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# Holistic consumer evaluation of retail corporate brands and impact on consumer loyalty intentions

Abhishek Dwivedi <sup>a,\*</sup>, Bill Merrilees <sup>b</sup>

<sup>a</sup> School of Management & Marketing, Charles Sturt University (Albury-Wodonga), New South Wales, Australia

<sup>b</sup> Department of Marketing, Griffith Business School, Griffith University, Gold Coast Campus, Queensland 4222, Australia

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## ABSTRACT

We offer a holistic framework of consumer evaluation of retail corporate brands called perceived customer equity. Drawing upon the customer equity theory, we hypothesize that perceived customer equity is a higher-order consumer evaluation that is measured via brand equity, value equity and relationship equity. A major theoretical contribution of our study is that we offer a novel holistic (versus an atomistic) perspective to retail corporate brands. Additionally, consistent conceptualization as well as operationalization of perceived customer equity overcomes limitations in image-based measures that tend to rely on idiosyncratic approaches to capturing consumer perceptions. We offer a novel mindset to managing retail corporate brands. Our analysis, conducted using a consumer survey, supports our conceptualization of perceived customer equity as a second-order construct. Moreover, we observe that perceived customer equity significantly explains consumer loyalty intentions, and explains greater variance in the outcome relative to that achieved jointly by the three dimensions.

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## 1. Introduction

Corporate brands in retailing are omnipresent. Retailers such as Walmart, Tesco, and IKEA are not just shopping destinations but major globalized businesses. [Deloitte \(2014\)](#) reports that the top 250 retailers worldwide generate revenues in excess of US\$4 trillion annually. Retail corporate brands are unique compared to product brands, comprising distinctive and varied brand associations ([Ailawadi and Keller, 2004](#)) such as product assortment, store layout, staff interactions, and uniquely identifiable retail environments. As such, retailer corporate brands need to be examined using consumer-based frameworks that are suited to capturing the multi-faceted nature of consumer evaluations. The emergence of the 'retailer as a brand' paradigm ([Burt and Davies, 2010](#)) necessitates such an enquiry. Moreover, retailer branding frameworks not only need to be sufficiently encompassing of the broad variety of consumer evaluations but be parsimonious enough so as to enable consistent measurement and management over time. Adapting consumer-based frameworks (e.g., brand image) from the product branding context to retailer branding may pose challenges as these have been argued to suffer from "conceptual abstractness or excessive specificity" ([Halkias, 2015](#), p. 443).

Within a retailer branding context, it has long been recognized that consumers form holistic (Gestaltist) judgments of brands based

on available information ([MacInnis and Price, 1987](#); [Zimmer and Golden, 1988](#)). Yet, there remains a lack of frameworks that capture consumers' holistic evaluations of retailer brands in a consistent manner. A possible reason for such paucity could be an excessive practitioner focus on managing individual (atomistic) elements of a retailer brand in order to shape consumer behavior, though without giving much consideration to and managing the unified whole – the brand. For instance, a review by [Paul et al. \(2009\)](#) reveals thirty-four variables that might impact consumer loyalty intentions. Such atomistic and piecemeal approaches have two main limitations; one, these pose challenges towards attaining a consistent and uniform approach to managing retailer corporate brands, and second, these do not seem to model consumers' Gestaltist evaluations. The challenge therefore, is to identify frameworks that can reflect holistic judgments but also incorporate aspects that are strategically manageable.

In this paper, we offer a holistic framework of consumer evaluation of retail corporate brands. We base our framework on [Rust et al.'s \(2000\)](#) customer equity theory, where firm value (i.e., customer equity) is shaped by consumer perceptions of brand equity, value equity and relationship equity ([Rust et al., 2004](#)). Originally proposed by [Rust et al. \(2000\)](#) in the context of airline retailing, the three-equity framework has been validated within a retailer branding context ([Vogel et al., 2008](#)). The three equities are purported to be broadly encompassing of major consumer evaluative aspects, which in turn can be used to devise marketing strategies around the three equities ([Rust et al., 2000, 2004](#)), thus making it an integrative framework. The research question of this research is 'Do the

\* Corresponding author. Tel.: +61 2 6051 9815; fax: +61 2 6051 9815.  
E-mail address: [adwivedi@csu.edu.au](mailto:adwivedi@csu.edu.au) (A. Dwivedi).

three equities jointly reflect a holistic consumer evaluation?' Specifically, we propose that the three equities are jointly reflective dimensions of a higher-order construct that we term 'perceived customer equity' (PCE). We base our notion on Gestalt approaches that suggest that consumers evaluate consumption objects holistically (Hosany and Witham, 2010).

We offer two theoretical contributions. First, PCE overcomes certain challenges associated with image-based frameworks that are often used to evaluate retail corporate brands. For instance, studies into retail corporate brand image (Bravo et al., 2012; Martenson, 2007) demonstrate inconsistencies and idiosyncrasies in conceptualizing the image construct, whereas PCE measured via the three dimensions permits a relatively uniform measurement approach. Second, our holistic approach to conceptualizing PCE offers a novel perspective on retail corporate brands that is lacking in the literature (Burt and Davies, 2010). In essence, PCE represents an integrative approach to managing retail corporate brands, thereby shifting the focus of the literature from relatively atomistic to more holistic evaluations of retail corporate brands. Additionally, we offer two major managerial contributions. First, our higher-order configuration of the perceived customer equity framework offers a holistic mindset to managers for improving brand performance. That is, managers can now envision brand, value, and relationship judgments as actually reflecting consumers' overall corporate brand judgments. Second, we expect our model to possess explanatory power of customer loyalty intentions beyond that achieved by its individual dimensions.

## 2. Corporate brand evaluation

Research offers multiple frameworks of corporate brand evaluation. Prominent frameworks that adopt an inside-out approach, that is, those focusing primarily on strengthening a corporate brand internally, are corporate identity (Hatch and Schultz, 1997), corporate brand personality (Muzellec and Lambkin, 2007) and corporate brand orientation (Balmer, 2013). The inside-out perspective is beyond the scope of our research since we focus on investigating outside-in (consumer) perceptions. The most prevalent of the consumer-based corporate brand evaluation judgments is corporate brand image (Dowling, 1986), which is reviewed next.

### 2.1. Corporate brand image

Corporate brand image is defined variously as a "set of meanings by which an object is known and which people describe, remember and relate to it" (Dowling, 1986, p. 110), "what comes to mind when one hears the name or sees the logo" (Balmer, 1998, p. 696), and as stakeholders' "total experience of the company" (Kennedy, 1977, p. 121). Theoretically, corporate brand image is supported by the associative network memory theory (Keller, 1993). This theory suggests that consumer knowledge pertaining to a corporate brand is stored as a network of information-laden associations in people's minds. Corporate image is therefore an accumulation of diverse corporate associations, based on consumer knowledge of factual practices of a company, personal experiences, as well as perceptions of various activities of a firm (Dowling, 1986). Empirical investigations into consumer perceptions of corporate brand image are limited (Bravo et al., 2012; Brown and Dacin, 1997). Brown and Dacin (1997) observe that consumer perceptions of a firm's corporate ability and social responsibility favorably influence consumers' overall evaluation of a firm. Similarly, others observe a positive impact of corporate brand associations on consumer satisfaction and loyalty (Anisimova, 2007, 2013). Such investigations however, are rooted in the traditional product context. Martenson (2007), using the context of grocery retailing, offers a multidimensional conceptualization of retail corporate image comprising consumer

evaluations of a store as a brand, store (i.e., in-house) brands and manufacturer brands. The results suggest that corporate image impacts consumer loyalty via its influence on consumer satisfaction. More recently, Bravo et al. (2012) offer a similar multidimensional perspective on corporate brand image for financial service brands, observing a positive impact on consumer attitude and purchase intentions. Overall, the empirical studies advocate a vital role of corporate brand image in explaining consumer outcomes.

Notwithstanding, the literature on corporate brand image faces multiple challenges. First, there seems to be a lack of consensus around the concept (Brown et al., 2006). Terms such as corporate image, corporate identity, corporate reputation, and corporate branding are used interchangeably (Fetscherin and Usunier, 2012). Such terms typically describe diverse mental associations of various stakeholders of an organization, and a possible source of confusion could be an inability to distinguish among intended, construed or actual associations (Brown et al., 2006). For instance, corporate image when defined as collective meanings or total impressions of stakeholders has been treated equivalently with corporate reputation (Gotsi and Wilson, 2001).

Second, retail corporate brand image measures tend to adapt 'store' image measures from the retailing literature in an idiosyncratic manner (Bravo et al., 2012; Martenson, 2007). Our concern with such adaptations is that the concept of store image per se is not uniformly conceptualized (Hartman and Spiro, 2005). It remains contentious whether aspects of a store's environment, such as product assortment, are dimensions of image (Zimmer and Golden, 1988) or its antecedents (Baker et al., 1994). Further, there is little agreement on whether store image is multidimensional (Beristain and Zorrilla, 2011) or unidimensional (Baker et al., 1994).

In summary, corporate brand image represents the prevailing framework with regards to consumers' corporate brand evaluations. Though theoretically useful, the concept and its applications to retail corporate brands are characterized by a lack of conceptual consensus as well as idiosyncratic operationalizations. Moreover, the emergence of 'retailer as a brand' paradigm (Burt and Davies, 2010) is influencing the way retailers are viewed in the literature. This paradigm necessitates that frameworks other than corporate image be introduced that can capture consumer evaluations of retail corporate brands. We introduce an alternative framework of PCE for evaluating retail corporate brands, discussed next.

## 3. Perceived customer equity (PCE): a higher-order conceptualization

Our proposed model of PCE draws upon Rust et al.'s (2000) customer equity driver theory. Customer equity refers to the discounted lifetime value of a firm's current and potential customer base (Rust et al., 2004) and is shaped by consumer perceptions of brand equity, value equity and relationship equity (Rust et al., 2000). Representing a novel approach to corporate and marketing strategy, a strength of Rust et al.'s framework is its ability to link marketing investments in branding (brand equity), value delivery (value equity) and relationship development (relationship equity) to consumer perceptions of those facets (Vogel et al., 2008). Moreover, the three equities are purported to subsume almost all major marketing decisions (and expenditures) within their scope (Rust et al., 2000, 2004). Our objective in this paper is not to assess the discounted value of a retail corporate brand's customer base. Instead, we derive the three equities from the customer equity framework and propose an integrative (superordinate) framework of consumer evaluation pertaining to retail corporate brands (as depicted in Fig. 1). That is, we offer a higher-order configuration of the three equities. Thus, PCE is a consumer-perceptions-based measure. Next, we outline each of the three equities that represent the first-order dimensions of PC and then conceptualize the higher-order model of PCE.

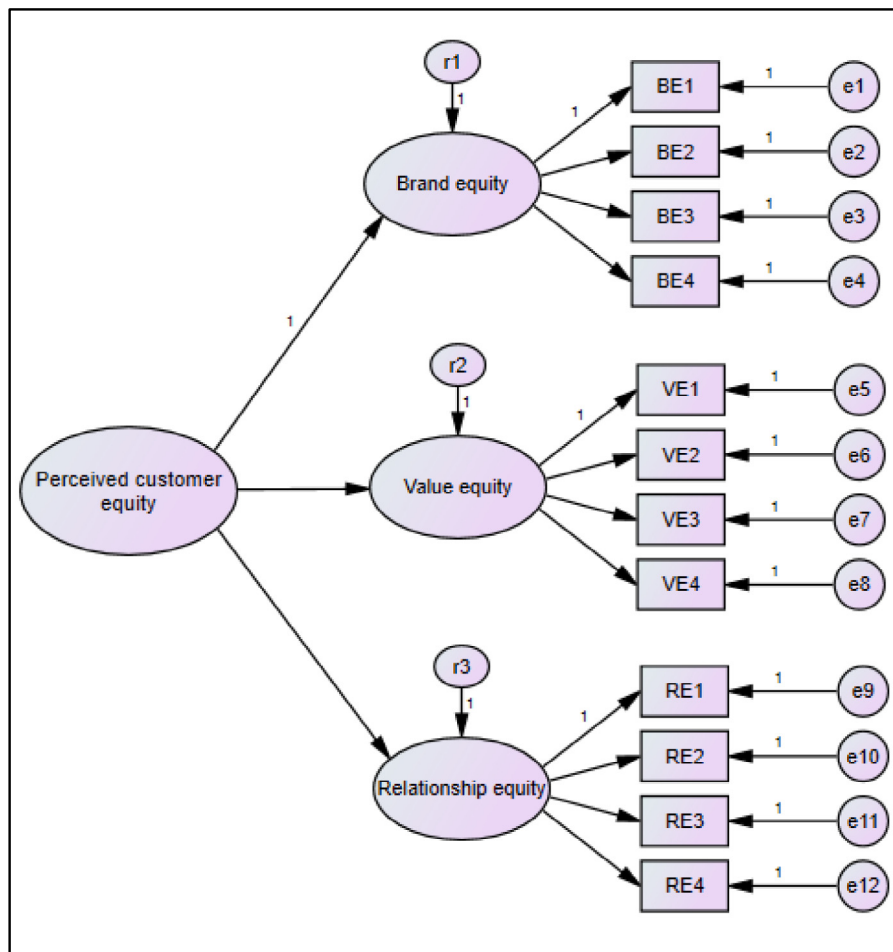


Fig. 1. A higher-order model of perceived customer equity.

### 3.1. The three equities

Brand equity is defined variously as the differential effect of brand knowledge on consumer response to a brand's marketing (Keller, 1993), as incremental utility that consumers experience relative to an unbranded offering (Kamakura and Russell, 1993), favorable attitudinal dispositions (Rangaswamy et al., 1993) and as rational, emotional and hedonic connections with an offering (de Chernatony and Dall'Olmo-Riley, 1998). We adopt Rust et al.'s (2000) definition of brand equity as consumers' overall intangible assessment of a brand, beyond its objectively perceived value. Fundamentally, brand equity is shaped by the quantity and quality of consumer brand perceptions in memory (Keller, 1993), implying that brands with greater brand equity have detailed knowledge structures in consumer memories as compared to brands with low brand equity. Rust et al.'s definition captures vital aspects of the conceptual domain of brand equity, such as consumer attitudes, perceptions of corporate citizenship and community engagement, as well as a level of perceived match-up between consumers' self and brand image.

Value equity is typically defined as consumers' "overall assessment of the utility of a product (or service) based on perceptions of what is received and what is given" (Zeithaml, 1988, p. 14). Value equity tends to capture consumers' benefit-cost trade-off assessments. We ascribe to Rust et al.'s (2000) definition of value equity as a consumer's objective assessment of utility of a brand, based on perceptions of what is given up for what is received. This definition is consistent with prominent definitions of perceived value (Zeithaml, 1988) and lends itself to use in various contexts, includ-

ing the context of retailer brands (Vogel et al., 2008). The definition adopted encompasses perceptions of competitive pricing, utility/convenience, and value-for-money as well as an overall benefit-cost assessment, which is consistent with accepted notions of perceived value (Zeithaml, 1988).

Relationship equity refers to the consumer propensity to stick with a brand, above and beyond its objective and subjective assessments (Rust et al., 2000). The relationship marketing paradigm advocates a relationship-building approach to brand marketing, conceiving brands as relational partners of consumers (Fournier, 1998). A match between consumers' needs and a brand's functional and symbolic attributes may lead to development of consumer-brand relationships (Hankinson, 2004) that can be fostered by way of designing marketing programs such as, knowledge-building programs, special recognition/treatment programs, and community-building programs for consumers (Rust et al., 2000). Relationship equity acts like a "glue that holds the customers" to a firm, making it difficult to switch to competitors (Rust et al., 2000, p. 96). This definition includes consumer perceptions of receiving special recognition, the brand community, and their relationship with a brand, which is consistent with the ethos in the relationship marketing literature (Bendapudi and Berry, 1997).

### 3.2. The higher-order model

In contrast to the literature, we conceptualize PCE as a higher-order (superordinate) configuration of consumer perceptions of brand equity, value equity and relationship equity. In essence, PCE

is represented by multiple distinct dimensions (Edwards, 2001). Our view of PCE is in accordance with a second-order reflective measurement approach (Jarvis et al., 2003), in which the first-order dimensions (i.e., the three equities) are expressions of PCE. The reflective measurement approach is purportedly based on a realist ontology, as per which latent constructs explain changes in the observed items (Borsboom et al., 2003). This logic is extendable to higher-order reflective models whereby causality flows from the higher-order construct to its dimensions and from the dimensions to respective observed indicators (Jarvis et al., 2003). Our conceptualization of PCE as a higher-order concept stems from the Gestalt concept that suggests that consumers typically judge brands holistically (Diamond et al., 2009; Hosany and Witham, 2010). For instance, research in store-based retailing reports that consumers may form holistic impressions of stores by considering specific as well as general features (Keaveney and Hunt, 1992; MacInnis and Price, 1987; Zimmer and Golden, 1988). Such Gestaltist consumer judgments are also reported by research into consumer evaluations of servicescapes (Bitner, 1992) and retail experiences (Matilla and Wirtz, 2001). Consumers when faced with a multitude of retailer brand cues (e.g., layout, atmospherics, merchandise, policies, services, and staff interactions), may resort to minimizing cognitive effort and hence rely on heuristic-type holistic (Gestalt) evaluations for information processing and subsequent decision making (Gilovich and Griffin, 2010). Insights from schema theory (Halkias, 2015) are also supportive of such holistic evaluations. Consumers cognitively organize diverse information pertaining to a brand as a broad global concept (schema) that not only encapsulates descriptive and evaluative knowledge but also comprises an overall judgment (Halkias, 2015). The inherent content of such schemas can be subdivided into lower-order constructs, and we argue that the three equities may help reflect such holistic judgments. Thus, consumers may evaluate retailer corporate brands as a whole rather than a sum of constituent parts. Our core proposition in this paper is that consumer judgments of the three equities – brand, value received and relationships – are jointly reflective of a higher-order judgment that we term PCE.

A prominent alternative approach to construct conceptualization is the formative view, which regards observed indicators as determinants of a latent construct rather than its manifestations (Diamantopoulos and Winklhofer, 2001). Extending the logic to higher-order constructs, the formative view requires the first-order components to determine (i.e., 'form') a higher-order model, in addition to the observed indicators determining the first-order components. Our objective in this paper is to present our conceptualization of PCE based on four criteria that help distinguish reflective versus formative conceptualizations (MacKenzie et al., 2005). We present this argument next.

MacKenzie et al.'s (2005) first criterion requires considering the direction of causality between PCE and first-order measures (i.e., the three equities). As stated earlier, PCE is assumed to exist independently as a consumers' holistic Gestaltist judgment of a brand, which can be measured via the three equities. We therefore conceptualize PCE as influencing the three equities, supporting a reflective measurement stance. Second, as per reflective measurement, the first-order items measuring a construct are considered interchangeable. However, we exercise caution in readily applying this logic to our higher-order conceptualization. We concur with experts who advise caution in considering first-order reflective dimensions as interchangeable (Polites et al., 2012). Assuming the first-order dimensions as interchangeable would mean assuming (erroneously) that each dimension manifests higher-order PCE to the same degree, that is, assuming equal residual variances at the first-order level (Polites et al., 2012). We make the realistic assumption that the three equities will express PCE with varying degrees.

Third, reflective measurement assumes covariation among measurement items, or dimensions (as applicable in the present case). We expect the three equities to covary with each other. For instance, a change in brand's pricing strategy (value equity) is likely to be associated with how the brand is generally viewed by consumers (brand equity). Similarly, an increase in relationship building activities (relationship equity) by a retailer brand is likely to be associated with brand equity. Therefore, the third criterion supports our reflective measurement of PCE. Lastly, we expect the dimensions to have broadly similar antecedents and consequences, supporting a reflective measurement stance. Brand, value, and relationship equities have each been examined extensively in the marketing literature under brand management, value management, and relationship management paradigms, respectively. The literature outlines multiple antecedents and consequences of the three equities, some of which may be common. For instance, perceived quality is offered as an antecedent to brand equity (Buil et al., 2013) and value equity (Dodds et al., 1991). Similarly, consumer loyalty intentions have been offered as a consequence of the three equities (Vogel et al., 2008). Overall, the four criteria suggest that a reflective conceptualization is applicable to the PCE model. Therefore we hypothesize:

**Hypothesis 1.** PCE is a second-order construct measured by consumer perceptions of brand equity, value equity and relationship equity.

### 3.3. *Perceived customer equity and loyalty intentions towards a retail corporate brand*

In order to assess the explanatory capability as well as the nomological validity of PCE, we examine its impact on consumer loyalty intentions towards a retail corporate brand. Generating consumer loyalty is critical to long-term health of a brand (Vogel et al., 2008). Loyal consumers are resistant to competitive efforts, and positively promote the brand (Wright and Sparks, 1999). Attaining such benefits is vital to the retail sector that generally experiences a higher consumer churn rate as compared to other industries (Handley, 2013). Retail corporate brands that are able to develop a loyal consumer base are less likely to rely on loss-leader pricing to attract new consumers (Sirohi et al., 1998). We conceptualize loyalty intentions as a measure of consumers' willingness to purchase, willingness to purchase more in future and make recommendations to others. This conceptualization is suited to the context of our study of retailer brands in the grocery industry (Sirohi et al., 1998).

The nascent literature on the three-equity framework suggests a direct impact of each of the three equities on loyalty intentions (Vogel et al., 2008). When consumers perceive a brand as possessing a favorable image it fosters positive re-patronage intentions (Sirgy and Samli, 1985). In regards to value equity, when consumers perceive a brand as delivering superior value as compared to competitive offerings, it leads to enhanced customer satisfaction, affecting purchase intentions (Eggert and Ulaga, 2002) and potentially influencing consumers' loyalty intentions. Lastly, investments in relationships are likely to be perceived by consumers as added benefits (over brand and value assessments), thereby creating a strong incentive to return to the company for future purchases (Vogel et al., 2008). A positive association between relationship equity and loyalty intentions is thus expected. Given that each of the dimensions of PCE is positively associated with loyalty intentions, we expect the superordinate construct of PCE to be positively associated with loyalty intentions. Hence we hypothesize:

**Hypothesis 2.** Perceived customer equity has a direct significant impact on consumer loyalty intentions.



## 4. Method

### 4.1. Stimulus

Retail corporate brands in the supermarket industry were chosen as stimuli for this study because this industry is one where consumers have very frequent interactions with retailers. This constant consumer–firm interaction means that consumer perceptions of the various aspects of the supermarket firm would be very fresh in memory. Thus, when prompted in a survey, these perceptions could easily be elicited by the respondent without expending much cognitive effort. Further, supermarkets have high geographic coverage nationally, which also supports their use for a large-scale national survey. The respondents were asked to choose one Australian supermarket (out of three options) where they regularly shopped, and to answer the survey in relation to their chosen supermarket. Three Australian supermarket brands, namely, Woolworths, Coles and IGA were offered as choices to the respondents. These three retailers were chosen as they represent the top three firms in the Australian supermarket industry, with a combined market share of more than 90% (AdNews, 2007).

### 4.2. Data collection

A large e-mail database of 200,000 voluntarily-enrolled Australian consumers nationwide was hired using an Australian e-mail list brokerage firm. The sampling frame had no obsolete or duplicate e-mail addresses. A one-time broadcast e-mail with a link to the survey was sent out randomly to 20,000 Australian consumers nationwide. The self-administered nature of the survey helped to minimize acquiescence/disacquiescence bias (Jaffe and Pasternak, 1997). Moreover, our online design provided respondent anonymity, thereby reducing chances of socially-desirable responding. The general topic of the survey also minimized the chances of social desirability bias. A limitation of using Internet surveys is the potential of coverage bias. Given that around 80% of the Australian population has Internet access (Australian Bureau of Statistics, 2011), use of Internet surveys was not considered a major drawback.

We designed the online questionnaire in order to minimize a potential threat from various response biases. The wording of the questionnaire items was kept simple and straightforward, as respondent confusion may lead to response and non-response error. The questions were subdivided into sections, minimizing a potential threat of common method bias (Podsakoff et al., 2003). Potential common method bias was also minimized by avoiding the use of negatively-worded items in the study (Podsakoff et al., 2003). We also ensured that the questionnaire items did not contain hidden cues to respondents (i.e., item demand characteristics), a potential source of common method bias (Podsakoff et al., 2003). Lastly, the questionnaire items pertaining to the three equities and loyalty intentions were each noted on separate web pages, thus minimizing the threat of self-generated validity (Feldman and Lynch, 1988).

We operationalized the constructs using multi-item seven-point Likert scales (1 = 'Strongly Disagree' to 7 = 'Strongly Agree'). Brand equity, value equity and relationship equity were measured using four items each adapted from Rust et al. (2004) and Vogel et al. (2008). Loyalty intentions were operationalized using four items adapted from Johnson et al. (2006) and Vogel et al. (2008). We included consumer perceptions of retailer trust as a covariate in the design. Using four items, we measured trust in terms of consumer-perceived competence that refers to the consumer perception that a supermarket has the required expertise or the skillset to perform its role effectively (Coulter and Coulter, 2003). We also collect data on respondent demographics and specify these as control variables when examining the impact on loyalty intentions. Structural

equation modeling (SEM) was used as the analytic tool, conducted using AMOS 20.0 software.

### 4.3. Sample

Out of the 20,000 e-mails sent, around 5,668 respondents opened the e-mail (i.e., an open-rate of approximately 28%) and around 1,081 clicked through to the online survey (i.e., a click-rate of 19% approx.). Finally, a total of 966 consumers attempted the survey, giving an effective response-rate of 4.8%. We deleted 33 records (spread intermittently) that had substantial missing values (Raymond and Roberts, 1987). Further, 22 and 17 records were deleted because they included (without any variation) extreme and mid-point responses respectively throughout large portions of the questionnaire. Thus, we obtained 888 usable records. The final sample meets the 10:1 respondent-to-item ratio deemed necessary for a multivariate analysis (Hair et al., 2010). Missing values were less than 3% of the usable data and were replaced using expectation maximization estimation (Hair et al., 2010).

Sample demographics are presented in Table 1. Female consumers dominate the sample (almost 70%); broadly consistent with the gender representation of supermarket shoppers (Nordhoff et al., 2004). The older three age brackets represent a substantial majority of the sample. One-third of the sample represented the 'more than 55 years old' category alone. Alternatively, there is minimal representation from the youngest age group. A majority of the respondents have attained college or university education. Around one-fifth of the sample earned 'A\$ 40,000 or less' with other income brackets also well represented. The sample demographics reasonably represent a broad cross-section of the population of interest.

**Table 1**  
Respondent demographics.

Variables	Percentages (Combined)
Gender	
Male	31%
Female	69%
Unspecified	0%
Age group	
Less than 25 yrs old	4%
26–35 yrs old	14%
36–45 yrs old	22%
46–55 yrs old	27%
55+ yrs old	32%
Unspecified	1%
Marital status	
Single	15%
Widowed	3%
Married/Defacto	67%
Divorced/Separated	13%
Unspecified	2%
Highest level of education attained	
Completed Year 10 or less	13%
Completed Year 11 or 12	19%
College Certificate or Diploma	25%
Trade qualification	8%
Undergraduate degree	16%
Postgraduate degree	17%
Unspecified	2%
Gross family income (before tax)	
Less than \$40,000 per annum	22%
\$40,001–\$60,000 per annum	19%
\$60,001–\$80,000 per annum	15%
\$80,001–\$100,000 per annum	13%
\$100,001–\$150,000 per annum	11%
Above \$150,001 per annum	5%
Unspecified	15%

## 5. Data analysis

### 5.1. Preliminary analyses

Around 45% of the respondents nominated Woolworths as their most used supermarket, 42% of the respondents chose Coles, and 13% of the respondents chose IGA. These percentages are consistent with market share of each of the three supermarket brands; Woolworths having a 42% share, Coles having a 35% share, and IGA with a 14% share (AdNews, 2007). We examined non-response bias in the data by comparing the means of the first-order constructs across early and late respondents (based on how data was received during data collection). We categorized the first quartile of respondents as 'early' and the last quartile as 'late' responders, which are theoretically assumed to be similar to non-respondents (Christodoulides et al., 2006). A *t*-test revealed that there was no significant difference in the responses between the first and last quartiles, thus minimizing a threat of non-response bias. Additionally, Chi-square tests between demographic variables across the first and last quartiles showed no significant difference, suggesting that the early versus late responders were broadly similar in terms of demographics.

Next, we examined the extent of common method variance in the data using the single factor test (Podsakoff et al., 2003) that revealed that the common factor model elicited inadequate fit ( $\chi^2(252) = 5485.86, p < 0.05$ ; CFI = 0.74; RMSEA = 0.153), suggesting that no single source factor accounts for the data. In addition, we conducted a marker variable analysis to examine and mitigate concerns of potential common method variance. A marker variable is theoretically-unrelated to at least one of the substantive variables of the study (Lindell and Whitney, 2001); we used respondent age as the marker variable. We first compared the bivariate correlation estimates between first-order constructs with and without partialling out the marker variable, and observed the largest difference between the estimates to be 0.02, which is very small in magnitude, suggesting that common method variance may not be serious. Nevertheless, we mitigated the degree of potential common method variance in the data by partialling out the effect of the marker variable (Lindell and Whitney, 2001). Assuming the lack of a theoretical association of the marker variable with one or more substantive variables, common method variance can be assessed based on the correlation ( $r_M$ ) between the marker variable and a substantive (observed) variable (Malhotra et al., 2006). Further, we used the smallest positive correlation (i.e.,  $r_M = 0.09$ ) of the marker with a substantive variable as a proxy of common method variance (Malhotra et al., 2006). The Lindell-Whitney adjustment was then applied in order to partial out the method variance from the raw correlation matrix (Lindell and Whitney, 2001). We used this adjusted correlation matrix as input into structural equation modeling. Thus, in conjunction with aspects of questionnaire design (as mentioned previously), we mitigate common method variance as a potential source of explanation for existence of our higher-order model (Johnson et al., 2011).

### 5.2. Descriptives

The normality of data assumption seemed to be satisfied (Hair et al., 2010). All skewness values of raw observed variables were within  $\pm 1.96$  ( $-1.27 < \text{all Skewness values} < -0.002$ ). Most Kurtosis values are also within  $\pm 1.96$  ( $-0.64 < \text{all Skewness values} < 1.91$ ). Maximum-likelihood estimation, as used in this research, is reasonably robust to moderate violations of normality. We report the factor scores (means), standard deviations, inter-construct correlations and square-root of average-variance extracted estimates in Table 2 (these estimates were derived from the marker-variable-adjusted correlation matrix). Factor scores range from 4.22 to 5.31, and corresponding standard deviations range from 1.17 to 1.39. We also examined the correlation of the marker variable with the focal constructs (refer to Table 2) and found that it was positively correlated with one construct: relationship equity ( $r = 0.08, p < 0.05$ ). The potential threat of common method bias was however addressed by partialling out its effects from the raw correlation matrix of observed variables (as described in the preceding section).

### 5.3. Psychometric properties of the measurement model

We examined psychometric properties of our measures using validity and reliability tests. A confirmatory factor analysis of our measurement model elicits a significant Chi-square ( $\chi^2 = 640.34$ ) with 162 degrees of freedom ( $p < 0.01$ ). Given the Chi-square's sample-size sensitivity, other indices are examined, which reveal an acceptable fit to data: CFI = 0.96, RMSEA = 0.058, SRMR = 0.046. Standardized factor loadings, respective 95% confidence intervals, reliability estimates and average variance extracted (AVE) scores are reported in Table 3. Cronbach's Alphas are 0.84 or greater, exceeding the traditionally accepted level of 0.70 (Hair et al., 2010). This indicates high internal consistency of items, supporting scale reliability. We examined an additional novel measure of latent construct reliability, called Coefficient H (Hancock and Mueller, 2001). Coefficient H reflects the extent to which a latent construct is reproducible from its own measured indicators (Gagne and Hancock, 2006). Coefficient H is expressed as follows ( $k$  refers to the number of items measuring a construct and  $a_i$  refers to the standardized loading):

$$H = \frac{\left( \sum_{i=1}^k \frac{a_i^2}{1 - a_i^2} \right)}{1 + \left( \sum_{i=1}^k \frac{a_i^2}{1 - a_i^2} \right)}$$

An advantage of Coefficient H over traditional construct reliability estimates is that it is never less than the best indicator's reliability, thus drawing information from all items in a manner commensurate with their ability to reflect the construct (Hancock and Mueller, 2001). That is, all items contribute to the meaning (and reliability) of the construct. Further, in most (multi-item) covariance structure models where factor loadings typically vary, Coefficient

**Table 2**  
Descriptives, bivariate correlations and square-root of average variance extracted estimates.

Construct:	Factor score (mean)	SD	BE	VE	RE	TRT	LOY
Brand equity (BE)	4.75	1.17	<b>0.73</b>				
Value equity (VE)	5.07	1.21	0.74*	<b>0.79</b>			
Relationship equity (RE)	4.22	1.39	0.63*	0.59*	<b>0.75</b>		
Retailer trust (TRT)	5.31	1.19	0.65*	0.67*	0.53*	<b>0.85</b>	
Loyalty intentions (LOY)	5.16	1.28	0.70*	0.73*	0.60*	0.67*	<b>0.76</b>
Marker variable (Age)	–	–	–0.04 <sup>n.s.</sup>	–0.02 <sup>n.s.</sup>	0.08*	0.01 <sup>n.s.</sup>	–0.04

Note: \*Significance at 0.01 level; n.s. refers to not significant. SD refers to standard deviation; the square root of the average-variance-extracted is typed in bold italics along the diagonal.

**Table 3**  
Reliability and validity estimates.

Construct and items	Standardized loading (sig.)	95% CI	Alpha	Coefficient H reliability	AVE
Brand equity:			0.88	0.83	0.53
Image fits personality well	0.79*	0.75–0.82	–	–	–
Good corporate citizen	0.76*	0.72–0.79	–	–	–
Is a likeable brand	0.73*	0.69–0.77	–	–	–
Is an active sponsor of community events	0.61*	0.56–0.65	–	–	–
Value equity:			0.91	0.89	0.62
On the whole, worth the time and effort	0.86*	0.83–0.89	–	–	–
Provides me good value	0.86*	0.84–0.88	–	–	–
Special offers desirable as compared to others	0.76*	0.73–0.79	–	–	–
Provides what I need	0.65*	0.60–0.69	–	–	–
Relationship equity:			0.88	0.85	0.56
Staff recognize me as special	0.83*	0.80–0.86	–	–	–
Feel a sense of community with other shoppers	0.77*	0.73–0.80	–	–	–
Whenever I need help, service is provided promptly	0.73*	0.69–0.77	–	–	–
The relationship is important to me	0.66*	0.62–0.70	–	–	–
Perceived customer equity (2nd-order):			0.84	0.90	0.69
Brand equity	0.90*	0.87–0.93	–	–	–
Value equity	0.88*	0.86–0.91	–	–	–
Relationship equity	0.70*	0.65–0.75	–	–	–
Retailer trust:			0.95	0.91	0.72
I feel confident about my supermarket's skills	0.88*	0.86–0.90	–	–	–
I have no doubt in its abilities	0.86*	0.84–0.88	–	–	–
It is a very reliable organization	0.85*	0.83–0.88	–	–	–
Approaches its job with professionalism	0.81*	0.79–0.84	–	–	–
Loyalty intentions:			0.89	0.85	0.57
I would recommend this store	0.82*	0.77–0.85	–	–	–
I would buy additional products	0.77*	0.72–0.81	–	–	–
I would spend more than last year	0.72*	0.66–0.76	–	–	–
I would continue to repurchase at this store	0.71*	0.66–0.75	–	–	–

Note: \*Significance at 0.01 level. CI refers to confidence interval (estimated using 5,000 bootstrap samples); Alpha refers to Cronbach's Alpha reliability estimate; AVE refers to average variance extracted.

H is a more appropriate measure of construct reliability as compared to conventional measures (Gagne and Hancock, 2006; Hancock and Mueller, 2001). Coefficient H reliability estimates are 0.83 and above for all constructs (including the second-order PCE) in the present study, thereby signaling high construct reliability.

Convergent validity was demonstrated as factor-loadings were highly significant and load strongly on respective constructs, above the recommended 0.50 level (Hair et al., 2010). The AVE score for each construct (as reported in Table 3) exceeds 0.50, further supporting convergent validity (Fornell and Larcker, 1981). Discriminant validity was evidenced as the square-root of AVE (Table 2) for any given construct is greater than the standardized correlation coefficient of that construct with all other constructs (Fornell and Larcker, 1981). We noticed that brand equity and value equity did not seem to meet the Fornell-Larcker criterion of discriminant validity. Thus, we conducted a more stringent pairwise Chi-square ( $\chi^2$ ) difference test of discriminant validity (Anderson and Gerbing, 1988). Constraining the covariance between brand and value equities to 1.0 significantly worsens the Chi-square ( $\Delta\chi^2(1) = 24.64, p < 0.01$ ) when compared to an unconstrained model that allowed the covariance to be freely estimated. The test indicates that the two constructs are not perfectly correlated, yielding support for discriminant validity. Similarly, other construct pairings were tested and discriminant validity was supported. We also supported the discriminant validity of the higher-order perceived customer equity construct with loyalty intentions and trust using the Chi-square difference test.

#### 5.4. Examining the higher-order model of perceived customer equity

The superordinate PCE construct significantly explains brand equity (standardized beta coefficient,  $\beta = 0.90$ ; critical ratio,  $CR = 14.45$ ;  $p < 0.001$ ), value equity ( $\beta = 0.88$ ,  $CR = 13.41$ ,  $p < 0.001$ )

and relationship equity ( $\beta = 0.70$ ,  $CR = 13.41$ ,  $p < 0.001$ ). As a higher-order construct, PCE demonstrates high reliability (as reported in Table 3). The high reliabilities of the first-order dimensions further supports the reliability of the higher-order PCE construct (Johnson et al., 2011). The high first-order loadings suggest that PCE achieves acceptable levels of explanation in brand equity (variance explained = 81%), value equity (variance explained = 77%) and relationship equity (variance explained = 49%). Jointly, these results support Hypothesis 1 (i.e., PCE is a second-order construct reflected by consumer perceptions of brand equity, value equity and relationship equity). Coupled with our procedure to partial out potential method variance, these results provide confidence in the existence of perceived customer equity as a higher-order measure. Moreover, bootstrapping analysis (using 5,000 bootstrap samples with 95% confidence intervals, (CIs)) revealed that standard errors of the first-order path loadings (below 0.03 in magnitude), as well as bias estimates (below 0.001 in magnitude) were very small. The bootstrapping results suggest stability of the higher-order model's parameters (the estimated model's parameters are reported in Table 4).

**Table 4**  
Parameter estimates of the research model.

Construct and items	Standardized loading (sig.)	Critical ratio	95% CI
PCE → Brand equity	0.90*	14.42	0.87–0.93
PCE → Value equity	0.88*	13.40	0.86–0.91
PCE → Relationship equity	0.70*	13.40	0.65–0.75
PCE → Loyalty intentions	0.88*	13.80	0.83–0.91

Note: \*Significance at 0.01 level. CI refers to confidence interval (estimated using 5,000 bootstrap samples).



### 5.5. Examining the effect on consumer loyalty intentions

We examined Hypothesis 2 (higher-order perceived customer equity construct has a direct significant impact on consumer loyalty intentions) by specifying a structural model with loyalty intentions as the outcome of perceived customer equity. Trust was specified as a covariate in the model. The structural model seems to reveal an adequate fit to data ( $\chi^2(163) = 642.93$ ;  $p < 0.01$ , CFI = 0.96; RMSEA = 0.058). As expected, PCE exerts a direct significant impact on consumer loyalty intentions ( $\beta = 0.88$ , CR = 13.80,  $p < 0.01$ ; 95% CI = 0.83–0.91). Hypothesis 2 was thus supported. PCE explained approximately 77% of the variance in loyalty intentions. Additionally, we examined the effect of respondent demographics (dummy coded) on loyalty intentions when entered as control variables in a regression. We observed that two age-groups '36–45 year old' (unstandardized coefficient,  $B = 0.22$ ;  $p < 0.05$ ) and 'above 55 year old' ( $B = 0.20$ ;  $p < 0.05$ ) reported higher loyalty intentions on an average as compared to the youngest age group. Other demographic influences were non-significant.

We compared the explanatory power of the higher-order PCE model with that of the effects exerted by each of the three equities individually. The three-equity model achieved comparable fit to data as the research model and the three equities were observed as exerting significant ( $p < 0.01$ ) direct influences on loyalty intentions. Multicollinearity diagnostics by specifying a three-equity regression model revealed that Variance-Inflation-Factors were all below 2.60, signaling no serious threat of multicollinearity. More importantly, as compared to the higher-order model, the three equities jointly explained 8% less variation in loyalty intentions (i.e., variance-explained: 69%) as compared to the explanation attained by the higher-order model. Moreover, a stronger explanation of loyalty intentions by the higher-order model is indicative of its higher potential predictive validity as compared to that of the individual equities. We now discuss the results of our findings.

## 6. Discussion and implications

In this paper, we present a holistic perspective on the three drivers of customer equity. Specifically, we proposed and empirically examined a higher-order (superordinate) conceptualization, PCE. The results of the study support our conceptualization thus complementing the studies that suggested that consumers create Gestaltist evaluations of brands (Bitner, 1992; Burt and Sparks, 2002; MacInnis and Price, 1987). PCE captures consumers' global evaluation of retail corporate brands, reflected jointly by consumer perceptions of the three equities. We observe that brand equity was the strongest dimension of PCE, followed by value equity and relationship equity. The finding underscores the importance of 'brand' for retail corporate brands. Value equity was the second strongest dimension reflecting the higher-order construct, perhaps due to the context of grocery retailing in the present study. Similarly, the context could account for relationship equity figuring as the third strongest dimension. We contribute a novel integrative theoretical perspective for conceiving corporate brands, thus shifting the focus of the literature from relatively atomistic to more holistic evaluations of retail corporate brands.

A major managerial implication of our study is that it may foster a novel mindset to practitioners in envisioning retail corporate brands. Our empirical investigation should allow greater confidence in managers envisioning brands as higher-order entities. Managers may consider consumers' overall assessment of the retailer as reflecting the way consumers think. Retail customers do not see the retail corporate brand as the sum of lots of pieces of a pie. They see the pie as a whole. It is therefore important that retailers integrate all facets of their corporate brand rather than focusing on separate parts. Of course, certain components may be

in need of attention or repair, but that should be conducted in relation to the overall, integrated consumer assessment. A key benefit of the holistic approach is that it is parsimonious enough to enable more consistent measurement and management of the brand, especially compared to the current practitioner atomistic emphasis attempting the very difficult task of managing many individual elements of the corporate brand.

Additionally, we expected our PCE model to explain variation in loyalty intentions above and beyond the explanation attained by its three individual dimensions. We found the model explained a greater amount of variation in loyalty intentions compared with the impact of the three equities individually. Our integrative view of the three equities facilitating loyalty intentions is novel in the literature. Another practical implication of our study is that PCE may potentially serve as a source of competitive advantage for a retail firm. In complex retail environments where consumers are faced with a plethora of retail mix elements, their favorable higher-order holistic evaluations (as opposed to atomistic assessments) may provide a retailer with a competitive edge. We recommend managers foster greater consumer loyalty in retail corporate brands by devising strategies that directly address consumers' holistic evaluations. For example, communicating a retail corporate brand's values and corporate via marketing campaigns to develop favorable holistic perceptions among consumers.

## 7. Limitations

We identify four limitations in the study. First, consumers' shopping frequency wasn't measured in the study as a potential control variable. It is likely that consumers who shop more regularly (or are members of a reward program) may provide higher ratings on brand perceptions and future loyalty intentions. We suggest that future research should specify shopping frequency as a control variable. Second, the cross-sectional design of our study means the data represent a snapshot of consumers' higher-order evaluation at a given point in time. The relative strength of how strongly a particular equity is reflective of PCE may change over time. Future research may adopt a longitudinal design. Second, our conceptualization of PCE is derived from Rust and colleagues (2000, 2004). Brand equity, for instance, is conceptualized (and operationalized) as per Rust et al. and not as per other (multidimensional) models of brand equity that are espoused in the literature (e.g., Yoo and Donthu, 2001). Nevertheless, such measures are gaining popularity (e.g., Vogel et al., 2008). Lastly, the findings of our study are most applicable to corporate brands in the Australian supermarket industry. It is recommended that future researchers replicate our model across other sectors and in other countries in order to achieve greater external validity.

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