

## STORE PRICE IMAGE: THE ROLE OF NON-PRICE FACTORS

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**Abstract:** Price is a critical factors in purchase decision. However, a customer first needs to choose a store before they choose to buy a product. Since price of individual products might vary across stores consumers often construct the price image of a store in their minds. The literature has explicated a number of factors that help form the price image of a store. However, it has primarily focused on the role of price factors, and the role of non-price factors has been ignored. The objective of this study is to understand the store related attributes that impact the price image of a store. We do this first by carrying out an extensive literature review and identify attributes affecting store price from diverse literature. Next, we conduct a qualitative research which is exploratory in nature to identify other impact consumer's price image of the store. The results indicate that people form the store price image on the basis of price as well as non-price factors. Non-price factors include attributes like, depth of assortment, store ambience and appearance etc. This study has a number of theoretical and managerial contributions.

**Store Price Image:** The role of Non-price factors

### 1. INTRODUCTION

Price is an important attribute and indicates the sacrifice that a shopper has to do to get a product or a service. In a retail store, with a number of comparable products and brands available with different prices, the price information becomes quite confusing. Price is a search attribute and regardless of how it is framed, consumers have the opportunity to estimate the price differentials among brands within a store or within brands across stores (Alba, Broniarczyk, Shimp and Urbany, 1994). However, it is seldom that a customer will explore the prices of different items in different stores and then purchase the items from different stores depending on the lowest prices. Instead, it is likely that a store is chosen first and then all or most of the shopping is done from that store instead of searching for individual items in different stores based on prices.

The price information in a store is much more complex than that for a product, and the shoppers are more inclined to form a perceived price level of a store, which might then affect the store choice, store patronage and even the store loyalty for

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the customers. In literature, the perceived price level is constructed as the 'price image' of a store. It has been found to be an important determinant for store patronage and retailers seek to influence their price image by pricing and communications decisions (Cox and Cox, 1990). Most research on store price image (SPI) has focused on price related factors (Alba, Broniarczyk, Shimp and Urbany, 1994; Desai and Talukdar, 2003). Though the literature has suggested that prices are not the sole determinant (or even the primary determinant) of price perceptions and advertising, and in-store atmospherics may create beliefs about prices independent of the prices themselves (Brown 1969), there is hardly any research that has examined the role of non price factors on the formation of store price image. Moreover, prior research has mostly focused on retail setting in US and Europe and there is hardly any research that has been done in India. The objective of this research is to identify non price factors that affect Store Price Image. We conduct this study in an Indian setting and more specifically in the context of apparel retail. The results of this study are expected to contribute to theory in the domain of store price image and also to practice.

## **2. STORE PRICE IMAGE**

Extant literature suggests that shoppers acquire, encode and retrieve price information at an aggregate store level and when they are unable to compare competitors' prices directly, shoppers tend to evaluate them on the basis of what they believe to be the overall price level of a store (Mcgoldrick, Betts and Wilson, 1999). This image is formed through a limited number of actual evaluations or perceptual discriminations, generalized across a store (Nystrom, Tamsons and Thams, 1975). Studies indicate that a store's perceived price level is the first or second most important patronage criterion for supermarkets (Arnold, Oum, and Tigert, 1983) and drugstores (Nickel and Wertheimer, 1971). SPI has been defined in various ways in the existing literature (Desai and Talukdar, 2003; Zielke, 2006). In the context of this study we follow Zielke (2006) and define store price image as consumers' subjective beliefs and feelings about pricing activities of a retailer.

The process by which the shoppers form store price image, and the factors that govern the perception of a low or a high store price image are important. Once a belief is formed regardless of its basis it is difficult to change (Hoch and Deighton, 1989) and the retailer that has once established a low SPI might be able to charge high prices and continue to get the patronage of the customer. Buyukkurt (1986) found that consumers formed an initial impression of a store's overall price level that persisted even in the presence of subsequent contradictory price information. For the consumers the formation of price image is challenging, as it entails processing price information across a large number of products with prices changing frequently over time within and across stores (Blattberg, Briesch, and Fox, 1995). Thus it is very important to understand the formation of price image of

a store by the customers, both from the point of view of understanding consumer behaviour and also because it has important managerial implications. Extant research suggests a number of factors, that might shape the SPI of a store.

### **2.1. Frequency and Magnitude cue**

One of the most important factors, which shape the customer's perception of the SPI of a store, is the number (frequency) of items at a lower price than the competing stores. Researchers have suggested that when faced with a bewildering assortment of prices, consumers are likely to focus on one or few products as exemplars of the store's total price offering (Brown and Oxenfeldt, 1972; Gabor 1973). In an environment where there are a number of items with different prices in competing stores, one heuristic that is especially attractive involves tallying the number of items on which each store enjoys a price advantage over the competitors (frequency heuristic). Effort is substantially reduced because this does not require the computation of individual price differences, or the aggregation of the differences. It also allows the customer to incorporate a large number of items in the judgment process (Alba and Marmorstein, 1987).

An alternative possibility is that consumers instead of focusing on the frequency of items may focus on the magnitude of the price difference. The magnitude cue is a measure of the difference between the two stores, and should be an indicator of the price levels to the customers. However, research (Alba, Broniarczyk, Shimp and Urbany, 1994) suggests that customers tend to give more importance to frequency of items that are priced low rather than to the magnitude of the price difference. However, it is still possible that a larger size of price reduction might be more salient and result could cause result in lower importance to frequency cue (Bitta, Monroe and McGinnis, 1981).

### **2.2. Price of specific products**

The extant literature suggests that it is possible that instead of focusing on frequency or magnitude consumers may focus on specific goods and compare their price. As per Brown and Oxenfeldt (1972) frequently purchased goods are the most common exemplars. Products that a consumer purchases frequently may have high economic and psychological significance, and therefore information concerning these items may be especially salient. Further, consumers are more likely to remember the prices of products they buy frequently, and therefore they may be more confident in assessing advertised prices on such items. Consumers may compare only a few items and generalize to the remainder.

### **2.3. Prior beliefs on price levels**

Prior beliefs of the customers are beliefs about the price level that the customers has about the store. These beliefs may be formed prior to the store visit based on a

variety of factors such as opinion of friends, advertisements etc. rather than due to price comparisons. Prior beliefs about price levels are a source of a myriad of biases, all of which can lead to distorted perception of the data and sub optimal decisions (Crocker, 1981; Hoch and Deighton, 1989). These distortions typically serve to maintain prior beliefs in the face of contradictory evidence (Alloy and Tabachnik, 1984; Gilovich, 1983).

#### **2.4. Product categories on low prices**

The product categories on low prices are another important factor affecting the SPI of a store (Desai and Talukdar, 2003; Bell and Lattin, 1998). Bell and Lattin in their work found that some product categories such as bacon and ice cream were more salient than others in influencing consumers' SPI. Desai and Talukdar (2003) proposed that relative influence of the price of a product category on consumers' SPI would depend primarily on two issues, the noticeability of the prices on a shopping trip, and the number of occasions on which it is noticed. Their findings indicate that items that had high consumption and thus were purchased more often, were the primary determinant of SPI followed by (high) unit prices.

#### **2.5. Shopping Basket**

Research has examined the impact of shopping basket on various aspects related to shopping behaviour both in terms of the number of items in the basket as well as in terms of the monetary value of the basket. The research suggests that, the nature of the shopping basket affects the SPI of the store. The work of Bell and Lattin (1998), suggests that the size of the shopping basket (based on the monetary value) influences the price image as a result small basket size shoppers preferred, HiLo stores while, large basket size shoppers prefer EDLP stores.

#### **2.6. Low price guarantees (LPG)**

A low-price guarantee (LPG) is an advertised contingent offer in which the retailer promises that the price paid will be the lowest available (Desmet and Nagard, 2005). In such a case the retailer promises that, if a customer provides a proof of a lower price, the retailer matches (or beats) the lower price. LPGs have been seen to have a significant effect on the store price image. Srivastava and Lurie, (2001) showed that, when a store offered a price-matching policy, perceptions of store prices were lower and the likelihood of discontinuing search was higher. Desmet and Nagard, (2005) also found evidence to support that price guarantee lowered store price image, increased consumer's confidence that the store had low prices and increased patronage intention.

## **2.7. Store attributes**

Store attributes have been found to be another important factor affecting the store price perception of the customers. Brown and Oxenfeldt (1972) suggest that consumers perceived correlations between store attributes and store price image, and use the former to predict the latter. Their findings suggest that price image is difficult to assess by sampling prices from the marketed assortments, but easier to predict from non-price store attributes. The use of judgmental heuristics has been found to be encouraged by factors, which induce cognitive complexity such as time pressure, distractions, and information overload (Payne, 1976). Distractions such as crowding, noise and indoor advertising within a store might aggravate the complexity due to price structure. Buyukkurt and Buyukkurt (1981) concluded that consumers expected extra costs incurred by a store to be reflected in higher prices: in descending order of importance extra services offered by the store, late hours of operation, having expensive interiors and giving out trading stamps were perceived to be cues related to high prices. On the other hand, store attributes, which were regarded as indicators of large volume of operations, were predictors of lower prices such as being located in a large shopping center; lots of advertising and having a wide assortment of products were correlated with low prices.

## **3. METHODOLOGY**

To understand how consumers form perceptions about a store a qualitative approach was used. A qualitative approach is better suited for theory creation than theory testing and since the focus here was on exploring new themes qualitative approach was considered appropriate. The extant literature suggests that, price image is comparative and not absolute (Desai and Talukdar, 2003). Thus it was decided to study the price images of stores, through comparisons across stores. Moreover, to get better insights we wanted to follow a compare and contrast approach and hence we wanted to focus on stores which were similar in merchandise but differed in their price levels. We also wanted to have insights from consumers who had visited the specific stores being compared and it was important to identify consumers who had visited all the stores being compared. The literature suggests that the location is an important aspect is store choice (Arnold, Oum, and Tigert, 1983), and that consumers often visit multiple stores before they make a choice, hence we planned to choose stores that are located close to each other which differed in their price levels while offering similar merchandise. In keeping with these guidelines, three apparel stores that were located close to each other were identified in a city in Western India. The stores were well known and had moderate to high footfall and were located on the same road in a span of 100 meters. Of the three stores, two (A and B) were a part of a national chain, while the third one was a local standalone store.

To understand the price image perceptions of consumers a set of semi structured in-depth interviews were carried out. The study explored some predetermined themes (Mason, Andrews, and Silk, 2005), accordingly, semi structured interviews were considered appropriate for the data collection (Amis, 2005). These interviews were conducted in two phases, in the first phase interviews were conducted near the three stores. A total of eighteen exit interviews were carried out from the shoppers (six) at each of the three stores. The interviews were conducted over a span of one week in evening on weekends as well as on weekdays in the evenings. The shoppers exiting the stores were requested to take part in a study on apparel retail stores. A set of open ended questions were used to initiate the interviews. Notes were taken during the interview and expanded immediately after the interview to aid analysis. The second phase involved 10 interviews conducted away from the stores (homes of the respondents). This was done to avoid biases related to store loyalty and emanating from a recent visit to a store. A mix of purposive and snowball sampling was employed. The findings from these were further supplemented by an observational study. The observational study had three independent observers conducted an observational study where they recorded observations under a predefined protocol. The protocol had a number of heads related to service, ambience, price etc.

#### **4. FINDINGS**

The findings from the study are summarized in this section.

##### **4.1. Formation of Price Image**

Consumers relied on both price as well as non price factors in forming the price image of the store. While people had a distinct price image of the three stores, they found it difficult to articulate the reasons to justify the reasons for the price image. While respondents would claim the their price image was formed on account of observed prices, they were not able to substantiate their claim. Moreover, it was observed that in general customers do not really check the prices of the merchandise in the store, and the rarely remember the price. This was in line with observations by Dickson and Sawyer (1990).

Non-price attributes had a larger impact on the formation of store price image. Most of the participants who were interviewed had not visited all the three stores, however, they had an idea of the relative price image of the three stores. This despite not having first hand price information across the three stores. The responses indicated that non-price attributes (discussed later) formed a key input in the formation of the price image of the stores. Further, Frequency of shopping played an important role in the price knowledge of the customers. Regular shoppers were, more confident of the price image of the various stores, while less regular shoppers were less confident about the price image of the stores.

## **4.2. Stickiness of Price image**

Price image tends to be sticky and once formed is difficult to change. When consumers claimed to rely on prices in forming the price image, this image was based on prices or promotions that had been observed long time back, often more than six months or at times even a couple of years ago. Price promotions had an important role in the formation of price image. Often consumers remembered a deep discount that they had got and that formed an input to their price image. A noticeable part was that often these price promotions had happened six month to a year old and still these were playing a role in store price image.

## **4.3. Price and Non Price attributes**

The analysis of responses indicated a number of attributes that resulted into the formation of store price image.

### **4.3.1. Price attributes**

A number of price attributes impacted the price perceptions of consumers. One attributes was the absolute price levels, consumers indicated that often they browsed for stuff across the three stores and while the assortments differed across the broad categories (T-shirt, jeans etc.) they realized that there was difference in price levels. This relative price difference had an impact on price image. Another important attribute that resulted in price image was related to price promotions. Price promotions and the way these were communicated (large posters announcing 'SALE' or 'Up to 50% off') lowered the price image of the store. Finally, the consumers also indicated that when a store communicated prices (putting a sign in large print in front of a collection) it increased their confidence that the prices were low and this created an image of a low priced store.

### **4.3.2. Non Price attributes**

A number of non-price attributes played a key role in the formation of store price image. While the price information is quantifiable and easy to interpret, consumers find it tough to compare the price because of factors such as assortment size, uniqueness of assortment etc. On the other hand, non-price attributes are not accurate but consumer find them easy to interpret.

#### **4.3.2.1. Store façade**

The store front, and the look of store from outside, played an important role in formation of the price image. Shoppers who did not patronize a store also had a price image of store in their mind. This was based on the appearance of the store front. Store that used a lot of glass was termed as more expensive. Similarly, stores that had "Sale" advertised on the store front were interpreted as being low priced.

Surprisingly, shoppers also interpreted the presence of *Durbaan* (guard) as a symbol of an expensive store.

#### 4.3.2.2. *Facilities and ambience*

Shoppers also interpret facilities extended by the store in the formation of price image. Two of the three stores did not have a parking lot and this led shoppers to assume that the store was low priced. The store lighting was another attribute that could impact the price image of the store. Stores that relied on natural sunlight were perceived as low priced. On the other hand stores that had a mix of soft and bright lights were perceived as more expensive. Music was another attribute, presence of music inside the store made the store look more expensive. Shoppers also interested the type of music, while music from radio channels (FM) symbolized a low price store. On the other hand soft instrumental music specially western music was interpreted as a signal of high priced store. The staff inside the store was also seen as symbolizing an expensive store. Large number of staff indicated a higher service level but also was a signal for expensive store. Moreover, the uniform of the staff was another attribute that contributed to the formation of store price image. Expensive stores had their staff dressed in formal wear while low priced stores had staff dressed in informal clothes such as T-shirts and jeans.

#### 4.3.2.3. *Assortment*

The type of product assortment also had an impact on consumer's store price image. Both the width and depth of assortment signaled the store price image. Availability of a wide range in clothes with proper assortment and a depth in the individual categories indicated a high price image to the shoppers. Further, fresh merchandize (as compared to off-season on sale) was perceived by consumers as indicative of high prices and conveyed a high store price image. Further, consumers also paid attention to the brands in the store. Presence of well known national brands indicates a higher price image while presence of private labels lowers the price image of the store.

## 5. GENERAL DISCUSSION

The study was exploratory in nature and the objective was to understand various factors that contribute to the formation of price image of a store. In the literature factors related to price attributes have been explored in-depth (Desai and Talukdar, 2003), however, there is little discussion on non-price factors. The results of this study indicate that Store Price Image (SPI) is formed as a result of price as well as non-price factors. This study provides important guidelines to the retailer. Retailers may need to give attention to non-price attributes if they want to create a specific price image. They might also like to align these two together so that there is no dissonance from observed prices and other store attributes. The study indicates



the primacy of non-price cues to reinforce the price image of a store especially in apparel retailing. The retailer should be very careful in designing the store, the service and the ambience. On a theoretical front this study contributes to the scarce literature in the domain of store price image, moreover, it emphasizes the primacy of non-price attributes in the formation of store price image.

## **6. LIMITATIONS AND AREAS FOR FUTURE STUDY**

This study was exploratory in nature and suggests some important areas for future research. One area, which can be researched can pick for further investigation is the comparative importance of price and non-price cues in formation of the price image. This could be compared across grocery and apparel stores, where the shopper sensitivity to prices appears to be quite different. In addition even among the non-price attributes, the relative importance of the various factors can be investigated. This can be done both in the condition in which there is a lack of price information (when the shopper has not visited a store and checked the prices) and also in situation where there is an excess of price information (high competition and excess of price advertising).

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