. The findings shows that the social and ecological image has a positive effect on the consumers' beliefs; retailer identity has a significant influence on purchase beliefs and the strength of knowledge transfer has a strong and significant effect on the beliefs of consumers that lead to purchase intention.

Keywords: Purchase Intention, Retailer Organic Brands, Social Image

Track: Consumer Behavior

1. Introduction

Social and ecological image of entities associated with retailers' brands in branding and marketing management research field has not received sufficient academic focus, although discussions of retailer promotional activities and consumer perceptions of retailer image have long existed in literature (Ailawadi and Keller, 2004). Morschett (2008) found that past research concentrated more on price gap, quality differences, promotion intensity, and brand loyalty; however, retailer brands should differentiate from the product brands that rely purely on the product attributes to survive in the modern market (Ailawadi and Keller, 2004; Burt and Sparks, 2002). There is a distinction between pure store-associated brand image (Burt and Davies, 2010) and brand identity, which focuses on perceptions and attitudes about the image of retailers, as part of their overall corporate personality (Kapferer, 1986). It should be distinct from the five brand personality dimensions that Aaker (1997) developed to measure the utilitarian function of the products. The identity is related, to a certain degree, with the theory of Consumer-Company Identification (C-C Identification) proposed by Bhattacharya and Sen (2003), which asserts that strong consumer-company relationships are based on the consumers' identification with companies, which helps them satisfy at least one important self-definitional need. Thus, it includes the consumer-level company identity. Ahearne, Bhattacharya, and Gruen (2005) analyze the perceived company characteristics and the constructed external image, and how customers' need to identify with a company may be satisfied partly by the companies that they patronize.

Traditional food retailers are facing greater pressure from alternative channels. Consumers are concerned whether retailers are environmental-friendly in their products assortment, sourcing, and responsibility toward society (Belz, 2003; Mohr and Webb, 2005; Swoboda, Hälsig, Schramm-Klein, and Morschett, 2008; Pickett-Baker and Ozaki, 2008). Additionally, retailers also provide value-added services to customers (Burt, 2000). Retailers make efforts to optimize food souring, bargain with upstream suppliers, and provide organic food to win organic shoppers. Thus, they can retain their edge over competing manufacturers, traditional stores and supermarkets, special organic stores, discounters, regional and farmer markets, and online organic food operators. One of the advantages of retailing is that it can be used to understand consumers better. That is, the core service of food retailers is selling foods to consumers through their shops and stores, which hold an assortment of food brands sourced from

various sources. Therefore, there is the potential to build strong relationships with consumers. To win consumers long-term relationship and compete with rivals, retailers try to differentiate themselves by building their own permanent equity (Homburg, Hoyer, and Fassnacht, 2002; Burt and Mavrommatis, 2006). The reactions are formed while consumer decision-making behavior is guided by information retrieved from memory (Keller, 1993). Retailer organic branding is based on brand associations with the knowledge structure of the farm cooperatives; the associations in the consumer's memory (Keller 1993) are less fully explored. Consumers can perceive the retailer brand value by borrowing from social and public information sources, other than the product itself. The following diagram reflects the supposed transfer relationship.

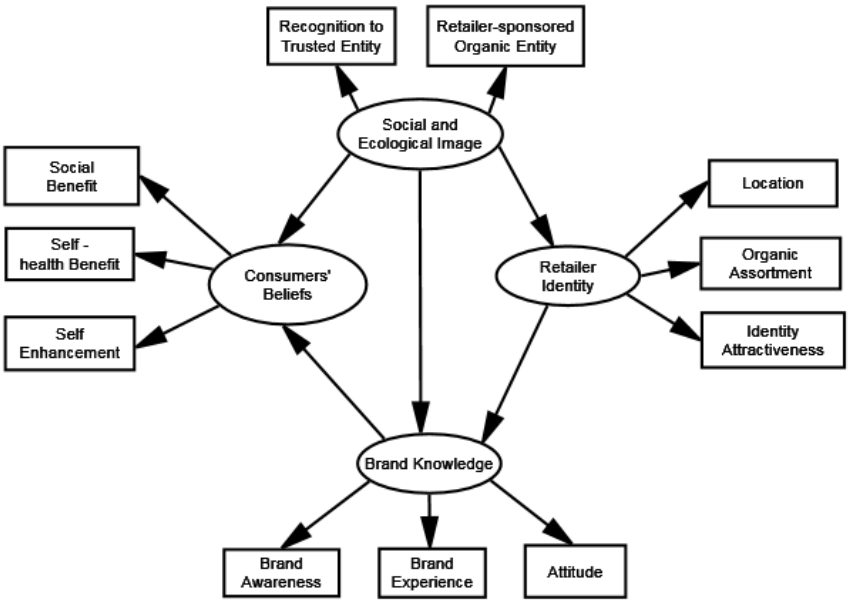

Figure 1 Influence Path Diagram of Social and Ecological Image

In this research, structural equation modeling (SEM) is used to simulate how brand knowledge is transferred from social and ecological image of associated entities with retailer identity to consumers' beliefs. The concepts are shown and the possible connection relationship between them is depicted with an arrow that indicates the direction of the possible causal effect in the research question: social and ecological image from retailers' organic branding affect the consumers' belief about the retailer brands. In this case, it is not easy to decide on the direction

of a possible effect. A supposed direction of effect is shown. A positive correlation between the image and beliefs is expected.

2. Literature Review

Consumers' decision to purchase retailer brands is affected by many factors, such as brand knowledge, image of retailers, and retailer identities. Retailers are responding with larger brand programs of their own that feature innovative new products and greater value. Morschett (2008) showed that, beginning in 2007 and 2008, certain large retailers began to concentrate on their store brands portfolio to seek expansion and product varieties. The arguments about the low price-low quality and non-existent branding of retailer's products, compared to those of national brands, have been put forward in the existing research by Veloutsou, Gioulistanis, & Moutinho, (2004), Richardson, Dick, and Jain (1994), Hoch (1996), Sethuraman and Cole (1999), and Lupton, Rawlinson, and Braunstein (2010). Zielke and Dobbelstein (2007) compared the difference in importance among food groups and found that the value for money and quality characteristics of some product categories are not considered as much as their social acceptance. However, the importance of value for money varies according to income level and social status, which boosts the preference attitude, has a moderate effect. Chaniotakis, Constantine, and Magdalini (2010) suggested that consumers' purchase intentions are directly affected by their attitudes toward own-label olive oil, which in turn are influenced by the perceived benefits of the product, brand loyalty, and trust.

Keller and Lehmann (2006) highlighted that brands reflect the entire range of experience of consumers with products. Pickett-Baker and Ozaki (2008) stated that brands can shift consumer attitudes toward more sustainable consumption. Retailers can create a brand image by ensuring unique associations with the quality of their service, their product assortment, and merchandising (Ailawadi and Keller, 2004). Retail branding must obey the rule of identifying preferences and reducing search costs of consumers. The retail brand's name and the retail context within which it is sold, presumably enables such identification and recognition (Burt and Davies, 2010). However, the effectiveness of brand strategies will be affected by the content and structure of brand knowledge, as well as the changes in it (Keller, 1993). The branding strategy, whether it is sub-branding or ingredient branding, serves to build brand equity through secondary

brand association, which connects brands that have their own knowledge structures with the minds of consumers (Keller, 2012, p. 314).

The niche profit of retailing organic food category is the result of the reduction of bargaining power of upstream suppliers; in other words, the effect of upstream or vertical integration (Bakker, 2015). Retailers start to cultivate an overall brand identity in order to counter the effects of rivals. Ailawadi & Keller (2004) elaborate that retailer brands are more multi-sensory than the pure private labels because of the images linked with retailers, which are formed during purchase and consumption and are retained in customers' memory. The retailers cooperate more and more with organic certification organizations and entities to rebrand their products.

3. Research Question

Retailers' merchandizing activity comprises the interface between consumers and suppliers; thus, this research pays attention to the transfer relationship among social and ecological image of associated entities, retailer brand knowledge, and consumers' beliefs. The following five competitive retail channels are considered: traditional retailers' stores; organic shops; farmers' markets; discounters; and regional stores. The associated entities are involved in the supply of organic foods to retailers. Thus, the research question is: does social and ecological image created by means of retail organic branding influence the consumers' attitudes and beliefs that lead to their choice decisions?

4. Data and Method

Data were drawn from the shoppers of supermarkets and food discounters in Bavaria of Germany. The Shoppers are living in this area very long and familiar with each retailer in this area. Since the research focuses on the organic food, the consumers are also those who are interesting and visiting the organic department in the markets. Data were collected from November 2014 to January, 2015. In this research, four dimensions of retailer brands' image are investigated in a survey. Quantitative research conducted through a survey to investigate German adults who purchase organic foods through five types of distribution channels. The sample of

339 adults is stratified. The age of respondents ranges from 19– to 65 years. A 7-point Likert scale is chosen to measure the responses and produce an overall score. The confirmatory factor analysis (CFA) are used for the analyses.

The objective of this research is to investigate if retail branding based on positive social and ecological image and retail identity can cause the brand knowledge transfer that influences consumers' beliefs. The construct consumers' beliefs (CB) were decomposed into social benefit, self-health benefit, and self enhancement. The construct social and ecological image (SE) is embedded in two parts— recognition of trusted entity and retailer-sponsored organic entity. The second construct is retailer identity (RI), which includes location of stores, whether they provide an organic assortment, and any attractiveness identified by consumers. The third construct is brand knowledge (BK), which consists of three questions, they are consumers aware of the retailer brands; consumers have a strong brand experience; consumers' attitude to the retailer brands.

5. Findings

The confirmatory factor analysis was conducted and Cronbach's α is to test the reliability of interne scales. The first construct related to benefits that consumers' perceived buying retailer organic food. Factor loading of each item was showed in Table 1. The Cronbach's α is 0.78. The constructs social and ecological image, retailer identity, and brand knowledge have also significant Cronbach's α of 0.93, 0. 82 and 0.82. All of them are above 0.60 (Cortina, 1993; Nunnally 1978). The model fit is with the data GFI 0.90, NFI 0.90, CFI 0,91 and RMSEA 0.05 proved to be satisfied.

Table 1. Confirmatory factor analysis of social and ecological image

Construct	Statement	Factor loading	Cronbach's α
CB1: Social Benefit	It is good for environment to buy retailer organic food.	0,67	0,78
CB2: Self-Health Benefit	I perceive more benefits from retailer organic food.	0,82	
CB3: Self-Enhancement	Buying retailer organic food will leave a good impression to others	0,86	
SE1: Recognition of Trusted Entity	I recognize that organic identity from the trusted institute.	0,92	0,93
SE2: Retailer-sponsored Organic Entity	It is recognized that retailer sponsored organic institutes.	0,95	
RI1: Location	The stores close to me.	0,78	0,82

RI2: Organic Assortment	The stores have the organic assortment.	0,86	
RI3: Identity Attractiveness	The organic identity in the package attracts me.	0,76	
BK1: Brand Awareness	I realize that from retailers branded organic food.	0,87	0,82
BK2: Brand Experience	I have experience about this retailer store.	0,83	
BK3: Attitude	I am positive toward the retailer organic brands.	0,77	

Result indicates that social and ecological image can be influenced from retailers with joint organic entities or their sponsorship for organic brands. And this image can be transferred and affect the consumers' belief. Consumers' experience will also have an effect on retailers' image.

Following are the main findings: the social and ecological image has a positive effect on the consumers' beliefs; retailer identity has a significant influence on purchase beliefs and the strength of knowledge transfer has a strong and significant effect on the beliefs of consumers that lead to purchase intention. A positive image of the associated entities, with which retailers engage, can have positive effect on consumers' beliefs.

6. **Conclusions**

This study enriches the theory of transfer image and brand knowledge and consumer-company identification in retail research. Retail organic branding provides not only economic benefits to retailers, but also a positive image and sustainable consumption by consumers guided by retailers.

Firstly, image of retailer organic brands comprise four constructs: consumers' belief, social and ecological image, retailer identity, and brand knowledge. The image of retailers is perceived by consumers include distinguished values in comparison to traditional food brands. Instead of analyzing the economic benefits, researchers can extend organic branding research through an indirect social and ecological effect on retail brand equity.

Secondly, image of retailer organic brands perceived by consumers are influential to the retail brand equity. The implication for retailers is that the social and ecological image of the associated entities of retail organic brands can extend consumers' the knowledge to recognition of retailers' brands. The engagement in social and environmental benefits by consumers has an

effect on consumers' choice. The role of retailer organic brands in building retailer brand equity is very important in modern retailing business. The positive impact of the retailers' brands on the retailer image and retail brand equity through transfer of brand knowledge is the basic principle. Retailer organic brands allow the retailers to position themselves at a corporate level. The activeness and strength of a retailer in social and ecological sustainable production development can directly transfer the image of corporate social responsibility to consumers. Therefore, consumers are aware of retailers' brands and can easily recall them.

As it is related to the retail branding marketing activities that involving the social and ecological facts, the image transfer can improve the consumer based retail brand equity which drove by brand knowledge of retailers. Therefore, the behavior of retailers' social responsibility can be further investigated in this area. It is a long-term marketing and social activity, which can both integrate and optimize social resources available to retailers.

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