The images of foreign versus domestic retailer brands in China: A model of corporate brand image and store image

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Abstract

Both foreign and domestic retailers are competing for the newly emerged affluent consumers in China, yet little is known about how these retailer brands are perceived by the Chinese consumers. The corporate branding literature often considers retailer's store image as corporate image, which neglects the nuance between these two interrelated but distinctive constructs. Drawing upon cognitive associative network and categorisation theories, this study investigates the interrelations of retailer corporate brand image and store image and their differential effects of on consumer patronage intention, with corporate brand origin (foreign versus domestic) as a moderator. Our sample was from a survey of 338 department store customers in Beijing, China. The empirical results show that both corporate brand image and store image have a positive effect on patronage intention, but the effect of store image is stronger. Brands of foreign origin have a more positive corporate brand image than their local counterparts, yet there is no significant difference in store image by corporate brand origin. Corporate branding recommendations for both foreign and domestic retailers operating in China are provided.

Key words: corporate brand image, store image, country of origin, retailing, China

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Introduction

China has a growing middle class with an increasing purchasing power, and the newly rich are 'hungry' for global luxury products (Zhan & He, 2012). These changes in consumption power have driven many international retailer brands to open stores directly in China, particularly in the high end department sector. While retailers in developed countries are struggling to get customer traffic back to their stores, there has been vast expansion of the retailing market in China. According to Euromonitor (2014), despite the slowdown in China's macroeconomic performance in 2013, the disposable income level of Chinese consumers continued to rise and retail sales have grown at a double-digit rate; and the retail sales volume is expected to continue to grow at around 10% rate over its forecast period. Beijing, the capital city of the country, has become the main battle ground for major international retailer brands. For example, to seize this opportunity, the French department store chain Galeries Lafayette has recently opened its store in Beijing, the biggest of its flagships outside Paris. According to a report by Deloitte (2014), among the top 100 retailers, business turnover of single store of foreign retailers has been much higher than domestic retailers over the last three years. Yet, not all foreign retailers are doing well in China, for example, Home Depot, Best Buy, Carrefour and Tesco have stumbled in the Chinese market, while others have experienced strong growth, such as Wal-Mart, Metro, and Ikea (Gupta & Wang, 2013). Thus, to strengthen their intangible assets and attract Chinese customers, both foreign and domestic retailers have increasingly invested in managing both their corporate brand image and their

store image. The strategic importance of retail brand building and management has come to the fore in China.

Branding in retailing poses unique challenges for retailer managers. Retailer branding is somewhat different from product branding in that retailing services are typically more multi-sensory in nature than products. Hence the way in which how retailer brand images are developed may be different (Ailawadi & Keller, 2004). Corporate branding of retailing organisation involves management of corporate identity, heritage, image, reputation and communications with multiple stakeholder groups (Balmer, 2012; Gray & Balmer, 1998). Retailer corporate branding also needs to consider developing a strong store image, for example, by developing unique offerings of merchandising, product assortment, pricing, services, store design and atmospherics, etc.

Though much knowledge has been developed, there remain at least two gaps in retailer corporate branding. First, the extant literature of retailer corporate branding seems to mix corporate brand image with store image (e.g. Burt & Sparks, 2002; Da Silva & Alwi, 2007; Martenson, 2007). Store image has been the central topic of retailing literature for a long time (e.g. Grewal, Krishnan, Baker, & Borin, 1998; Hildebrandt, 1988; James, Durand, & Dreves, 1976; Theodoridis & Chatzipanagiotou, 2009) with the emphasis on customer perceptions of store attributes and shopping experiences. Confusing corporate brand image with store image is a critical issue that needs to be addressed. Because corporate brand image and store image have different managerial focus, and as a result of this confusion, little is known about the relationship between corporate brand image and store image, which of the image makes a greater contribution to consumer patronage intention, and practically, and managers lack clear insights into corporate branding strategies in the retailing context.

Second, the literature has been dominated with country of origin studies of high involvement, tangible products, and very few studies have examined the role of brand's country of origin in services (Javalgi, Cutler, & Winans, 2001; Samiee & Leonidou, 2011). As the pace of retailing internationalisation increases, many researchers have started to examine host country consumers' acceptance of retailer brands of foreign origin (Alexander, Doherty, Carpenter, & Moore, 2010), but very few of them have investigated the role of retailers' corporate brand origin (Alexander et al., 2010). Furthermore, the extant country of origin research itself has been criticized for having weak theoretical foundations and poor methodological approach (Samiee & Leonidou, 2011). For instance, within the limited research effort on retailers' corporate brand origin (e.g. Straughan & Albers-Miller, 2001; Zarkada-Fraser & Fraser, 2002), participants were explicitly and artificially exposed to the cue of corporate brand origin of the retailers; However in the real world shopping environment, consumers may not know the brand origin of a retailer or do not bother to know about it (Agrawal & Kamakura, 1999; Liefeld, 2004). Therefore, it is not yet known whether retailers' corporate brand origin plays a role in consumers' daily shopping activities.

This study attempts to address the above two knowledge gaps by collecting empirical evidence of corporate brand image and store image's influence on patronage intention, in the context of fast expansion of international department store brands in China. Our main contributions are: (a) advancing our understanding of consumers' perceptions of the corporate brand image and store image of both foreign and domestic retailers operating in China; (b) advancing the conceptualisation of corporate brand image and store image in retail context, based on cognitive information processing theories; (c) proposing and testing a conceptual model that links corporate brand image, store image and patronage behaviour, with corporate brand origin as a moderator; and (d) providing important advice on how

international and local retailers can improve their corporate branding and store image marketing strategies.

In the following sections, we first briefly review the relevant literature on corporate brand image, store image, the theories of categorisation and associative cognitive networks, and corporate brand origin, from which we develop a research model linking the two constructs with customer patronage intention with corporate brand origin as a moderator. Next, we present the methodology and empirical results testing the hypotheses. Finally, we conclude with a discussion of the managerial implications, research limitations and suggestions for future research.

Conceptual background and hypothesis development

Corporate branding

The importance of corporate branding in creating a competitive advantage has been well recognised today (Balmer, 2012; Balmer & Gray, 2003; Balmer & Greyser, 2006; Biraghi & Gambetti, 2013; Keller & Aaker, 1998). Academic work alluded to corporate branding can be traced back to as early as 1920s (Balmer & Gray, 2003). Largely managerially inspired, interest in corporate branding emerged in the 1970s (Fetscherin & Usunier, 2012). It was around the early 1990s that several leading branding and communications consultants explicitly mentioned the term "company brand" (Balmer & Gray, 2003). Since then, there have been a wide range of approaches to corporate branding research from disciplines such as marketing, organisation, strategy, communications, and graphic design (Balmer & Gray, 2003), with a variety of concepts and frameworks appeared in the literature (Gyrd-Jones, Merrilees, & Miller, 2013). A review of the literature by Fetscherin and Usunier (2012) indicates that research has now started to empirically investigate whether corporate brand image actually has impact on a firm's financial performance (e.g. Roberts & Dowling, 2002). The current study thus is timely in addressing some of the unresolved issues in the corporate branding literature, such as the conceptual clarity of corporate brand image, its theoretical foundation, its relations with store image in the retail context, and empirically testing whether their impacts on consumer patronage intention.

Corporate brand image

There is a lack of a widely agreed definition of brand image in the literature (Dobni & Zinkhan, 1990). The term brand image is often used interchangeably with terms such as brand associations, brand identity, or brand personality, which has been a conceptual problem

in the branding literature (Hosany, Ekinci, & Uysal, 2006; Patterson, 1999). Similarly, some researchers define corporate brand image as the corporate associations, or the perceptions, inferences, and beliefs about a corporation (e.g. Mann & Ghuman, 2014; Martenson, 2007). Some define it as the credibility of the corporate identity as claimed by the organisation (e.g. Cretu & Brodie, 2007; Kim & Hyun, 2011). Others define corporate brand image as the brand personality of the corporation (e.g. Davies & Chun, 2002; Spector, 1961). However, the blanket definitions of brand image tend to be more commonly accepted, refering to the total impressions of a brand, or everything association with the brand. Because of their 'simplicity and compressive totatilty', these blanket definitions are most 'felicitous', 'effective expressions of the general sense of brand image as an abstraction' (Dobni & Zinkhan, 1990). At the corporate branding level, Gray and Balmer (1998) suggest that corporate brand image is the 'mental picture' about the corporation. This mental picture is a 'gestalt', overall impression on the minds of the stakeholders (Barich & Kotler, 1991; Dowling, 1986; Souiden, Kassim, & Hong, 2006).

Further to the complication of the corporate branding literature, there is often a confusion of the term corporate image with similar terms such as corporate identity and corporate reputation, due to their interrelatedness and conceptual overlaps. Abratt and Kleyn (2012) propose a framework that synthesises and reconciliates the concepts of corporate identity, corporate image and corporate reputation. They suggest that corporate identity is an organisation's strategic choices including the organisation's mission, vision, strategic intent, values and corporate culture and, and its expression of these choices. While a company can define and communicate its identity (Urde, 2013), its image and reputation result from constituency impressions of a company's behaviour and are less within the company's direct control (Argenti & Druckenmiller, 2004). According to Balmer (2012), corporate brands are identity-based, i.e. from the firm's purposes, values, activities, quality standards, etc.(Balmer,

1995), and the 'voracity' of a corporate brand depends on whether it is authentic, believable, sustainable, profitable and responsible (Balmer, 2012). Many researchers use the corporate brand image and reputation interchangeably (e.g. Martenson, 2007), because of the subtle distinction between corporate brand image and reputation, as both of them refers to stakeholders' overall evaluation of an organisation. While corporate reputation is the aggregate stakeholders' evaluation of the firm over time (Abratt & Kleyn, 2012; Fombrun & Shanley, 1990; Gotsi & Wilson, 2001; Walker, 2010), corporate brand image is stakeholders' perception of the firm at a point in time (Balmer, 1998; Gray & Balmer, 1998), usually the current and immediate reflection (Bick, Jacobson, & Abratt, 2003). Given that our study examines consumer's perception of the retailing corporation at a point in time, we use the term corporate brand image instead of corporate reputation.

Despite the diversity of definitions and disciplinary approaches, it is widely agreed that positive corporate brand images are a valuable asset (Abratt & Kleyn, 2012; Dowling, 1986). Previous research has indicated the effects of a favourable image on positive organisation outcomes, such as the attraction and retention of investors, employees and customers (Dowling, 1986; Fombrun & Shanley, 1990; Nguyen & Leblanc, 2001; Walsh, Mitchell, Jackson, & Beatty, 2009). Therefore, we hypothesise:

H$_1$: *Corporate brand image has a positive effect on patronage intention.*

Store image

Retail store image can be broadly defined as consumer perceptions of a retailer's store, which is developed from consumers' objective and subjective evaluations based on their experience of the store over time (Zimmer & Golden, 1988). Researchers such as Dichter (1985) and Zimmer and Golden (1988) define store image as a global construct, i.e. the 'gestalt' view of store image, while other researchers (e.g. Bloemer & De Ruyter, 1998; Keaveney & Hunt,

1992; Kunkel & Berry, 1968; Martineau, 1958) believe that store image is primarily determined by the attributes of a store. We adopt the later definition in this study, which treats store image construct as a multi-attribute model, consisting of both tangible and intangible attributes such as merchandise quality and assortment as well as the store atmosphere (Hartman & Spiro, 2005; McGoldrick, 2002). Past research has shown that customers often evaluate and select retailers on the basis of store image (Chang & Luan, 2010), and that store image is as an important antecedent of store satisfaction and loyalty (Bloemer & De Ruyter, 1998; Martenson, 2007), store preference (Thang & Tan, 2003), and the frequency of store visits (Pan & Zinkhan, 2006). Thus, we have

H₂: *Store image has a positive effect on patronage intention.*

Corporate brand image versus store image

Studies of retailer corporate image often do not differentiate retalaier corporate brand image from store image (e.g. Burt & Sparks, 2002; Da Silva & Alwi, 2007; Martenson, 2007), which could hinder theoretical development and the establishment of managerial implications. We draw on relevant cognitive theories to clarify the differences between the two important constructs.

An image is the set of meanings or associations by which an object is known and through which people describe, remember and relate to it (Myers & Aaker, 1982). From a cognitive psychogical perspective, image is formed through cognitive information processing, which can be category-based over piece-meal, depending on different conditions (Hadjimarcou & Hu, 1999; Keaveney & Hunt, 1992). Category-based processing involves the evaluation of an incoming stimulus on the basis of existing memory structures or schemata; while in piecemeal processing, a consumer pieces together the evaluations of individual attributes (Goodstein, 1993; Hadjimarcou & Hu, 1999; Sujan, 1985). Individual cognitive

schemata consist of associative networks that are hierarchically organised, from specific

categories at the bottom, to general ones at the top (Fiske & Pavelchak, 1986; Krishnan, 1996;

Swoboda, Berg, & Schramm-Klein, 2013). Accordingly, image is also described as a

hierarchical network of meanings stored in memory (Nguyen & Leblanc, 2001). The building

block of a associative network (as shown in the figure in Figure 1) is a node representing any

piece of information, which could be the country of origin of a retailer corporate brand (e.g.

foreign or Japanese), the corporate brand (e.g. Sogo), a store (a specific store in Xicheng,

Beijing), or an attribute of a store (e.g. convenience), and links between any two nodes

suggest an association in the consumer's mind (Henderson, Iacobucci, & Calder, 1998;

Krishnan, 1996).

[Figure 1 about here]

The distiction of the two constructs lies in the differences of focus. One views the retail

corporation as a whole, and the other focuses on its major components (stores). Corporate

brand image is the perceptions of the retailer as an organisation or corporation, which it is

based on holistic, global perceptual processing (Förster, 2012; Förster & Dannenberg, 2010),

or category-based processing (Hadjimarcou & Hu, 1999). In constrast, store image is the

perceptions of the retailing organisation's offerings, i.e. the store and its associated products

and services, which is developed consumer experience of the store attributes over time, such

as store design, brand assortment, price, location, and transport and parking, etc. (Zimmer &

Golden, 1988), which is a local processing of the individual stores as the parts of a retailer

(Förster, 2012; Förster & Dannenberg, 2010), and is developed or formed through piece-meal

processing of store attributes (Keaveney & Hunt, 1992). This distinction is similar to that of

corporate brand image and product brand image (Balmer & Gray, 2003). This distinction has

important pratical implications, as there are fundamentally different managerial emphases

between corporate branding and store image management: (a) corporate branding is managed

at the top level, while store image management needs more operational inputs, and (b) corporate brands have a multi-stakeholder rather than customers orientation at store image level.

Research in cogitive psychology reveals that global image can be formed through customer experience of specific attributes of a product or service, whereas customer beliefs about brand performance on specific attributes may be affected by an halo effect from the global image (Balzer & Sulsky, 1992; Sonnier & Ainslie, 2011). As retail corporate brand image is a global image construct, and store image, a local image is developed through specific retail service attributes, the relationship between two image constructs should be positively correlated. In other words, consumers may form a general impression of the retail corporation through their shopping experience or through their interaction with the retailer's corporate communications. When confronted with a new store openned by the retailer, they then use their the retailer's corporate associations previously stored in their memory to evaluate the new store (Swoboda et al., 2013). Refering to cognitive associative network (Krishnan, 1996) as we discribed previously, the relationship between the two constructs can be explained as: the activation of a corporate node will affect related store nodes through associative network linkages, and vice versa. Recent research by Swoboda et al. (2013) confirms that corporate repuation and store equity have bidirectional links. Therefore we propose that:

H₃: *Retailer corporate brand image and store image are positively correlated.*

The strength of activation of a node depends on pratice (Anderson, 1983). In our context, the practice is the shopping experience. The store node is activated each time with every shopping experience, whereas the corporate node may not be so frequently activated (Swoboda et al., 2013). The associations based on personal experience are more vivid, self-

relevant, held with more certainty (Krishnan, 1996). Rindell, Edvardsson, and Strandvik (2010) argue that image is constructed and updated in consumer daily consumption lives. They propose the concept of 'image-in-use', which represents all the consumption events. It is likely that store image is the 'image-in-use' rather than corporate brand image in determining patronage intention. Furthermore, according to Förster (2012), global processing system deals with novel events, and local system processes familiar events and threatening information. This study asks shoppers to report their perceptions of the retailer that they usually do their shopping, which is a familiar entity; hence it is expected that local processing system will take over global processing system in forming patronage intention, i.e. store image will be a better predictor of patronage intention than corporate brand image. Emprical evidence provided by Swoboda et al. (2013) indicates that retail store equity has stronger influence on customer loyalty. Therefore, we hypothesise that:

H_4: *Store image has a stronger effect on patronage intention than corporate brand image.*

Foreign versus domestic corporate brand origins

Corporate brand origin refers to the country where corporate headquarters of the company is located (Johansson, 1989). According to the categorisation theory (Fiske & Pavelchak, 1986), country of origin is a category cue information stored in consumer's memory as country image or stereotype (Hadjimarcou & Hu, 1999). When processing information, an individual would normally attempt to categorise incoming stimuli, whether new or previously categorised, on the basis of existing knowledge schemata. In the case where categorisation is successful, the presentation of the new object will first activate the category label along with its associated knowledge structure or schema. As a result of this activation, the evaluation of the category label (e.g country stereotype) will also come to mind and will be used as input in

the evaluation of the new object (Hadjimarcou & Hu, 1999). Empirical studies in international marketing confirm that when the country of origin is identified, the country image could influence consumer perceptions of country's products, brands (Diamantopoulos, Schlegelmilch, & Palihawadana, 2011; Klein, Ettenson, & Morris, 1998), as well as corporate reputation (Amine, 2008).

In emerging countries, consumers usually perceive foreign products/brands favourably than domestic ones (d'Astous et al., 2008; Pappu, Quester, & Cooksey, 2007; Sharma, 2010; Usunier & Cestre, 2007; Verlegh & Steenkamp, 1999). However, the effects of country image vary across products or consumer groups (Usunier & Cestre, 2007), and the salience of the country of origin cue, which declines if other extrinsic or summary cues and intrinsic attribute information are available to consumers (Peterson & Jolibert, 1995). The activation of country of origin effects is then dependent on whether the cue of country of origin is available, and the degree of its salience. Past studies show that most consumers do not know the country of origin of many often well-known brands (Balabanis & Diamantopoulos, 2008; Samiee & Leonidou, 2011). Hence country image does not appear to be 'image-in-use' in consumption decision making (Rindell et al., 2010). Because if categorising retailers based on their corporate brand origin is not possible, consumers will resort to piecemeal processing by assessing retailing service attributes (Hadjimarcou & Hu, 1999).

Campanies of foreign origin could outperform their local counterparts in many aspects, such as productivity and efficiency (Bellak, 2004). As summarised by Bellak (2004), this is because foreign owned companies have firm-specific advantages as well as advantages of being multi-national. In terms of firm-specific advantages, foreign owned firms tend to have: (a) high levels of research and development; (b) a large number of highly skilled workers; (c) latest technologies; and (d) high levels of product differentiation and advertising. Being part of a global network within an multi-national enterprise, foreign owned firms: (a) have scale

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economies; (b) better access to foreign markets and suppliers; (c) benefit from their parent's managerial expertise; (d) benefit from the insights gained by fellow subsidiaries in other markets; and finally, (e) have a more extensive set of information and better capacity for evaluating different market situations. Given that brands of foreign origin have the above advantages, it is possible that their corporate brand image as perceived by consumers will perform better than their domestic counterparts. Therefore, we propose the following:

> **H$_{5a}$:** *Brands of foreign origin have more positive corporate brand image than those of domestic origin.*

> **H$_{5b}$:** *The relationship between corporate brand image and patronage intention is stronger for brands of foreign origin than for domestic brands.*

Based on the same reasoning, the store image of foreign retalers should perform better than domestic ones. Empirical studies so far tend to be mixed. Chaney and Gamble (2008) revealed that in a developed city in China (Shanghai), young, educated and wealthy consumers rate the foreign stores higher than domestic ones. Liu, Murphy, Li, and Liu (2006) found that Chinese consumers perceive store signs with both English and Chinese languages and identifying retailer's foreign corporate brand origin more favourably than that with Chinese language only. However, as China's economy develops, there is also evidence that the status of foreign brands is decreasing, while that of domestic brands is increasing (Zhou & Hui, 2003; Zhuang, Wang, Zhou, & Zhou, 2008). Moreover, many domestic brands use foreign-sounding names, and foreign brands localise their brand name in Chinese language, consumers are confused about the origins of brands in terms of local versus foreign brands, which could benefit the local brands yet may have negative impact on foreign brands (Zhuang et al., 2008). The findings of the studies by Chaney and Gamble (2008) and Liu et al. (2006) could be biased due to country stereotype effect, as both studies provided corporate brand origin cues to study participants. In a natural setting as in this study, retailer corporate

brand origin cue is often not available or not salient to consumers. Store image perception is then largely dependent on piece meal processing of store attributes (Fiske & Pavelchak, 1986), and is constructed by consumers through their daily consumption experience (Rindell et al., 2010), it is therefore not clear whether brands of foreign origin will outperform their domestic counterparts in store image without further empirical evidence. Therefore, we tentatively propose that:

H_{6a}**:** *Brands of foreign origin have more positive store image than those of domestic origin.*

H_{6b}**:** *The relationship between store image and patronage intention is stronger for brands of foreign origin than for domestic brands.*

Figure 2 summarises the conceptual model.

[Figure 2 about here]

Research design and methods

Research context

China's retail market historically has been highly fragmented and composed of many small and medium-sized retailers concentrated in the economically well-developed eastern provinces, particularly in major cities such as Beijing, Shanghai and Shenzhen. With economic growth over the past decades came retail sector growth that has continued to the present day. Modern retail formats such as supermarkets, department stores have been well received by Chinese consumers. Major international department store chains in Beijing include Parkson, Golden Eagle, Watson, New World and Ito-Yokado. In response to this strong new competition, Chinese domestic retailers have been quick to imitate and emulate the latest marketing and management concepts. Many domestic retailer brands in Beijing such as Wangfujing Cuiwei, Dangdai and Xidan have started to focus on creating an engaging customer experience and building a strong brand image. This study therefore has implications for both international and domestic retailers currently operating in China.

Sampling and data collection

This study uses a store intercept method based on the procedure used by Babin and Darden (1995) to collect data directly from shoppers in a real world shopping environment. This method has the efficiency of accessing a large number of consumers and ability to produce high quality (Grace & O'Cass, 2004). The data were collected at the point of purchase, thus avoiding the deliberate exposure of corporate brand origin cue to respondants (Josiassen & Harzing, 2008). To increase the response rate and get better cooperation from potential respondents, we secured collaboration from a high-end department store chain in Beijing. Six customer service assistants who regularly conduct the company's in-house customer satisfaction surveys approached customers on a random basis when they were browsing in the

store and a small gift (value = 10 CNY, or about 1 GBP) was provided to respondents as an incentive (funded by the collaborating department stores). The response rates were about 70%, comparable to those obtained by Han, Kwortnik, and Wang (2008) in similar settings. Store managers confirmed that the demographic profile of the samples was representative of the store's clientele (see Table 1): aged between 26-45, mostly female, have a bachelor's degree, and middle-level income. The data cover more than 15 major department store retailer brands in Beijing. The sample size for corporate brands of domestic origin is 199 (59%), which include Wangfujing (consists of two store brands, 56), Cuiwei (59), Dangdai (28), Xidan (46), and others (10); and the sample size for corporate brands of foreign origin is 139 (41%), which include brands such as Sciteck (12), Sogo (23), Yansha (24) , Shinkong (36), and Parksons (21) and others (23).

[Table 1 about here]

Questionnaire

The questionnaire starts with a question asking respondent to name one department store brands which they usually do their shopping. A list of 10 major department store brands was provided (containing five domestic department store brands and five foreign ones, as described above), but respondents were allowed to name their own department store retailer brands outside the list. The question that follows asked respondents to identify whether that retailer brand is of foreign or domestic origin. If the option 'foreign' was selected, respondents were requested to further identify what specific country the retailer originated from. Subsequent questions regarding corporate brand image, store image and patronage intention were raised with reference to that focal retailer brand. Thus the corporate brand origin information was treated 'naturally', without manipulating corporate brand origin, tackling the weakness in the prior country of origin research (Josiassen & Harzing, 2008;

Samiee & Leonidou, 2011). 60 percent of the respondents were able to correctly identify retailers' brand origin as foreign or domestic. Respondents were more accurate in identifying domestic retailers (accuracy rate 64%) than foreign ones (accuracy rate 47%). When asked the specific country of origin of the foreign retailers, the accuracy rate falls drastically to 15%.

Construct measures

The scales used to measure the three latent constructs are shown in Table 2. Items measuring corporate brand image were adopted from Kim and Hyun (2011) on a 7-point Likert scale, where 1=strongly disagree, 7=strongly agree. To adapt the items for the current study context, we presented the five corporate image items developed by Kim and Hyun (2011) in panel interview with store managers to make necessary modifications. 'Being fashionable' was considered by store managers as an important attribute of department store retailers, the 'fashionable' item was used to replace the 'high-tech' item in Kim and Hyun (2011). Store managers suggested that customers look at the retailer's name as a symbol of quality assurance for the merchandise they sell. This is an essential function of a brand (Aaker, 2009; Kapferer, 2012), hence the 'reputable' item was used to replace the 'leading' and 'representative of the IT industry' items in Kim and Hyun's (2011) list. As there is increasing concerns of Chinese consumer on corporate social responsibility (CSR) in recent years, and concurrently there is a rise of academic interest in the west in the CSR image of a corporate brand (e.g. Melo & Galan, 2011), hence, it was deemed vital to include an item of 'socially responsible' to replace 'the long experience' item. Finally, the 'customer-oriented' item remained unchanged. For store image measurement, items were drawn from Theodoridis and Chatzipanagiotou (2009), as recommended by the store manager interview panel. Respondents were asked to rate the performance of each of the retailer attributes from 1 to 10, where 1 equals to 'very poor', 10 represents 'excellent'. Patronage intention was measured by two items adapted from Grewal et al. (1998): 'I would visit this department store' and 'I

would consider shopping at this department store' based on based on a 10-point scale, where

1= definitely no, to 10=definitely yes.

Results

We used SPSS and Partial Least Square (PLS) structural equation modelling for our data analysis. Using PLS in path modelling to establish causal relationships is advantageous because it requires no assumption of normal distributions and also allows for smaller sample size requirements and it is suitable for handling both formative and reflective measures (Hair, Ringle, & Sarstedt, 2011). The software used in this study is SmartPLS 2.0 M3 (Ringle, Wende, & Will, 2005). Unlike covariance-based structural equation modelling, PLS path modelling does not optimize a unique global scalar function, and subsequently does not have global goodness-of-fit. There have been attempts to develop overall model fit indices in PLS, such as the goodness-of-fit index (GoF) and the relative goodness-of-fit index (GoF$_{rel}$), but recent methodological research suggests that these indices are not suitable for PLS model validation (Henseler & Sarstedt, 2013). We therefore follow the commonly adopted guidelines as set by Hair et al. (2011), using a two-step procedure to assess the adequacy of the model. First, we assess the measurement model with regard to reliability and validity. Second, we examine the structural model parameters and the explanatory power of the model. To test the significance of model estimates, we compute the t-statistics using 5000 bootstrap samples (Hair et al., 2011). In the results tables, for the ease of reading we report 't-value of 1.96 and above' in term of 'p-value of 0.05 or lower', and 't-value of 2.58 above' in the term of 'p-value of 0.01 or lower'.

Measurement model

Corporate brand image and patronage intention are treated as reflective constructs. Following the recommendations of Hair et al. (2011), we evaluated the reflective measurement model by examining item loadings, composite reliability, convergent validity, and discriminant validity: all item loadings are significant and above the recommended 0.7. The composite

reliability (CR) exceeds the recommended level of 0.7, and the average variance extracted (AVE) values are above the recommended level of 0.5. We treat items measuring store image as formative indicators. Following Hair et al.'s (2011) recommendation, we examined multicolinearity among the indicators, and each indicator's weight (relative importance) and loading (absolute importance). As shown in Table 2, all indicators' variance inflation factors (VIFs) were lower than 5, thus multicolinearity was not a concern. Not all the item weights were significant, but all their factor loadings were, thus all items of store image were included for further analysis.

[Table 2 about here]

Results in Table 3 indicate that the square roots of the AVE (where applicable) exceed the construct's correlations with the other factors, thus discriminant validity can be established (Fornell & Larcker, 1981).

[Table 3 about here]

Structural Model

Table 4 illustrates the model estimation results. The aggregate PLS path coefficients are statistically significant: R^2 values for endogenous latent variable 'patronage intention' are fairly good (43%). As hypothesized, both corporate brand image and brand image are positively linked to patronage intention, providing support to H_1 and H_2. The correlation between corporate brand image and store image is positive and significant ($\beta=0.48$, $p<0.01$), thus H_3 was supported.

The coefficient of the total effect from corporate brand image to patronage intention through store image as a partial mediator is 0.33 (direct effect $\beta=0.21$, both $ps<0.01$), while in the reverse direction, the coefficient of total effect from store image through corporate brand image as a partial mediator is 0.53 (direct effect $\beta=0.48$, both $ps<0.01$). Thus it can be

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confirmed that store image effect on patronage intention is higher that of corporate brand image, supporting H_4.

The interaction term 'corporate brand image x origin' is not significant, suggesting that the relationship between corporate brand image and patronage intention is not stronger for foreign brands than domestic brands, thus rejecting H_{5b}. Although the interaction term 'store image x origin' is significant but the beta value is negative, as we coded 0=domestic origin, 1=foreign origin, it suggests that the relationship between store image and patronage intention is stronger for domestic brand origin than foreign brand origin. Thus H_{6b} is not supported.

[Table 4 about here]

Table 5 presents the SPSS independent samples t-test results of comparing corporate brand image and store image by corporate brand image, which indicates that foreign retailers' corporate brand image more is positively perceived than that of domestic retailers (overall $M_{foreign}$ =4.96, $M_{domestic}$ =4.45, $p<0.001$), in support of H_{5a}. The table also shows that there is no significant difference between the two types of retailers in store image performance (p=0.575), inconsistent with H_{6a}.

[Table 5 about here]

Table 6 summarises the results of hypothesis test.

[Table 6 about here]

Discussion and Conclusions

The main purpose of this study was to investigate Chinese consumers' perceptions of corporate brand image and store image of both foreign and domestic retailers in China, and to provide a conceptual clarification of retailer corporate brand image versus store image, by proposing and testing a conceptual model that links corporate brand image and store image to patronage intention with corporate brand origin as a moderator. The study has important theoretical and managerial implications.

Theoretical implications

This study has several theoretical implications. First, this study has clarified the interconnections and differences between corporate brand image and store image underpinned by cognitive theories. Our findings show that although both corporate brand image and store image drive patronage intention, store image's effect is stronger than that of corporate image. Thus, we extend the recent corporate branding research in retailing, e.g. Burt and Sparks (2002); Da Silva and Alwi (2007); Martenson (2007); Rindell et al. (2010); Swoboda et al. (2013), and provide empirical evidence to support that the store-related node in consumer cognitive schemata is frequently activated through past and current shopping experiences (Fiske & Pavelchak, 1986; Krishnan, 1996; Swoboda et al., 2013). Our study confirms that in consumer's everyday shopping life, the image-in-use is more about store attributes than the retail corporation as a whole, i.e. it is the local or piece meal processing not the global or category-based global processing that is in operation in consumer department store shopping decision making (Förster, 2012; Goodstein, 1993; Hadjimarcou & Hu, 1999; Sujan, 1985).

Second, our empirical results show that retailers of foreign origin have a more positive corporate brand image than their domestic counterparts, but there is no significant difference

between foreign and domestic retailers' store image performance, and nor is there significant differences between foreign and domestic retailers in the relationships of corporate brand image and store image on patronage intention. This finding is significant as it extends the literature on comparing firm's performance based on foreign versus domestic ownership, by revealing that in addition to productivity and efficiency, corporate brands of foreign origin outperform their local counterparts in building a positive corporate brand image, and in the absence of country of origin stereotype effect. The difference can be attributed to the foreign brands' firm-specific advantages and the advantages of being multinational (Bellak, 2004). However, at store level, the store image distinction between brands of foreign versus domestic origins becomes blurred, indicating that piece-meal processing is at work, as neither of the two category nodes of corporate brand origin and corporate brand image seem to have been activated to generate an impact on store image (Fiske & Pavelchak, 1986; Krishnan, 1996).

Furthermore, this study reveals the insignificant moderation effect of corporate brand origin, which can be explained by: (a) the evidence that consumers do not know or are confused about the retailers' brand origin (Samiee & Leonidou, 2011); (b) the lack of accurate corporate brand origin cue, because domestic retailers attempt to market themselves as foreign retailers, while foreign retailers use adaptation marketing strategies to be perceived as local (Zhuang et al., 2008); (c) the peculiarity of retailer corporate brands: unlike physical products, most retailing services do not have a 'Made in-' or 'Originated from' country label attached to them; and the major retailing attributes are almost the same for both foreign and local retailers, e.g. their locations where the retail services are delivered are local, the people who deliver the retail services are local, and their merchandise mix may include the same manufacturers' brands. All of these factors reduce the salience and usefulness of retailer

corporate origin as an extrinsic cue for retailing quality evaluation and decision making (Samiee & Leonidou, 2011).

Managerial implications

The findings of this study have implications for retailer corporate branding management in general, and for both international and domestic retailers operating in an emerging market such as China in particular. First, corporate branding of retailers need to consider the differences and interconnections between consumer perceptions of corporate brand image and store image, because as this study reveals, the two images involve different managerial foci, and have differential impacts on consumer patronage behaviour, nevertheless the two constructs are closely, positively interrelated. Specifically, for the development of a positive corporate brand, managers will need to consider a clear corporate identity, engagement with CSR and corporate communications activities with all stakeholder groups. A positive corporate brand image will help build a favourable store image in the minds of consumers, due to the halo effects. Providing excellent retailing services such as product assortment, pricing, convenience helps build a strong store image, which not only directly lead to increased sales, but also to a more positive corporate brand image. Therefore, retailing managers should take both images into consideration in the corporate branding efforts.

Second, foreign retailers operating, or planning to operate in China can benefit from the fact that Chinese consumers in general still perceive a favourable image towards foreign brands. It is recommended that foreign retailers to retain and showcase their international associations, and to avoid over-localisation. But being perceived as a foreign retailer alone will not provide a competitive advantage. Foreign retailers should consider exploiting the opportunities in the emerging markets by exploiting their multinational network to expand sourcing channels; adopting innovative store format; stocking wider selection of lifestyle or

image conscious products; and adopting more advanced technology, i.e. exploiting both the firm-specific advantages and multi-nationality advantages to build a stronger image at store attribute level. Foreign retailers will now need to reassess their customers' changing requirements. The corporate brand image and store image measurement scales used in this study can be a very useful benchmarking tool for foreign retailers to find areas for improvement, because Chinese domestic retailers are quick learners, they are particularly good at imitating and emulating foreign retailer's strategies at an incredibly short time length.

Third, for Chinese domestic retailers, the results of this study is encouraging, as they actually perform as well as if not better than their foreign rivals after years of struggling for survival given the enormous competition generated from foreign retailers' vast expansion in the Chinese market. The empirical results in this study suggest that strategies of domestic retailers to emulate their counterparts certainly have paid off. For the time being, the negative country of origin stereotype will probably remain for a while. Domestic department store will need to continue creating an image of being international, rather than domestic. Partnership with strong international product brands is proved to be a good strategy in expanding product range and assortment, which is important to generate store's international image.

Limitations and further research

There are several limitations of this study, which lead to further research opportunities. First, we make one of the first attempts to advance corporate branding research in the retailing sector by clarifying interrelationships and differences between corporate brand image and store image, future research could investigate the interactions between image building activities at the two different levels. Second, we rely on cognitive theories in explaining the phenomenon, while further studies could consider additional social psychological theories to provide richer insights. Finally, the study was conducted in Beijing, a developed city of

China. Thus the results may not be generalized to the whole population in the country or the rest of the world. Further research could investigate consumer perceptions of corporate brand image versus store image in different cities using a larger sample size.

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Table 1. Sample profile

	Count	%
Age		
18-25	13	3.8
26-35	85	25.1
36-45	142	42.0
46-55	70	20.7
56 and above	28	8.3
Gender		
Male	94	27.8
Female	244	72.2
Education		
Below degree level	79	23.4
Bachelor's degree	195	57.7
Masters and above	64	18.9
Income (CNY)		
50K and below	67	19.8
51K-10K	118	34.9
11K-15K	100	29.6
16K-20K	22	6.5
21K-25K	15	4.4
26K and above	16	4.7

Table 2. Scale items and convergent validity

Constructs/Items		VIF	Weight	Loading
Store image				
SI1	Availability of big brands	1.95	0.02	0.62**
SI2	Atmosphere	2.56	-0.26	0.56**
SI3	Pricing	1.30	0.05	0.50**
SI4	Location	1.44	0.23	0.54**
SI5	Customer service	2.14	-0.19	0.51**
SI6	In-store facilities	1.84	0.17	0.66**
SI7	Variety of products	2.20	0.22	0.76**
SI8	Merchandise quality	2.08	0.47	0.83**
SI9	Staff friendliness	2.25	0.51	0.81**
Corporate brand image		CR= 0.85, AVE=0.58		
CB1	It is a socially responsible retailer.			0.78**
CB2	It is a reputable retailer.			0.78**
CB3	This retailer is customer-orientated.			0.73**
CB4	This retailer is fashionable.			0.75**
Patronage intention		CR= 0.92, AVE= 0.85		
PI1	I would visit this department store.			0.94**
PI2	I would consider shopping at this department store.			0.90**

Notes: **$p < .01$; VIF = variance inflation factor, CR = composite reliability, AVE = Average variance extracted.

Table 3. Latent variable correlations and square roots of AVE

	CB	SI	PI
CB	**0.76**		
SI	0.25**	**NA**	
PI	0.35**	0.52**	**0.92**

Notes: **p<.01; Boldface numbers on the diagonal are the square root of the average variance extracted. AVE = Average variance extracted, PI=patronage intention, CB=corporate brand image, SI=store image

Table 4. Structural model

	PI		SI
	Direct effect	Total effect	
CB	0.21**	0.33**	0.25**
SI	0.48**	0.53**	
Origin	-0.03		
CB x Origin	0.11		
SI x Origin	-0.13**		
Age	-0.07**		
Gender	-0.12**		
Education	0.08**		
Income	0.21**		
R^2	0.43		

Notes: **$p<.01$; PI=patronage intention, CB=corporate brand image,
SI=store image, Origin=corporate brand origin, (0=domestic, 1=foreign),
Control variables: age, gender (0=female, 1=male), education and income.

Table 5. Comparison of corporate brand image and store image by corporate brand origin

	Items	Corporate brand origin		
		Foreign (n=139)	Domestic (n=199)	*p*
	Corporate brand image			
CB1	It is a socially responsible retailer.	4.87	4.68	.320
CB2	It is a reputable retailer.	4.75	4.34	.042
CB3	This retailer is customer-orientated.	5.03	4.33	.000
CB4	This retailer is fashionable.	5.19	4.47	.000
CB	Overall (average)	4.96	4.45	.001
	Store image			
SI1	availability of big brands	7.80	7.51	.187
SI2	atmosphere;	7.70	7.62	.732
SI3	Pricing	6.94	7.28	.165
SI4	Location	7.71	8.01	.186
SI5	customer service	7.21	7.73	.027
SI6	in-store facilities	7.50	7.05	.045
SI7	variety of products	7.40	7.40	.977
SI8	merchandise quality	7.76	7.89	.510
SI9	staff friendliness	7.02	7.35	.162
SI	Overall (average)	7.45	7.54	.575

Table 6. Summary of hypothesis test

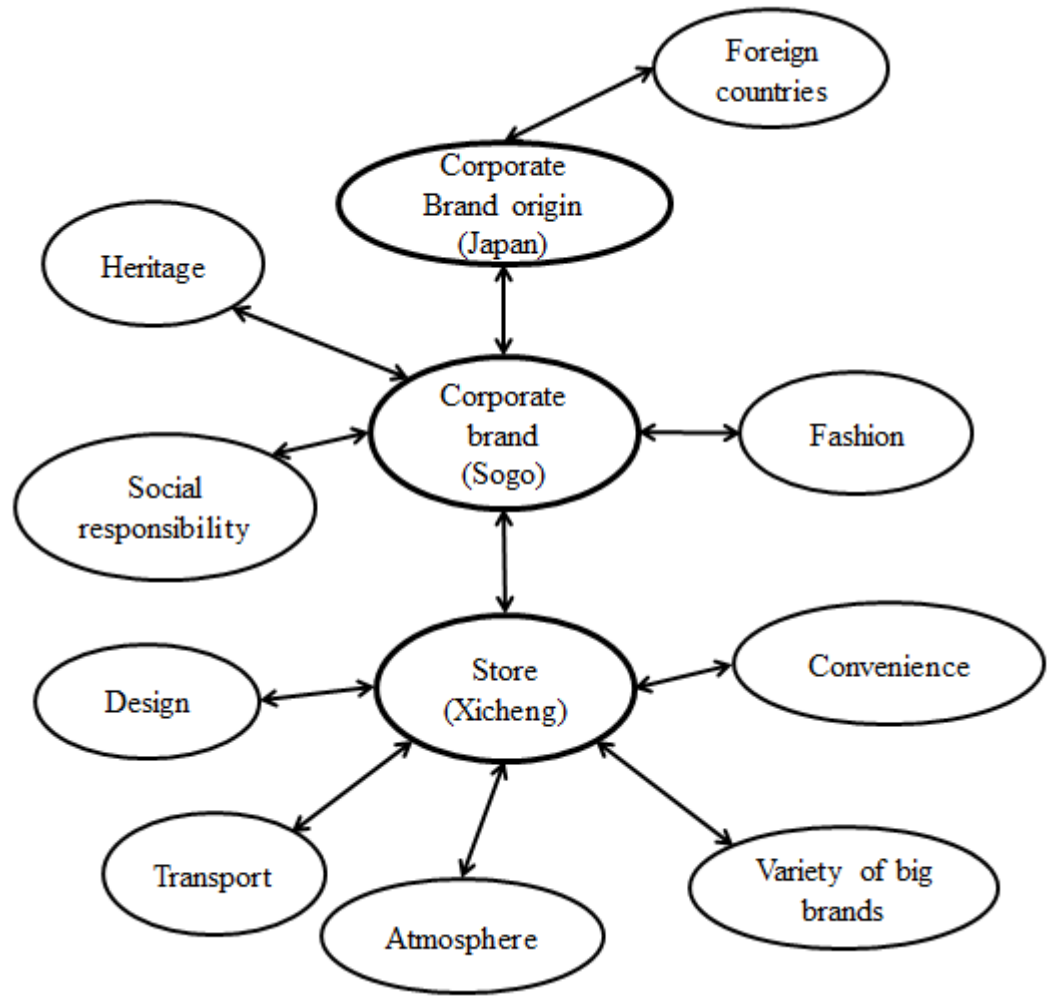|	Hypotheses	Results
H1	Corporate brand image has a positive effect on patronage intention	Supported
H2	Store image has a positive effect on patronage intention	Supported
H3	Retailer corporate brand image and store image are positively correlated.	Supported
H4	Store image has a stronger effect on patronage intention than corporate brand image.	Supported
H5a	Brands of foreign origin have more positive corporate brand image than that of domestic origin.	Supported
H5b	The relationship between corporate brand image and patronage intention is stronger for brands of foreign origin than for domestic brands.	Rejected
H6a	Brands of foreign origin have more positive store image than that of domestic origin	Rejected
H6b	The relationship between store image and patronage intention is stronger for brands of foreign origin than for domestic brands.	Rejected

Figure 1. Cognitive associative network and categorisation

Figure 2. Conceptual model