ABSTRACT
Retail store image, customer evaluation of merchandise value and intention to purchase have been studied as a most important constructs of the retail domain. It is considered from previous research, that store image is expressed in terms of tangible and intangible dimensions as assessed by consumers. Consumers are affected by the store’s attributes and consider image associations in order to assess perceived benefits and attitudes. This study develops a proposition that store image makes an influence on the level of perceived product value. As recent research has shown, perceived value is related to willingness to pay a higher price. Accordingly, this study posits a path model of store image, product value perception and willingness to pay a premium price. The proposed theoretical framework entails insights on the differences in retail image – customer attitude relationship according to customer characteristics – gender and income. Therefore I hypothesize the impact of gender and income on the perceived merchandise value and willingness to pay a premium price. Analyzing the path model, this paper investigates the influence of retail image and customer characteristics on the important retail outcomes. The results suggest a link of retail store image and perceived value of merchandise, also the hypothesized assumptions of the link of customer income and endogenous variables of perceived value of merchandise and willingness to pay a higher price were supported by the results. Findings of the structural model do not support the effect of the gender on the relationship between retail image and resultant variables of perceived value of merchandise and willingness to pay a higher price.
KEY WORDS: retail store image, perceived value of merchandise, willingness to pay a higher price.

JEL CODE: M190

Introduction
Consumer perceived value of the merchandise have been considered as related to retail outcomes. Willingness to pay a price premium is one of the important retail outcomes, which poses a challenge for retailers. Desired advantages of higher profits and necessity to cover increased costs will likely to translate into higher retail prices. It is obvious importance for retailers to be able to gain a premium prices. In this regard conditions under the retailer’s control which enhance customers’ willingness to pay should be identified and then properly used by the retailers. Issues of the effective price focused retail strategies’ development are the practical as well as metodological problem. Recent research has explored various retail domain factors of customers’ behavioral proponents. However, it is very little evidence of the differential effects of the store image on the customer’s perception of merchandise value and willingness to pay a higher price.

The studies, which refer to the effect of the perceived value of merchandise on the willingness to pay a price premium, posit that consumer’s purchase intention is based on the perceived value of the product, and willingness to pay a higher price or repurchase loyalty is generated when perceived value is considered to be greater (Netemeyer et al., 2004: 209; Ligas, Chaudhuri, 2012: 249). Prior research has shown that contextual conditions strengthens the existing perception of consumer value (Holbrook, 1999: 26). Factors influencing
value could also influence the willingness to pay a higher price. Further, store image and consumer traits, particularly gender and income, are the important contextual conditions that have often been found related to various marketing constructs. However, there is little evidence of the simultaneously viewed effects of the retail image and customer characteristics on the relationship between perceived merchandise value and willingness to pay a price premium. Accordingly, this research posits a model in which store image and customer characteristics are related to the perceived merchandise value and willingness to pay a price premium.

The aim of this research is to evaluate the effect of customer characteristics (gender and income) on the relationship between store image, perceived value of merchandise and willingness to pay a price premium. In this paper a conceptual model of the relationship among variables is proposed and empirically tested at the level of individuals. Technique of structural equation modeling is applied for the analysis of hypothesized causal relationships among variables. Two structural models are analysed – a model of the effects of customer income and gender. The theoretical contribution of this study pertains to examining the relationship between store image, perceived merchandise value and willingness to pay a price premium. The impact of consumer level characteristics on the retail image – value – willingness to pay a price premium framework is explored. Used methods – the analysis of scientific articles, comparison, statistical, systematic the analysis of survey, logic-based conclusions.

1. Conceptual background

In this research the effect of store image and customer characteristics on the perceived merchandise value and willingness to pay a price premium is examined. In order to test the roles of store image and customer characteristics on the merchandise value and willingness to pay a price premium an appropriate framework has been constructed (Fig. 1). A brief discussion of variables is provided further.

![Figure 1. Conceptual framework](source: composed by the author)

Perceived merchandise value is based on the worth of the retailer’s offerings to the individual customer. The literature on consumer value defined perceived merchandise value as a worth based on the consistency between the quality of merchandise and overall costs of obtaining the merchandise (Baker et al., 2002: 120; Ligas, Chaudhury, 2012: 249). The customer’s perception of quality and cost of the offering could be enhanced by the context of the consumption experience (Holbrook, 1999: 28). Such contexts of consumption experience as customer’s knowledge, based on prior purchases, type of the store were discussed in the literature (Cowley, Mitchell, 2003: 25; Ligas, Chaudhuri, 2012: 258). High value offerings have more benefits to the customer, based on the advanced functional features of the merchandise or the extended service, provided by the retailer. With regard to pricing, the low price offerings could also be perceived by the customers as
high value offerings and have the benefit of low costs. Competing for the customers, retailers are interested to communicate the benefit or valuable features of the offering to the customer. Strengthening the existing customer perception of value will lead to advantageous effects for the retailer – customer loyalty and willingness to pay a higher price for the product.

Willingness to pay a higher price as a customer’s stated intent represent the particular buyer’s decision making situation, when the price for the good, stated by the retailer, is lower as compared to perceived value. Practical interest for this regard to the retailers is fostered by the evidence that consumer’s stated willingness to pay a higher price conditions an actual purchasing behavior (Green, 1992: 128). Knowing the factors which strengthen the perceived willingness to pay a price premium, retailers would be able to utilize those under the retailer’s control. Therefore, customer perceived willingness to pay a higher price was included in our model as endogenous consequence variable along with antecedents of store image and consumer characteristics of gender and income.

Retail store image has been studied as the antecedent of various retail outcomes. The store image has been defined by Martineau (1958: 48) as the way in which consumers perceive the store. The store image includes dimensions of functional and environmental attributes. Dickson, MacLachlan (1990: 160) argue that image is used by customers to determine their suitability as customers for the particular store. Retail store image is related to customer evaluation of the price and purchase intentions (Grewal et al., 1998: 331). However, it is unclear how the retail store image affects the customers purchase behavior. It was suggested in this paper that the store image is related to perceived value of merchandise, and perceived value shape the customer’s behavior – willingness to pay a higher price. The dimensions or attributes of the store image are important in order to have a proper evaluation of this construct. These attributes are constructed according to customer perceptions (Bloemer, Ruyter, 1998: 499). Customer perceptions of a basic offer are related to marketing image (Chowdhury et al., 1998: 72). Like the majority of the studies, this paper have centered on the dimensions of marketing image. This perspective of store image takes into consideration the quality and variety of goods and services, provided by the retailer.

The study includes two consumer characteristics – gender and income. Men appeared to take less time to purchase the particular number of items and a men’s expenditure was higher as compared to woman (Davis, Bell, 1991: 25). Behavioral differences between genders suggest also the differences in perceptions of stores’ characteristics. Helgesen and Nesset (2010: 114) defined a store characteristics as a physical attributes of the store and product characteristics. According to Gardner (2004: 11), male and female behavior in the supermarket is different. Gender differences in gathering and processing information influence the way of making comparisons across the variety of retailers and other reactions of buyer related behavior (Noble et al, 2006: 177). Difference in reactions to the store characteristics and patterns of behavior suggest that men and woman present different criteria for the offer evaluation and buying decisions.

Customer income is important determinant of buying decision. It seems to be obvious that higher income customers are less sensitive to product price as compared to lower income customers. However, past research has not presented consistent findings – the results of inverse relationship between customer income and price paid for the product (Jones et al., 1994: 325), greater price sensitivity in higher income customers (Mulhern et al., 1998: 427), inverse relationship between household income and price search (Urbany et al., 1996: 91) were reported in the academic literature. These findings were interpreted as conditioned by the motive of the purchase (impulsive purchase or planned purchase) and the attribution of the merchandise (hedonic good or functional good). It is anticipated that high income consumers are less price sensitive for the hedonic goods and differences in income have an effect on price sensitivity for the planned purchases (Wakefield, Inman, 2003: 200). In the context of this study it is anticipated that level of customer’s income have an effect on perceived merchandise value. Lower income customers should exhibit greater price sensitivity, therefore, they will be more critical in evaluating the offer on the basis of quality and price (cost) ratio. The increase in good’s price will be expected lead to even higher increase in quality.
2. Hypotheses development

The proposed model relates store image to the endogenous variables of the merchandise value and willingness to pay a higher price. This allows to identify direct impact of store image to the consequence variable of willingness to pay a higher price and indirect impact to the consequence variable through the moderator variable of perceived merchandise value. Relationship between the marketing image and perceived merchandise value could be suggested by the content of the marketing image concept. A store’s marketing image, according to marketing literature, is expressed by the customers’ perceptions of a retailer’s basic offer (Barich, Srinivasan, 1993: 70). Baristain and Zorrilla (2011: 565) showed that a stores’ marketing image is associated to the quality, variety and the prices of the merchandise. Perception of the store image by the customer is based on the perception of the benefit of the offer. Therefore, this leads to the hypothesis that customers who perceive a store’s marketing image positively may also positively perceive merchandise value. The following hypothesis is posed:

**H1**: Positive marketing image of the store has a positive impact on the perceived merchandise value and negative store’s marketing image will be negatively related to the perceived merchandise value.

In constructing hypothesis of the relationship between the store image and willingness to pay a higher price, theoretical suggestions of marketing theory of disconfirmation of expectations (Wood, Moreau, 2006: 44). It suggests that disconfirmation of expectations leads to emotion and specific effects. Accordingly, when the benefit of the offer from a store meets customer’s expectations, it will support the increase in consumer’s interest to the store and merchandise. It is suggested that positive store’s marketing image is related to perceived willingness to pay a higher price for the merchandise. The hypothesis is as follows:

**H2**: The positive store’s marketing image will be positively related to perceived willingness to pay a higher price.

Gender is an important variable of shopping behavior. Achievement – oriented shopping behavior is inherent to men and enjoyment – based shopping activity is inherent to women (Noble et al, 2006: 177). This suggests that perceptions of men and women to the factors which determine the merchandise value and willingness to pay a higher price for the merchandise is different. Therefore, evaluating the relationship between the gender and variables of merchandise value and willingness to pay a higher price in the sample of different genders, the findings provide a snapshot of sample-prevailing gender perception. Therefore, the strength and the significance of the gender – endogenous variables (merchandise value and willingness to pay a higher price) relationship could be hypothesized. The following hypotheses are stated:

**H3**: With regard to gender, (a) the path from gender to perceived merchandise value will be statistically significant; (b) the path from gender to perceived willingness to pay a higher price will be statistically significant.

In the context of this study it is anticipated that price sensitivity for the lower income customers will substantiate the effect of customer’s income on perceived merchandise value and willingness to pay a higher price. It is expected that budget constraints will force the customers to be more critical to the benefit, provided by the consumption of merchandise, and to the increase of merchandise price. The following hypotheses are stated:

**H4**: With regard to income, (a) the path from income to perceived merchandise value will be positive; (b) the path from income to perceived willingness to pay a higher price will be positive.

As stated in conceptual framework (Fig. 1), perceived merchandise value leads to perceived willingness to pay a higher price. This relationship is considered according to rational suggestions. Since the perceived merchandise value is based on the relative evaluation of the benefit and cost of the merchandise, the surplus of the value should cause a positive attitude towards the willingness to pay a higher price. Therefore the following hypothesis is stated:

**H5**: The positive perceived value of the merchandise will be positively related to perceived willingness to pay a higher price.
3. Research method

The measurement model was tested using LISREL. The chi-square statistics, RMSEA, GFI goodness of fit indices were used for the overall fit assessment. In order to assess item reliability, the appropriate measures of association for each item (Pearson correlation coefficient) is reported in Table 2.

Scale development for the store’s marketing image was based on the scales provided in the literature. The marketing image scale, provided by Chowdhury et al. (1998: 86) was modified to three items scale: variety of products offered in the store; convenient working hours; it is a store of positive recommendations. Items were measured using Likert 1–5 scales. The variables of perceived merchandise value and perceived willingness to pay a higher price were measured as single items. The variable of perceived merchandise value was measured using Likert 1–5 scale, variable of perceived willingness to pay a higher price was measured using a dichotomous scale (1 – negative, 2 – positive).

The household goods retail store was chosen as a specific area for the validation of the hypotheses. The reference product category is horticultural sundry goods. Data were collected directly from the customers, approaching them as they left the store. All willing to participate customers there asked to complete the brief questionnaire. Data were collected over a few weeks during various time of the day. In total 197 completed questionnaires were usable for the analysis. Sample characteristics are reported in Table 1.

<table>
<thead>
<tr>
<th>Table 1. Sample characteristics</th>
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<tbody>
<tr>
<td><strong>Variable</strong></td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Household income</td>
</tr>
<tr>
<td>&lt; 1000</td>
</tr>
<tr>
<td>1000–1499</td>
</tr>
<tr>
<td>1500–1999</td>
</tr>
<tr>
<td>&gt;2000</td>
</tr>
</tbody>
</table>

*Source*: data of the customer survey, composed by the author.

4. Results and discussion

The Pearson correlation coefficients as the measure of association for each variable were presented in Table 2.

<table>
<thead>
<tr>
<th>Table 2. The correlations of the items measured</th>
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</thead>
<tbody>
<tr>
<td><strong>Item</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td>1. Perceived value of the merchandise</td>
</tr>
<tr>
<td>2. Perceived willingness to pay a higher price</td>
</tr>
<tr>
<td>3. Convenient working hours of the store</td>
</tr>
</tbody>
</table>
Pearson correlation coefficient

<table>
<thead>
<tr>
<th>Item</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Means and (std. deviations)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Variety of products is offered in the store</td>
<td>0.31**</td>
<td>-0.28**</td>
<td>-0.15*</td>
<td>4.55 (0.62)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. It is a store of positive recommendations</td>
<td>0.30**</td>
<td>-0.15</td>
<td>-0.45**</td>
<td>0.16*</td>
<td>3.56 (0.50)</td>
<td></td>
</tr>
</tbody>
</table>

*p<0.05  ** -p<0.01  

Source: data of the customer survey, composed by the author.

Two structural models were analysed – a model of the effects of customer income and gender. Path coefficients were calculated using structural equation modeling. The results of the structural models show that both models fit the data. Results for the model of the effect of gender: $\chi^2 = 3.79$, $df = 3$, RMSEA = 0.039, GFI = 0.992. Results for the model of the effects of customer income: $\chi^2 = 3.27$, $df = 3$, RMSEA = 0.022, GFI = 0.993. Structural coefficients for the paths shown in Table 3.

Table 3. Results of the structural models

<table>
<thead>
<tr>
<th>Paths</th>
<th>1 model (effect of gender)</th>
<th>2 model (effect of income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Marketing image of the store $\rightarrow$ perceived merchandise value</td>
<td>-1.45 n. s.</td>
<td>1.77</td>
</tr>
<tr>
<td>H2: Marketing image of the store $\rightarrow$ perceived willingness to pay a higher price</td>
<td>-0.92 n. s.</td>
<td>-0.95</td>
</tr>
<tr>
<td>H3(a) Gender $\rightarrow$ perceived merchandise value</td>
<td>0.30 n. s.</td>
<td></td>
</tr>
<tr>
<td>H3(b) Gender $\rightarrow$ perceived willingness to pay a higher price</td>
<td>-0.19 n. s.</td>
<td></td>
</tr>
<tr>
<td>H4(a) Income $\rightarrow$ perceived merchandise value</td>
<td>0.12</td>
<td></td>
</tr>
<tr>
<td>H4(b) Income $\rightarrow$ willingness to pay a higher price</td>
<td>0.10</td>
<td></td>
</tr>
<tr>
<td>H5: Perceived value of the merchandise $\rightarrow$ perceived willingness to pay a higher price</td>
<td>0.03 n. s.</td>
<td>0.02 n. s.</td>
</tr>
</tbody>
</table>

Source: data of the customer survey, composed by the author.

The structural coefficients for the model of the gender effect were not significant. This suggests that different perceptions of men and women provide a different cause and effect relationships and this lead to inconsistent result. It is also possible that positive and negative attitudes affect the result independently. Future research may want to analyse the conceptual model in the separate samples of man and women populations.

Hypothesis 1 was supported by the results of the second model. Better store’s image conditions the increase of the perceived value of the merchandise. However, relationship between store image and willingness to pay a higher price, has a negative structural coefficient, therefore, hypothesis 2 was not supported by the model results. Increased store image has a negative effect on the willingness to pay a higher price. Interpretation of this finding could be associated with the specific effects of negative attitudes. Ratings of the items of store image latent variable are not high (means for the items are presented in Table 2). Negative store image may impose a different consumer perception and provide a different motivation to the buying behavior. Future work could consider the effect of negative retail store image to the buying behavior. The results of the second model support the hypothesis 4. As customers’ income increase, their perceived merchandise value and willingness to pay a higher price is greater. Hypothesis 5 was not supported by the results. The path co-
efficient for the perceived value of the merchandise – perceived willingness to pay a higher price was found statistically non significant and low value.

Few hypothesized paths were supported by the results of this study – relationship between store image and perceived value of the merchandise, customer income and perceived value of merchandise, customer income and willingness to pay a higher price. These relationships are tested at the individual level and findings could induce some ideas for the retail store managers giving the arguments for the strategic management decisions. It could be suggested that retailer strategy aimed to develop the merchandise value could be based on the store image building decisions. Store promotion remedies should have an effect to merchandise value.

However, it has not been found sufficient evidence that there exist a direct relationship between the perceived value of the merchandise and perceived willingness to pay a higher price. Nonetheless, this finding may occur due to the common method variance – both endogenous and exogenous constructs were measured by the same survey instrument.

Conclusions

This study posits a path model of retail store image, perceived value of the merchandise and willingness to pay a premium price. The proposed theoretical framework entails insights on the differences in retail image – customer attitude relationship according to customer characteristics – gender and income.

To test the theoretical models two structural equation models were analysed. The results of the model support the hypothesized relationship between retail store’s image and the perceived value of the merchandise. This study shows that positive store image contributes to the increase in perceived value of the merchandise. This result is suitable for the management decisions related to product value and retail offer development.

The hypotheses of the effect of customers’ income on the perceived value of merchandise and willingness to pay a higher price were supported by the structural equation model. This study suggests that the customers’ income increase reinforce the augmentation of the perceived merchandise value and willingness to pay a higher price.

References


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Santrauka


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Suvokimas priklauso nuo mažmeninės prekybos vietos įvaizdžio. Taip pat patvirtintos darbe iškeltos hipotezės, kad pajamos ir endogeniniai prekės vertės suvokimo bei ketinimo mokėti didesnę kainą kintamieji yra susiję. Struktūrinio modelio analizės rezultatai parodė, kad lytis neturi didelės įtakos parduotuvės įvaizdžio ir prekės vertės suvokimo bei ketinimo mokėti didesnę kainą ryšiui.

**PAGRINDINIAI ŽODŽIAI:** mažmeninės prekybos vietos įvaizdis, suvokiama prekės vertė, ketinimas mokėti didesnę kainą.

**JEL KLASIFIKACIJA:** M190.