Country image dimensions and retail brand equity. A multi-cue analysis

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Abstract

Frame of the research: Today, retailers possess stronger brands with a high level of awareness and are increasingly going international. A better understanding of consumer-based brand equity (CBBE) from an international marketing perspective is required.

Purpose of the paper: To this aim, this study investigates the factors affecting retail brand equity (RBE) when a multi-cue approach is applied, that is: considering traditional RBE antecedents (e.g. retail brand awareness, retail brand image, retail perceived value) together with country image (CI) cues - in their cognitive and affective dimensions.

Methodology: A survey was carried out administering a structured questionnaire to a sample of consumers. A structural equation modeling (SEM) was employed to test the proposed model.

Findings: All the postulated relationships were verified, apart from the retail perceived value (RPV). Country image affects retail brand equity, but unexpectedly. While the cognitive image of the retailer’s country of origin exerts a negative effect, the affective country image impacts in a positive way.

Research limits: Despite the contribution to the retailing and international marketing literature, the research has some limitations. It is performed on a single retail brand and focused on Italian consumers only. Finally, this first study did not include any mediating or moderating variables.

Practical implications: International retailers, with particular attention to discounters, would understand the factors to leverage in order to boost their consumer-based brand equity.

Originality of the paper: So far, poor attention has been given to the effect of country image on retail brand equity. However, the retailer’s image develops not only in accordance with the service provided, but also in relation to the stereotypes connected with the retailer’s country of origin. Moreover, the study employs a multi-cue perspective, using traditional RBE antecedents together with CI dimensions.

Key words: retail brand equity; country image; brand awareness; brand image; discounter; SEM.

1 Although this contribution is the result of the joint work of the authors, it can be attributed to them as follows: Elisa Martinelli paid particular attention to the extension of paragraphs 1, 2, 3 and 6; Francesca De Canio contributed specifically to paragraphs 4, 5 and 7.
1. Introduction

The spread in international trade has facilitated the availability of brands from one country to consumers in other countries. Today, many companies have a global and multinational approach to their development. However, convergence and divergence in consumer behavior and cross-cultural issues continue to affect the tendency to grow internationally, in particular when retailing is concerned (De Mooij and Hofstede, 2002). Going international, retailers need to transfer, negotiate and adapt their business models to the local context as they embed themselves in different institutional environments (Burt et al., 2016). This acknowledgment is opening up new research avenues. To this concern, an area that requires supplementary studies is related to consumer-based brand equity (CBBE) from an international marketing perspective. Specifically, until now, to the best of our knowledge, no study has investigated the factors affecting retail brand equity (RBE) when the retail brand originates from a foreign country. To fill this gap, the current study focuses on the perception of origin at the brand level rather than on the actual origin at the product level as extant literature on the country-of-origin effect (COE) is mainly focused on (Roth and Diamantopoulos, 2009), contributing to field advancement.

The importance of the brand consists in shaping the consumers’ beliefs and attitudes and enters in the consumers’ conscience quickly and strongly. Some authors have highlighted the brand importance in the context of COE, proposing that the “origin” - in the country of origin research - should be conceptualized as a perceived brand origin (Pharr, 2005; Thakor and Khori, 1996). Consumers appear to “place” products and services based on the perceived origin of the brand. Accordingly, the issue of how various facets of place influence brand equity (BE) is emerging as an interesting avenue for advancing the knowledge of origin effects.

In this study, we decided to use the origin with explicit reference to a brand in the retail sector. In fact, the sector in question has been hardly taken into consideration by the studies on the country-of-origin effect. However, the image of a retailer might develop not only in accordance with the retail service provided, but also in relation to the stereotypes concerned with the retailer's country of origin. Yet, companies like Wal-Mart and Carrefour recall their origins, respectively American and French, while some others use an opposite approach applying an adaptation strategy in the purpose of “think globally, act locally”. But despite the strategic companies’ aims, are consumers impacted by a retailer’s country image when they value a retail brand? In synthesis, this is our main research question.

To this purpose, the current paper aims at exploring the effect of country image (CI) on the perceptions of consumers with respect to the perceived equity of an international retail brand. Specifically, this study is purposed at investigating the factors affecting RBE adopting a multi-cue approach where not only traditional RBE antecedents are concerned [e.g. retail brand awareness (RBA), retail brand image (RBI), retail perceived value (RPV)], but also country image (CI) cues are included, intended in a cognitive (CCI) as well as affective (ACI) conceptualization. This is fulfilled through a survey, administering a structured questionnaire to a sample of
consumers, and then employing a structural equation modeling (SEM) to test the proposed model.

This paper intends to provide the following contributions. First of all, to extend the academic knowledge on the role of country image in the retail context. Generally speaking, the literature specifically aimed at exploring the COE in service settings reveals a shortage of studies (Ahmed et al., 2002; Berentzen et al., 2008; Martinelli and De Canio, 2019; Javalgi et al., 2001). The way in which consumers are affected by the COE depends on the product category (Ahmed and d’Astous, 1996), and this has been found enhanced when services are involved (Pecotich et al., 1996). Empirical works aimed at exploring the COE role when a service offer is involved, especially in the grocery retailing context (Kan et al., 2015) are required (Martinelli and De Canio, 2019). Second, even if a number of studies show that COE directly affects products brand equity (Buil et al., 2008; Pappu et al., 2006, 2007; Shocker et al., 1994; Thakor and Katsanis, 1997; Yasin et al., 2007) - even if recent studies found that BE dimensions could not be always clearly discriminated in all national contexts (Christodoulides et al., 2015) - no studies were addressed to the retail setting, at least to our knowledge. Hence, the present research is one of the first studies meant at examining the relationship between two sets of constructs: country image and retail brand equity.

Third, this work aims at developing the scientific knowledge on RBE at the retail company level rather than at the store or private label level, as the literature on the subject has mainly done so far. As a matter of fact, “conceptualisation of retail equity is still in want of consensus” (Rashmi and Dangi, 2016, p. 67) and further studies are required. This is even more important today, as the spread of multichannel retailing makes quite limited the exclusive focus on equity at the point-of-sale level. Into this perspective, the retail branding policies should be reviewed, extending to the retail corporate brand upper level. In this spirit, due to the difficulties associated with the measurement of the BE, scholars argued that the assessment of brand equity at the corporate level in the retail setting can pose further challenges compared to operating the same measurement with products instead of services (Ailawadi and Keller, 2004). From this point of view, the few studies in line with this perspective offer non-univocal measures and models often contradictory compared to the findings of the mainstream literature and do not include the COE as a RBE determinant. Last but not least, whilst previous research (e.g. Buil et al., 2008; Yoo and Donthu, 2001) applied the Aaker’s (1991) scale of consumer-based brand equity using cross-national data, the samples used were usually composed by students rather than real consumers, limiting the managerial return of findings. In this study, we collected data from real shoppers, to overcome this possible limitation.

For the remaining of the paper, we first review the relevant country image and retail brand equity literature, outlining then the conceptual model and the theoretical hypotheses postulated. A description of the methodology applied to collect and measure data, the sample features, and the empirical model and measure validity follow. We then outline and discuss the findings, highlighting the main theoretical and managerial
implications of our work. We conclude by presenting some study limitations and future avenues for further research.

2. Country image and retail brand equity: a literature review

The country-of-origin effect is considered as one of the most widely researched topics in international marketing (Magnusson et al., 2011; Pharr, 2005; Usunier, 2006).

The COO has been found to operate as an extrinsic cue able to influence the consumer decision-making process likewise the price and/or product guarantee. Consumers infer beliefs about product attributes because of the stereotypes that individuals possess about a certain country and the products originated from there (Han, 1989; Johansson, 1989; Knight and Calantone, 2000).

This body of research brought to the acknowledgment that a product’s COO affects product evaluations and purchasing behavior (Roth and Diamantopoulos, 2009; Verlegh and Steenkamp, 1999) depending on the level of consumer knowledge (Han, 1989). Indeed, this impressive consideration has developed also a fair amount of criticism that has drawn attention to a number of issues, such as the lack of theoretical development in the field (Bloemer et al., 2009), the presence of methodological bias (Bilkey and Nes, 1982; Samiee, 2010) and the usefulness of the effect in the real-world (Usunier, 2006, 2011).

The research focus has gradually evolved over time. Initially, the scholar attention was addressed to the evaluation of the global quality of the products with distinct origins (Bilkey and Nes, 1982; Han, 1989; Nagashima, 1970, 1977; Roth and Romeo, 1992), while then the focus passed on the multiple origin of products, so-called hybrid products (Chao, 1993), and was later centered on the country image conceptualization and measurement (Martin and Eroglu, 1993; Nebenzahl et al., 2003; Parameswaran and Yaparak, 1987). More recently, country equity (Pappu and Quester, 2010) and country branding (Marino and Mainolfi, 2010, 2013; Papadopoulos and Heslop, 2002) emerged as developing topics.

Country image is a construct defined at the macro and micro level (Heslop and Papadopoulos, 1993; Balboni et al., 2011). The macro country image summarizes the beliefs of individuals on the political, economic, and socio-cultural characteristics associated with the overall image of a country (Country Image) (Heslop and Papadopoulos, 1993). Conversely, the micro-country image refers to the perceptions and beliefs related to a specific product category produced in a certain country (Country related product image) (Johansson et al., 1985; Roth and Romeo, 1992). Most COE research measured “country” image through product rather than country measures (Han, 1989). Moreover, a line of research on the country image investigated its multi-dimensionality (Papadopoulos et al., 1990, 1993), identifying three components: a cognitive component, including consumers’ beliefs about the country’s industrial and technological advancement; an affective component, defining the consumers’ affective response to the country’s people; and a conative component, consisting
of the consumers’ desired level of interaction with the sourcing country. However, most empirical studies on country image have not considered its multi-dimensionality when operationalizing the construct (Johansson et al., 1985; Han, 1989; Knight and Calantone, 2000).

More recently, some scholars started to suggest that the focus of origin effect research should shift away from products and focus on brands (Thakor and Lavack, 2003; Pharr, 2005; Josiassen and Harzing, 2008; Usunier, 2011). Actually, if we go back to the definition of country image given by Nagashima (1970), it is possible to find a similarity with the way in which Keller (1993) defined customer-based brand equity: “What the two definitions share is the emphasis upon the perceptual nature of these images, which can lead to a great variation in what consumers actually associate with a given image” (Andéhn et al., 2016, p. 227). As a cue-based cognitive short-cut, brand origin information is a place association reflecting the personal meaning about a brand stored in the consumers’ memory (Samiee et al., 2005).

In the last decade, retailers toughly increased the awareness and value of their brands. This has led scholars to pose more attention to retail brand equity; a number of studies started to focus on this matter (Swoboda et al., 2009; Jara and Cliquet, 2012; Swoboda et al., 2013; Swoboda et al., 2016; Londoño et al., 2016, 2017), providing preliminary support to the RBE construct and its antecedents. Although these contributions highlighted the growing interest in the topic of BE conceptualization within the application area of retailing, extant literature on RBE is mainly aimed at conceptualizing it at the store (Pappu and Quester, 2006; Gil-Saura et al., 2013) or at the private label levels (Das et al., 2012), ignoring that it is the retail corporate brand that should become the key study reference (Burt and Davies, 2010; Anselmsson et al., 2017). In fact, retail brand equity should be considered under three conceptual perspectives: (1) the equity associated with the retailer’s brand (e.g., Coop, Conad), (2) the equity associated with a specific retailer’s store; 3) the equity associated with the retailer’s store brand (e.g. Conad’s Sapori & Dintorni, ViviNatura, etc.). The young and not well-established literature on RBE is mainly focused on the second perspective, that is: measuring store equity, ending in neglecting an important level on which studies on RBE should be articulated. This is the study of the RBE at the retail corporate brand level, in the perspective of the “retailer as a brand” orientation (Ailawadi and Keller, 2004; Burt, 2000; Burt and Davies, 2010; Martinelli and De Canio, 2018). However, the few studies in line with this perspective report contradictory results. For example, Anselmsson et al. (2017) consider a conceptualization of RBE in terms of retail brand image measured in a multi-dimensional perspective, differently from the product branding literature in which the brand image is traditionally considered the antecedent of its value (Keller, 1993) and from other retail literature (Gil-Saura et al., 2013). More recently, studying the equity concept in a retailing channel, Londoño et al. (2016) identified awareness, quality and loyalty as formative indicators of equity, while Martinelli and De Canio (2018) proved that RBE acts as a mediator of BA and of retail perceived value in developing customer loyalty to the retail corporate brand. Yoo et al. (2000) examined the influence of marketing
mix elements on CBBE, finding that store image, advertising, and price level increase the consumers’ perceptions of brand equity whereas frequent sales promotions destroy brand equity. However, empirical research on brand equity has focused largely on a single country’s data, resulting from neglecting international marketing issues and focusing on evaluations of brands almost only in the goods domain (Christodoulides *et al.*, 2015).

To clarify the role of country image in the consumer-based retail brand equity formation, a structural model is proposed in the following paragraph.

### 3. Conceptual model and hypotheses

This paper explores consumer-based retail brand equity from an international marketing perspective. Specifically, our study is aimed at investigating the factors affecting RBE, adopting a multi-cue approach where not only traditional RBE antecedents are concerned (e.g. RBA, RBI, RPV), but also country image cues (i.e. cognitive and affective) are included. In our work RBE refers to the retail brand at the corporate level (Burt and Davies, 2010), while country image is defined as “the sum of beliefs and impressions people hold about places” (Kotler and Gertner, 2002, p. 251) and the local population (Laroche *et al.*, 2005).

Brand awareness (BA) is fundamental to influence consumer behavior and boost sales. Keller (1993, p. 3) defined brand awareness as “related to the likelihood that a brand name will come to mind and the ease with which it does so”. This author stated that without being conscious and mindful of a brand, it is difficult to make it strong and favorable. BA has been found to positively stimulate BE (Keller, 1993) and store equity (Yoo *et al.*, 2000; Hartman and Spiro, 2005; Pappu and Quester, 2006; Jinfeng and Zhilong, 2009; Anselmsson *et al.*, 2017), as it reflects the level of recognition or recalls from a set of alternatives by the consumer. This effect emerges also when the retail corporate brand equity is studied (Martinelli and De Canio, 2018).

**H1: Retail brand awareness (RBA) has a significant and positive effect on Retail Brand Equity (RBE)**

According to Aaker (1991, p. 109), brand image is defined as “anything linked in memory to a brand, usually in some meaningful way”. In the retailing literature, consumers’ perception of a retailer’s image has been traditionally conceptualized and investigated in terms of store image (Morschett *et al.*, 2005). Hartman and Spiro (2005) and Gil-Saura *et al.* (2013) found that a positive store image has a similar effect on store equity. The same relationship would be expected when the retail company brand is concerned. The following hypothesis is postulated:

**H2: Retail brand Image (RBI) has a significant and positive effect on RBE.**

Aaker (1991) proposes that brand equity creates value not only for the company but also for its customers. Perceived value was conceptualized as
the consumers’ assessment of the utility and expectations offered by retail stores (Zeithaml, 1988). Studies on consumer behavior have investigated the effects of perceived value, “but they have seldom analyzed the relationship between perceived value and retail brand equity” (Weindel, 2016, p. 288). Previous research investigated the impact of perceived value on BE (Lasser et al., 1995), and verified this relationship when store equity is studied too (e.g., Jin Feng and Zhilong 2009; Yoo et al. 2000; Gil-Saura et al., 2013), but also when the retail corporate brand equity is considered (Martinelli and De Canio, 2018). Consequently, we postulate to assess this link when retail brand equity is considered. The third hypothesis underpinning our conceptual model is as follows:

\[ H3: \text{Retail Perceived Value (RPV) has a significant and positive effect on RBE}. \]

In the present study, the country image cue is considered as composed of two dimensions: the cognitive country image (CCI) and the affective country image (ACI) (Laroche et al., 2005; Roth and Diamantopoulos, 2009). The cognitive country image is considered in broad terms, as the stereotypes and beliefs that individuals hold on the political, economic, and socio-cultural characteristics associated with respect to a given country (Martin and Eroglu, 1993; Roth and Diamantopoulos, 2009). Traditionally, in fact, scholars investigated the origin effect on consumer evaluations as depending upon the perceived level of the general development of the country from which a product, service, or brand originates (Martin and Eroglu, 1993; Verlegh and Steenkamp, 1999; Roth and Diamantopoulos, 2009). This effect is sharable, as consumers might expect higher quality products and services as coming from a country they perceive to be more economically, socially and technologically evolved. Magnusson et al. (2011) explored the perceived country image of a product in relation to brand attitude and demonstrated a significant relationship regardless of the brand origin perceptions’ objective accuracy. As CCI has been proved to constitute a relevant factor in consumers’ evaluation and attitude formation toward brands in the manufacturing sector (Andén et al., 2016), we would like to test the same when a service offer is concerned.

The affective country image is defined as “the consumers’ affective responses (e.g. liking) to the country’s people” (Laroche et al., 2005, p. 99). In fact, the country of origin of a product, service, brand may evoke positive or negative feelings. Whether the consumer likes the product will then depend, at least in part, on his/her sentiments toward the associated national origin (Johansson, 1989; Knight and Calantone, 2000). The direct impact of the affective side of the country image on behavioral intentions was detected by Klein et al. (1998) and Villanueva and Papadopoulos (2003). However, to our knowledge, no studies investigated the impact of ACI on brand equity, as our fifth hypothesis posit, instead.

\[ H4: \text{Cognitive Country Image (CCI) has a significant and positive effect on RBE}. \]

\[ H5: \text{Affective Country Image (ACI) has a significant and positive effect on RBE}. \]
The respondents’ age and sex were included in the model to further the results’ explanation.

Fig. 1: The theoretical model

4. Methodology

4.1 Data collection

A survey was conducted among Italian consumers intercepted in the city center of three different towns located in North Italy. Interviewees were approached by three trained interviewers. The survey lasted two weeks and was accomplished during Spring 2019.

The first question posed by the interviewers was aimed at selecting the household responsible for grocery shopping. In case the approached individual neglected this role, the interviewer was instructed to thank him/her and pass to another potential interviewer.

The rest of the questionnaire was devoted to exploring country image perceptions and consumer-based brand equity in relation to the main discounter operating in Italy. This is a German discounter present since a long time in the country, selected also as it is a top retail-spender in advertising. Socio-demographics information on the respondents was collected too.

All the people in line with the first research design requirement were then asked with an open-ended question aimed at checking the perceived country of origin of the discounter observed, intended as the country in which the interviewee believes that the discounter’s headquarters are located, giving as sole information some of the almost thirty countries in which the discounter operates. This in order to collect a knowledgeable
sample and in line with the requirements suggested by Thakor and Kholi (1996). 85.8% of the respondents indicated Germany as the country of origin of the retail brand investigated, while only 1.5% indicated Italy; 5% indicated Norway, while 3% of the respondents believe in a French origin of the discounter. Other countries (Great Britain, Spain, Austria, Holland, and the United States) were marginally cited. Therefore, an accuracy rate of the country of origin detection is evident in our sample (Magnusson et al., 2011; Samiee et al., 2005).

4.2 Sample characteristics

In total, 400 completed and valid questionnaires were collected, but only 343 of them were processed, in order to focus only on the 85.8% of the respondents who recognized the correct country of origin of the discounter investigated.

The sample is mainly composed of women (64%). Younger shoppers (18-24 years old) represent 14.3% of the sample, while 24.5% of the respondents are included in the cluster 25-35 years old, and 28.3% the cluster of 36-50 years old. Adults (over 51-65 years) compose 23.3% of the sample and 9.6% of the sample are older than 65 years.

In terms of educational level, respondents are distributed as follows: 46.1% of the sample has a high school diploma while 13.7% a Bachelor’s Degree, and 12.8% a Master Degree. Moreover, 3.2% of the respondents got a Ph.D or others post-degrees while 21.3% of them possess a Middle School Diploma and 2.9% a Primary School Diploma.

4.3 Measurements

The measures used to fulfill the survey were derived from the extant international marketing literature on the country of origin and from the retailing literature on RBE (Tab. 1).

Following the recommended translation procedure, a double translation English-Italian and Italian-English was used to reduce translation errors. Interviewees were asked to evaluate construct measures on a 7 points Likert-scale (1= Strongly disagree; 7= Strongly agree).
Tab. 1: Constructs, items, and original scales

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Code</th>
<th>Item</th>
<th>Original Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Brand Equity (RBE)</td>
<td>RBE1</td>
<td>If another retailer is not different from X in any way, it seems smarter to purchase in X's stores.</td>
<td>Yoo et al. (2000)</td>
</tr>
<tr>
<td></td>
<td>RBE2</td>
<td>If there is another retailer as good as X, I prefer to buy in X.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RBE3</td>
<td>Even if another retailer has same features as X, I would prefer to buy in X.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RBE4</td>
<td>It makes sense to buy in X's stores instead of any other retailers' stores, even if they are the same</td>
<td></td>
</tr>
<tr>
<td>Retail Brand Awareness (RBA)</td>
<td>RBA1</td>
<td>I know what X looks like</td>
<td>Yoo et al. (2000)</td>
</tr>
<tr>
<td></td>
<td>RBA2</td>
<td>I can quickly recall the symbol or logo of X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RBA3</td>
<td>I am aware of X's brand</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RBA4</td>
<td>I can recognize X among other competing brands</td>
<td></td>
</tr>
<tr>
<td>Retail Brand Image (RBI)</td>
<td>RBI1</td>
<td>X is committed to sustainable development</td>
<td>Adapted by Kremer and Viot (2012)</td>
</tr>
<tr>
<td></td>
<td>RBI2</td>
<td>X is concerned with the environment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RBI3</td>
<td>X fights for the customers' interests</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RBI4</td>
<td>X is close to customers</td>
<td></td>
</tr>
<tr>
<td>Retail Perceived Value (RPV)</td>
<td>RPV1</td>
<td>X's employees are willing to help</td>
<td>Adapted by Sweeney et al. (1997)</td>
</tr>
<tr>
<td></td>
<td>RPV2</td>
<td>X is good value for money</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RPV3</td>
<td>X has quick customer service to deal with returns and complaints</td>
<td></td>
</tr>
<tr>
<td>Cognitive Country Image (CCI)</td>
<td>CCI1</td>
<td>Germany has high labor costs</td>
<td>Adapted by Martin and Eroglu (1993), Laroche et al., 2005</td>
</tr>
<tr>
<td></td>
<td>CCI2</td>
<td>Germany has a high level of industrialization</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CCI3</td>
<td>Germany is a highly developed economy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CCI4</td>
<td>Germany has an excellent level of education</td>
<td></td>
</tr>
<tr>
<td>Affective Country Image (ACI)</td>
<td>ACI1</td>
<td>German people are likable</td>
<td>Laroche et al., 2005</td>
</tr>
<tr>
<td></td>
<td>ACI2</td>
<td>German people are trustworthy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ACI3</td>
<td>German people are hardworking</td>
<td></td>
</tr>
</tbody>
</table>

Source: our elaboration

4.4 Empirical model and measure validity

Following the recommendations of Anderson and Gerbing (1988) a two-step approach is used to analyze the data: the measurement model is estimated to verify the relationship between dependent latent variables and their indicators (items); the structural model is subsequently estimated to measure paths between constructs (latent variables).

The convergence validity of the scales is assessed. In fact, all factor loadings are closer to the cut-off of 0.7 and significant (t-statistics > 9) (Hu and Bentler, 1999). Further, all the items reveal a high item-total correlation, indicating their capability to measure the investigated construct. Cronbach’s alphas (Table 2) are greater than .70 (de Vaus, 2002), confirming the good reliability of the measures. The Average Variance Extracted (AVE) and the Composite Reliability (CR) values assess the convergent validity of the constructs. In fact, both indicators are greater than the thresholds cited in
the relevant literature for all the constructs (AVE > 0.5 and CR > 0.7; Fornell and Larcker, 1981) (Table 2).

Tab. 2: Statistic Descriptive of Items and Discriminant validity

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Code</th>
<th>Factor Loadings</th>
<th>T-statistics</th>
<th>Cronbach’s α</th>
<th>AVE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Brand Equity (RBE)</td>
<td>RBE1</td>
<td>0.844</td>
<td>n.a.</td>
<td>0.956</td>
<td>0.802</td>
<td>0.957</td>
</tr>
<tr>
<td></td>
<td>RBE2</td>
<td>0.932</td>
<td>29.411</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>RBE3</td>
<td>0.958</td>
<td>31.117</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RBE4</td>
<td>0.944</td>
<td>28.382</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Brand Awareness (RBA)</td>
<td>RBA1</td>
<td>0.770</td>
<td>n.a.</td>
<td>0.861</td>
<td>0.522</td>
<td>0.867</td>
</tr>
<tr>
<td></td>
<td>RBA2</td>
<td>0.771</td>
<td>12.099</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RBA3</td>
<td>0.912</td>
<td>19.129</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RBA4</td>
<td>0.683</td>
<td>9.979</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Brand Image (RBI)</td>
<td>RBI1</td>
<td>0.765</td>
<td>n.a.</td>
<td>0.898</td>
<td>0.688</td>
<td>0.898</td>
</tr>
<tr>
<td></td>
<td>RBI2</td>
<td>0.789</td>
<td>21.444</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RBI3</td>
<td>0.899</td>
<td>17.569</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RBI4</td>
<td>0.858</td>
<td>15.236</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Retail Perceived Value (RPV)</td>
<td>RPV1</td>
<td>0.971</td>
<td>n.a.</td>
<td>0.951</td>
<td>0.870</td>
<td>0.953</td>
</tr>
<tr>
<td></td>
<td>RPV2</td>
<td>0.970</td>
<td>53.022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RPV3</td>
<td>0.853</td>
<td>29.305</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affective Country Image (ACI)</td>
<td>ACI1</td>
<td>0.873</td>
<td>n.a.</td>
<td>0.866</td>
<td>0.708</td>
<td>0.877</td>
</tr>
<tr>
<td></td>
<td>ACI2</td>
<td>0.952</td>
<td>24.043</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ACI3</td>
<td>0.675</td>
<td>12.435</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cognitive Country Image (CCI)</td>
<td>CCI1</td>
<td>0.697</td>
<td>n.a.</td>
<td>0.828</td>
<td>0.557</td>
<td>0.834</td>
</tr>
<tr>
<td></td>
<td>CCI2</td>
<td>0.718</td>
<td>11.609</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CCI3</td>
<td>0.821</td>
<td>10.349</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CCI4</td>
<td>0.745</td>
<td>11.425</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: our elaboration

Applying the Fornell and Larcker criterion (1981) the discriminant validity of the measurement model is assessed. The square root of the average variance extracted for each construct is higher than the correlation between the construct and the others (Fornell and Larcker, 1981) (Table 3).

Tab. 3: Fornell-Larcker Criterion and Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>RBE</th>
<th>RBA</th>
<th>RBI</th>
<th>RPV</th>
<th>CCI</th>
<th>ACI</th>
<th>SEX</th>
<th>AGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Brand Equity</td>
<td><strong>0.895</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Brand Awareness</td>
<td>0.524</td>
<td>0.722</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Brand Image</td>
<td>0.597</td>
<td>0.535</td>
<td><strong>0.830</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Perceived Value</td>
<td>0.402</td>
<td>0.442</td>
<td>0.608</td>
<td><strong>0.933</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cognitive Country Image</td>
<td>0.070</td>
<td>0.257</td>
<td>0.265</td>
<td>0.169</td>
<td><strong>0.747</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affective Country Image</td>
<td>0.220</td>
<td>0.048</td>
<td>0.284</td>
<td>0.204</td>
<td>0.267</td>
<td><strong>0.842</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sex</td>
<td>-0.054</td>
<td>-0.115</td>
<td>-0.084</td>
<td>-0.163</td>
<td>-0.057</td>
<td>-0.131</td>
<td><strong>1.000</strong></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>0.158</td>
<td>0.042</td>
<td>0.202</td>
<td>0.209</td>
<td>-0.021</td>
<td>0.039</td>
<td>-0.154</td>
<td><strong>1.000</strong></td>
</tr>
</tbody>
</table>

Note: Diagonal elements in bold are the square root of Average Variance Extracted (AVE).

Source: our elaboration

The structural model presents a good overall fit. The significant Satorra and Bentler chi-square $\chi^2_{(SB)(226)} = 551.576$, $p < 0.00$, and the
significant Close-Fit RMSEA (RMSEA = 0.0649, p-value = 0.0002) showing the possibility that the model does not mirror the pattern of covariance contained within the raw data, are compensating by a good value for the chi-square ratio $\chi^2_{(SB)}/df$ (2.441). Two other indicators are used to assess the goodness of the model fit. The Bentler and Bonnet index (Normed Fit Index, NFI = 0.950) is considered acceptable as it is closer to the 0.90 value suggested by Byrne (2013). Moreover, the standardized root mean square residual (SRMR = 0.0480), lower than the cut-off of 0.05 posed by Byrne (2013), confirms the acceptable model fit, indicating a low value for the root mean square discrepancy between the observed correlations and the model-implied correlations.

5. Findings

The structural model shows an interesting predictive power in explaining retail brand equity ($R^2_{(RBE)} = 0.449$).

Results of the paths between constructs, presented in Figure 2, show that retail brand awareness and retail brand image positively influence retail brand equity confirming the first two hypotheses (RBA $\rightarrow$ RBE: $\beta = 0.342$, t-value = 6.098; RBI $\rightarrow$ RBE: $\beta = 0.415$, t-value = 5.044). In particular, the retail brand image shows the strongest effect. The country image dimensions (i.e. cognitive and affective) show both a significant effect on retail brand equity. Nevertheless, while the affective country image positively influences retail brand equity - in line with our fifth hypothesis (ACI $\rightarrow$ RBE: $\beta = 0.132$, t-value = 2.651), that it is consequently verified - the cognitive dimension of country image reports an opposite effect, negatively influencing retail brand equity, partially disconfirming our fourth hypothesis (CCI $\rightarrow$ RBE: $\beta = -0.158$, t-value = 3.009). Finally, no significant effect is found between retail perceived value and retail brand equity; accordingly, the third hypothesis is rejected. None of the control variables included in the model (i.e. age and sex) showed a significant effect on RBE.

Fig. 2: The measurement model

Source: our elaboration
6. Discussion

Findings evidenced that all the postulated relationships underpinning our structural model were verified, apart from the effect of retail perceived value that did not result as significant, differently from previous studies (Martinelli and De Canio, 2018). Retail brand image and retail brand awareness emerged as exerting the strongest effects in generating value to the retail brand, confirming the solid role of these factors in driving RBE, even when the retail corporate brand - and not the store brand - is involved. In this way, our study extends the main RBE results (Hartman and Spiro, 2005; Gil-Saura et al., 2013; Yoo et al., 2000) to an upper level, enlarging the scientific knowledge on the subject, in accordance with the most recent ongoing debate in this area (Swoboda et al., 2016). In addition, this work is the first to assess the role of country image in impacting RBE, opening up to new opportunities in extending the international marketing knowledge on the role of country image in a consumer-based perspective when services are involved. From this viewpoint, our findings focused on retailing, extending our empirical understanding: till now it has been mainly confined to other service sectors such as banking, airlines, insurance (Pecotich et al., 1996; Berentzen et al., 2008) and restaurants (Martinelli and De Canio, 2019). Moreover, as expected, country image directly affects brand equity confirming extant literature results (Buil et al., 2008; Pappu et al., 2006, 2007; Shocker et al., 1994; Thakor and Katsanis, 1997; Yasin et al., 2007). Both country image dimensions (i.e. cognitive and affective) show a significant effect on retail brand equity, but in unexpected ways. While the cognitive image of the country of origin of a retailer exerts a negative effect, affective country image impacts in a positive way. The former result has the effect of reducing the value that the consumer associates with the retail brand. Into this perspective, our findings are in line with some studies proving that origin effect can also negatively influence an individual’s attitude toward products or brands (Chu et al., 2010; Dakin and Carter, 2010). On the contrary, the affective side of a brand’s origin positively impacts RBE. To this concern, we have to remember that Laroche et al. (2005) evidenced that when the country image is mainly based on affect, its influence on product evaluation will be greater than its influence on product beliefs (attitude). This could be an explanation of the smaller effect exerted by ACI compared to the traditional RBE antecedents.

The results that emerged in this study are also useful from a managerial viewpoint. Managers of grocery retailing brands and professionals who deal with the sector must understand that RBE is clearly perceived by consumers and is a construct associated with the retail corporate level, which serves as an important intangible asset (Jinfeng and Zhilong, 2009). RBE is a key factor able to develop customer loyalty to the retailer (Martinelli and De Canio, 2018) and to enhance market share, financial performance and shareholder value (Keller, 1993; Londoño et al., 2017; Swoboda et al., 2013, 2016). However, a few are the retailers who have developed specific retail brand management departments in their headquarters, supported by adequate resources and competencies. The attention at the branding level is strongly placed on private labels, when instead our results suggest that
this logic should be integrated into wider branding policies articulated on several levels, where the attention should be placed, above all, at the corporate level. Apart from this general requirement, the investigated German discounter is pursuing a positioning strategy aimed at supporting as much as possible its association with Italy; this is demonstrated by the creation of dedicated private labels, whose naming immediately leads to Italy; from the creation of a dedicated logo reporting Italian signs (e.g. the colors of the Italian flag; the football passion of Italians, etc.); by the commitment to have most of its products sourced from Italian suppliers. Despite this strategy, only 1.5% of the respondents associated the discounter brand with Italy, and the results emerged from the structural model show that the association with Germany in a cognitive way tends to reduce the value of the brand for Italian people. As this strategy is used in many other countries in which the discounter operates, maybe its rethinking would be worthwhile as it looks not advantageous for the brand to disguise its country of origin, as local people are aware of it. The company’s management should instead invest in boosting its brand image and persist in increasing its brand awareness. From this point of view, the discounter should continue to invest in TV advertising but also on social media in order to increase consumer confidence and its overall image. Stressing the trustworthy and hard-working side of German people in the communication messages rather than the country functional features would help in boosting retail brand equity.

To conclude, the results that emerged from our study might be useful to international retailers in general and to discounters in particular: they would better understand the factors to manage to leverage their brand equity between consumers.

7. Conclusions

This study contributes to the international marketing and retailing literature giving evidence that the country of origin influences brand equity not only when a manufacturing brand is concerned, but also whenever a retail brand is investigated. Moreover, our findings are particularly interesting for two main reasons: first, the dimensions of country image - affective and cognitive - do not exert the same effect on retail brand equity; second, the multi-cue approach here adopted can further our understanding of the antecedents of RBE when retailers are fulfilling an international development. The latter is a unique perspective in current literature.

Despite the contributions made by this work, a number of limitations are present, opening up for further studies on the topic. First of all, the research focused on a single retail brand operating in the discount segment. A replication of the empirical analysis on grocery retail multiples (i.e. Carrefour) could improve our understanding and reinforce or differentiate our findings. This paves the way to another possible development of our work: repeating the research on retailers coming from different countries - that is: with a different origin - can rend more
robust the findings and can also bring to perform a multigroup analysis. Understanding if the effect of affective and cognitive CI is confirmed even when retailers with different origins are compared would consist in a substantial contribution to the topic.

Second, the study was performed on Italian customers. As the role of national culture was found to influence retail patronage and image (Kan et al., 2015), conducting a comparative work in other national contexts can lead scholars to catch cross-country cultural differences, helping international retailers to better deal with them.

Finally, the study although controlling for the respondents’ sex and age, did not include any mediating or moderating variables, even if we consider the shopping responsibility and the level of brand knowledge in selecting the sample investigated. In the next studies, it might be useful to control for further socio-demographics data regarding the respondents and consider factors such as the level of ethnocentrism and/or fit as moderators in order to get a more comprehensive understanding of consumer-based brand equity when international retailing takes place. Moreover, a more complex and articulated model where RBE can act as a mediator of the retailer’s performance, for instance, can strengthen the theoretical scope of the study and boost managerial implications.

References


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