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THE LOWER THE PRICE, THE WORSE THE IMAGE?

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LIST OF FIGURES

pages

LIST OF TABLES

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ABSTRACT

The purpose of this thesis is to investigate the dynamics of price image formation and consumers' image perceptions in the context of grocery retail. The study seeks to find out the key drivers of price image formation. In addition, the concepts of store image and store personality are explored. Furthermore, the empirical research of this thesis will focus on the Finnish retail grocery stores Prisma and Lidl.

The empirical research was conducted by using quantitative research and the sample of 201 responses was collected with a survey questionnaire. The research hypotheses were created based on the theoretical findings and tested by using several statistical analysis methods with SPSS software.

The empirical research showed that there is a significant difference in the price image of Prisma and Lidl. Furthermore, the study found that Lidl has lower price image, however, Prisma is perceived more positively on store image and store personality. The study strengthened some of the earlier findings about the relationship between nonprice drivers and price image. The results showed a link between Prisma's price image and physical attributes. In addition, between Lidl's price image and store assortment. Finally, the study demonstrated that price image and store attributes have an impact on consumer satisfaction and store patronage intention.

KEYWORDS: Grocery retail, Price image, Store personality, Store image

1. INTRODUCTION

Marketing literature has been keen on the concept of a retailer's price image and its influence on consumers' beliefs and behaviour. Scholars have noted that major retail chains have lowered their price level yet the store price image has maintained the same. (Hamilton & Chernev 2013.) Furthermore, when Finnish consumers attitudes on food prices were investigated consumers were not able to remember the prices, however, they did select the grocery store based on the store price image (Ollila 2011:222). By identifying the drivers of price image it is possible to explore how retailers can build a low price image, even when the actual price level is high, vice versa, gain a high price image when the price level is relatively low. Furthermore, this thesis intends to contribute on the lacking understanding of price image formation in the context of retail grocery.

As a research field the Finnish grocery market is fascinating as it has an exceptional oligopoly market form. The beginning of the 21st century has been the time of change for Finnish grocery market. In 2002 the first foreign grocery retailer, a German grocery chain Lidl, entered the market and at that time there was no hard discounters among the Finnish grocery retailers. Before Lidl's entry it was acknowledged among managers and scholars, that price was not the main criteria for Finnish consumers when they choose where to shop groceries. (Rökman and Uusitalo 2007.) Nonetheless, now when Lidl has established its position in the market and expanded its network across Finland, scholars have suggested that Finnish consumers have changed more to price orientated shopping (Rökman and Uusitalo 2007).

While Lidl is still expanding its network the two players S-Group and K-Group are remaining to dominate the market. Furthermore, in 2005 the market leader position was established by S-Group by overtaking K-Group for the first time in the history. The past few years S-Group has also shaken the industry by lowering the prices with its initiative called "Halpuuttaminen". According to S-group the initiative is a long-term strategic choice to cut down the prices permanently in specific products. (S-Group 2017.) In 2016 after one year of launching the "Halpuutus" -campaign the market share of S-Group has increased 1,3 % (PTY 2016). Furthermore, the marketing and advertising magazine M&M (2016) has awarded the campaign as a marketing act of the year in 2016. The magazine argues that

the announcement has surprised Finnish people who are more accustomed to price increases, in addition, the campaign has forced the competitors to respond. (M&M 2016.) In 2017 S-Group announced that they will direct 45 million euros to ensure that the Halpuutus -campaign continues which means that the total sum used on the initiative increases to 150 million euros. (Patarumpu 2017.)

By all appearances, it is not surprising that the grocery market has been recently centre of discussion in the Finnish media. Especially, the price of food has been controversial issue in Finland. The notion that the price level of groceries is relatively high in Finland as compared to other EU countries has gained media attention during the past few years (IS 2015; MTV 2015; IL 2016; Tilastokeskus 2016). However, now S-Group's initiative to lower the prices has been widely discussed, especially the discussion has been vivid between the food industry and the farmers (Patarumpu 2016: Maaseudun tulevaisuus 2016). Nonetheless, it is possible that the discussion about food prices and S-Group's initiative to lower the prices may have an influence on consumers price sensitivity and price behaviour. Certainly, retailers are still remaining to use different pricing strategies and closely monitoring the changes in the price image. (Rökman and Uusitalo 2007.)

The grocery trade has a significant role in the economy and working society, moreover, it impacts on everyday life of consumers. The value of grocery sales were 16.7 billion euros in 2016 and approximately 62,000 worked in the grocery trade and foodservice wholesale in Finland. (PTY 2017.) Furthermore, according to Nielsen report, Finnish grocery trade is at its strongest since the beginning of the financial crisis in 2008 (Nielsen 2017; PTY 2017). All in all, these issues state the significance of the topic not only in academic world and business world but also in everyday life of consumers.

1.1. Research purpose and objectives

This section overviews the purpose and objectives of the thesis. Throughout the study the viewpoint is strictly either in Finnish grocery stores or retailing as the empirical research will focus on grocery retailers S-Group and Lidl. The research problem is framed as following:

Research purpose:

Investigating the dynamics of price image formation and consumers' image perceptions in the context of grocery retail.

The research purpose highlights the main objective: to investigate key drivers of price image formation. In addition, gain understanding about consumers' perceptions of grocery store attributes and investigate its impact on consumer satisfaction.

The core purpose of this thesis is to find a solution to the research question with three objectives, which are:

1) Create understanding of the determinants of grocery store choice.

2) Create understanding of retailers' price image formation.

3) Empirically investigate the link between image drivers and consumers' perceptions.

The first objective is to create understanding of the determinants of grocery store choice by investigating the store attributes. In addition, concepts like store image, store personality and store price image are introduced. By understanding the determinants of grocery store choice one will gain overall understanding on how consumers are experiencing grocery stores on a functional and psychological level.

The second objective is to create understanding of price image formation in retail context and this is executed by discovering the existing research literature. The aim is to identify the key drivers forming the price image and how price image impacts on consumers. The insights discovered in this chapter will be utilized in the empirical part of the thesis.

The third objective is to empirically explore the store attributes, also identified as 'image drivers', role in price image formation. The aim of the empirical research is to create deeper understanding of the dynamics of price image and image drivers in the context of Finnish grocery retailing. The empirical research helps to answer the research question more

comprehensively, additionally, the managerial implications will be offered based on the empirical and theoretical findings.

The empirical part of the thesis is executed by using quantitative research approach. The data is collected by using survey questionnaire and the data is analyzed by using several statistical analysis methods and by utilizing the SPSS software. The survey questionnaire is conducted based on the insights discovered in the theoretical part of the thesis. The empirical research focuses on investigating S-Group's grocery store Prisma and its competitor Lidl.

1.2. Research structure and framing

This section describes the structure and framing of the thesis in order to clarify the purpose of different chapters. The structure of the thesis follows the three objectives presented in the previous subsection. Each chapter attempts to create new understanding in order to answer the research question comprehensively.

The thesis is divided into 6 different chapters as follows: The present chapter is the introduction chapter of the thesis presenting the subject, purpose and objectives of the thesis. In addition, it presents the research method, structure and framing of the thesis. Last part of the chapter introduces the research context by presenting a brief overview of the Finnish grocery market. Chapter 2 and 3 intends to familiarize the reader with review of the results of existing research in grocery retailing and price image formation. Chapter 2 creates an overall understanding of the determinants of grocery store choice. Chapter 3 covers the major theories of the price image formation in the retail context. In addition, the theory chapters presents the research hypotheses that will be tested in the empirical part of the thesis. Chapter 4 presents the methodology of the study, in addition, the data collection and data analysis methods are presented. Chapter 5 presents the results of the empirical research. Chapter 6 is the final chapter that overviews the findings and presents the final conclusions and the managerial implications. Lastly the limitations of the study and future avenues are introduced.

1.3. Overview of the Finnish retail grocery market

This section overviews the Finnish grocery market in order to understand the basis of the research field of this thesis. The section starts by presenting the grocery market development in Nordic countries which partly explains the market structure formed also in Finland. In addition, the biggest grocery retailers operating in the market will be briefly introduced, in addition, the competition situation in the market will be discussed.

According to Nordic Food Market -report conducted by Nordic Competition Authorities, the development of food and grocery market has been similar in all Nordic countries. The past few decades the grocery store sector has expanded and centralized. The expansion has been both vertical and horizontal, but especially in Finland the store space of the grocery stores has expanded the most. Thus, there are nowadays various grocery stores in larger sizes, additionally, the stores are also part of big chains or groups. (Nordic Competition Authorities 2005.)

As generally in Nordic, also in Finland the large grocery chains are dominating the market and procurement and logistics is centralized, which is common if the country is broad and sparsely inhabited. Traditionally Finnish grocery market has been concentrated and closed while competition has stayed fairly stable. The industry was shaken after Finland joined European Union in 1995 and the regulatory system underwent a change. The entry of the new foreign discount retailer, Lidl, has created new competition in the market, which naturally results that retailers have a greater need to attract consumers who are now having more options to choose where to shop groceries.

Because of the expansion of the grocery market Finnish consumers have nowadays wide range of grocery stores in a decent distance. However, because of the centralization consumers mainly use the stores that are owned by the major retail chains that are operating in the market. In addition, as the grocery retailers are buying products from the same group of suppliers, consumers are dependent on the specific product range that the major chains decide to offer. On the other hand, the centralization is also enabling the Finnish grocery trade to function cost-effectively and the effectiveness enables it to maintain the low prices, large selection and the quality of the service (PTY 2016). Over the past decades the structure of grocery stores has overwent a change as the number of medium size market-

stores has decreased from nearly 10,000 stores to 3 000 stores. The large stores are remaining to stay significant and also the selection of the stores have tripled over the past decades. Even though the large stores are able to operate more cost-effectively than the small stores these stores have a significant role in providing the services and maintaining the habitability in the entire country. (PTY 2017.)

One could argue that the Finnish grocery market structure is similar to oligopoly market form since the combined market share of the two largest players is 83,4%. The three main actors operating in the Finnish grocery market are S-Group, K-Group and Lidl that will be briefly overviewed next. Because the rest of the market are private companies with combined share of 5,8% and not playing a significant role when taking into account the whole market these companies are excluded from this overview. (PTY 2017.)

The market leader is S-Group (SOK Food Trade) with 47,2% market share. S-Group is formed by nation-wide chains covering all parts of Finland with various store types such as hypermarkets (Prisma), supermarkets (S-market), convenience and neighbourhood stores (Alepa and Sale). The store formats usually appear alike and offer similar product assortment, yet the variation and size of the assortment depends on the store size. S-Group's value proposition is to provide its co-op members with competitive benefits and services in a cost-effective manner. Especially Prisma stores are aiming to offer cheap prices and one could argue that is a soft discounter as it offers fresh and broad selection including private and national brands. (Willems & Swinnen 2011; S-Group 2017.) S-Group offers products that are branded with the chain's private labels such as *Rainbow*, *Kotimaista* and *X-tra*. In addition, S-Group offers its customers a possibility to become a member of the cooperative. As a member customer will obtain a loyalty card called S-etukortti and gain bonus from each purchase. (S-Group 2017; PTY 2017.)

The second largest player is K-Group (Kesko Food Trade) with 36,2% market share. Anyhow the actual market share will be 1,5% higher since K-Group has completed the acquisition of Suomen Lähikauppa Oy. K-Group employs chain business model and it has hypermarkets (K-Citymarket), supermarkets (K-Supermarket) and convenience stores (K-Market) managed by independent K-retailers. Kesko's value proposition is to provide inspiring grocery shopping to its customer. In addition, it differentiates from the competitors by emphasizing quality and bringing value to customers. Therefore, one could

argue that Kesko is a 'value retailer' as they focus on giving benefits (like service, nice atmosphere, broad assortment) to the customers more than reducing costs of a customer (Willems & Swinnen 2011). Like S-Group, also K-Group has private labels called *Pirkka, Kespro* and *K-Menu*. In addition, K-Group customers can be part of loyalty programme called Plussa and with the Plussa-card customers can benefit from special offers. (Kesko Vuosiraportti 2016; PTY 2017.)

The third largest player is Lidl, with a 9,3 % market share. Lidl is German grocery chain that operates as an independent subsidiary (PTY 2017). Lidl entered the market in 2002 and it was the first foreign grocery retailer and a hard discounter in the Finnish market. Hard discounters offer limited selection focusing on store's private labels, in addition, the stores are usually lacking service and have simple in-store fixture (Willems & Swinnen 2011). Since its arrival Lidl has expanded its grocery store network across Finland covering also the small towns. Like S-Group and K-Group also Lidl's assortment includes several private labels especially in non-food and packaged products like *Milbona* in dairy products. However, Lidl is not offering similar loyalty programmes as S-Group and K-Group. (Lidl Suomi 2017: Uusitalo & Rökman 2007.)

Before Lidl's entry it was acknowledged among managers and scholars, that price was not the main criteria for Finnish consumers when choosing where to shop groceries (Rökman and Uusitalo 2007). According to previous Nielsen study (2003) the first criteria was convenient location, second was price-quality relationship, whereas, the price itself came in sixth place. Nonetheless, now when Lidl has established its position in the market and expanded its network across Finland, scholars have suggested that Finnish consumers are changing more to price orientated shopping (Rökman and Uusitalo 2007).

To draw a conclusion, the Finnish grocery trade has an exceptional oligopoly market form and one should also acknowledge this when observing the empirical research and the results of the present thesis. The only foreign grocery retailer Lidl has successfully established its position while the two players, S-Group and K-Group, are still dominating the market. However, there has been a vivid discussion that the e-commerce giant Amazon is entering the Nordic market and how this will impact on the grocery trade. The Amazon's acquisition of Whole Foods was announced in 2017, which verified that Amazon is more and more aiming at the grocery industry and also at a large scale of brick-and-mortar stores.

In addition, Amazon has partnered with French grocery retailer Monoprix to deliver groceries via its Prime Now service, which delivers products within a day when a consumer pays the monthly fee of the membership. (Business Insider Nordic 2017.)
In addtion, the rumour of Amazon's establishing itself in Nordics has been noted in Finnish media (HS 2018; Yle 2018; IS 2018). Aalto University's professor Lasse Mitronen has argued that Amazon's entry would have a significant impact on Finnish grocery market because of their fast and cheap online and delivery service. He also argued that competitive players at the market will remain strong, therefore, consumers would benefit from the rising competition. (IS 2018.) All in all, the fairly stable Finnish grocery market may have new changes ahead when consumers are more and more adjusted on buying groceries online.

Furthermore, professor Mr. Mitronen argued Amazon's competitive advantage would be the cheap delivery and the convenience of grocery shopping. This could be interpreted that for Finnish grocery retailers it comes crucial to remain the existing customer loyalty and be more and more customer-focused on each level of the business. How to exceed consumer satisfaction but also remain cost-effective and keep the consumers' perception of having low price level? In the academic world Finnish consumers attitudes toward food prices has been studied (Ollila 2011), in addition, Finnish grocery retailers price level (Uotila 2012), therefore, it will be interesting to further explore the subject by investigating the grocery retailer's price image and how it is formed by consumers.

2. DETERMINANTS OF GROCERY STORE CHOICE

This chapter answers to the first objective of the thesis by creating understanding of the matters that has influence on consumers choice of a grocery store. Due to the research context the focus will be on the academic researches about Finnish grocery market and Finnish consumers. Alternatively, studies concerning Swedish consumers have been investigated in order to gain more understanding of the subject matter. However, one needs to use consideration before generalizing the findings on Finnish market as it has been found that regarding on consumers' habits on grocery store choice Nordic consumers do not necessarily represent homogenous group. Nonetheless, grocery shopping habits between the Swedes and the Finns can be seen fairly similar as Nordic consumer hold similar demographic characteristics and living condition. (Nordic Competition Authorities 2005.)

2.1. Grocery store shopping

Marketing researchers have constantly been intrigued by the question of what draws consumers to shop in a specific store (Doyle and Fenwick 1974; Von Freymann 2002; Nilsson, Gärling, Marell and Nordvall 2015a). While consumers are making the decision where and when to shop items, retailers need to decide which consumers it wants to invest the most, for instance, either in loyal customers or possible new customers (Leszczyc, Sinha, Timmermans 2000). Should retailers rather invest in loyalty programmes in order to keep the consumers engaged, or alternatively, use attractive discounts in order to induce new customers? Anyhow, consumers loyalty can be hard to measure as scholars have found that Finnish consumers usually have multiple cards, which challenges a retailer's effort to keep its customers loyal (Koistinen and Järvinen 2009). In addition, if retailers are using discounts to induce consumer it may result that consumers fall into cherry-picking behaviour meaning that they are chasing the items in various stores in order to maximize their value as found by Fox and Hoch (2005).

Scholars are arguing that choice of store is also moderated by the shopping type: either consumer are doing major shopping or fill-in shopping (Kahn and Schmeittein 1989; Leszczyc et al. 2000; Nilsson et al. 2015a.). *Major shopping* means that consumer aims to

buy large number of items and consequently they will spend more money (Walters and Jamil 2003). According to Nilsson et al. (2015a) consumers do major shopping less frequently, in addition, the shopping event takes longer time and consumers are more responsive for doing impulse purchases. Whereas, in *fill-in shopping* consumer aims to buy just a few items. Conventionally, scholars have been under belief that consumers do major shopping mainly in big stores like supermarkets and fill-in shopping in small local stores like convenience stores (Leszczyc et al. 2000). However, when Nilsson et al. (2015a) investigated Swedish grocery consumers their findings were controversial since many consumers were found to do major shopping also in convenience stores and fill-in shopping in supermarkets.

In prior studies, consumers' store choice is often viewed as being determined by store attributes and store characteristics that are attracting consumers. Furthermore, it seems that some grocery store attributes have stronger influence on consumers' grocery store choice than others. (Nilsson et al. 2015a.) Already in 1958 a researcher Pierre Martineau argued that consumers use store's functional and psychological attributes to define stores. In the article Martineau suggests that "the store is defined in the shopper's mind, partly by its functional qualities and partly by an aura of psychological attributes", however, here the scholar describes the concept of store personality.

In later studies, scholars have argued that by observing store's *functional attributes* consumers form **store image**, whereas, the *psychological attributes* of a store are seen as defining **store personality** (d'Astous and Lévesque 2003). In addition, also the concept of **store price image** has been introduced (Buyukkurt 1986; Desai and Talukdar 2003; Hamilton and Chernev 2013) which will be presented in more detail in the end of this chapter and investigated more in next chapter. In order to create understanding about consumer grocery store choice this chapter will first discuss about store image, followed by the discussion about store personality and finally presenting the concept of store price image. The following figure presents the framework of this theory chapter:

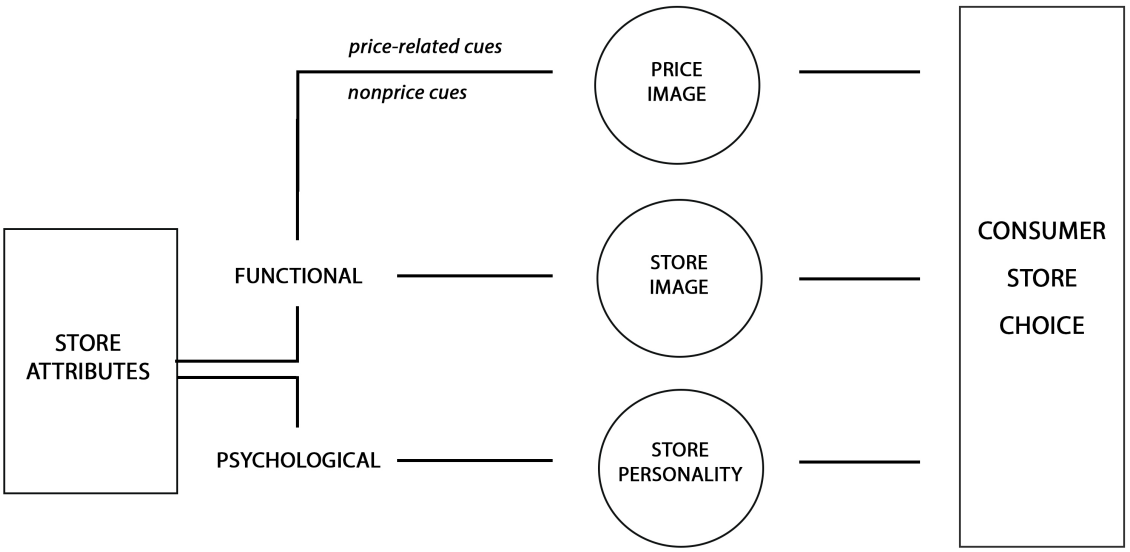

Figure 1. Chapter framework: determinants of store choice.

The figure illustrates how the store attributes are either functional forming the store image or psychological forming the store personality (d'Astous and Lévesque 2003). The store image attributes forming the store image are *location, service, layout* and *assortment*, these are presented in the study by Hultman, Johansson, Wispeler and Wolf (2017). The store attributes forming the store personality are *enthusiasm, sophistication, genuineness, solidity* and *unpleasantness* presented by d'Astous and Lévesque (2003). The attributes forming the store price image are presented as *price cues* and *nonprice cues* by Hamilton and Chernev (2013). The influence of store image, personality and price image on consumers' store choice will be discussed in the following sections by analyzing the findings from the previous research.

2.2. The influence of store image on consumers' store choice

A study conducted by Swedish researchers Hultman et al. (2017) investigates store image by focusing on store's functional attributes such as *store location, store services, store layout* and *store range*. These store image attributes are discussed in the present chapter in order to cover the store image concept, additionally, to see how these attributes are contributing on consumers' store choice. Furthermore, it is important to understand the

store image concept because Finnish consumers seem to be categorizing stores based on the stores' functional criterias, as found by Uusitalo (2001). By understanding the store image concept, grocery retailers can use the knowledge to differentiate from the competitors but also to establish an optimal market position (Uusitalo 2001: 215). Firstly, the store attribute "location" will be discussed following by the discussion of the other three attributes: "store services", "store layout" and "store range".

2.2.1. Perception of location

Store **location** is crucial attribute contributing on the store image formation since store location needs to engage the target customers in a certain demographic area and fit to their lifestyle. Furthermore, store location e.g. closeness to home has found to be one of the key determinants when consumers choose a grocery store (Forsberg 1998; Nilsson et al. 2015b; Koistinen and Järvinen 2009). Moreover, location is one of the factors that is easy way to differentiate the store from the competitors as the exact location can not be replicated. (Hultman et. al 2017.)

When Uusitalo (2001) interviewed Finnish consumers about grocery shopping they highlight the importance of store location and the accessibility by car is seen especially as a strength of big stores (Uusitalo 2001). However, it is also a weakness of the store if it is only accessible by car, as found by Koistinen and Järvinen (2009). In addtion, according to the research by Pitkäaho and Uusitalo (2005) the closeness of home is the most crucial criteria when consumers choose a grocery store. For Swedish consumers the accessibility by car is suggested to be the most important attribute when choosing a grocery store, particularly, when consumers are doing major-shopping rather than fill-in shopping (Nilsson et al. 2015a).

All in all, it can be argued, that the store location can offer a great asset but managers needs to acknowledge how their consumers perceive the convenience of the location. Accessibility by car is crucial especially when consumers are doing major shopping and going to a large store. On the other hand sometimes it is expected to be on the way home or work and in reasonable travel distance (Nilsson et al. 2015b; Koistinen and Järvinen 2009). Nilsson et al. (2015b) has concluded that nowadays consumers seem to demand that grocery store is found easily and whenever the consumer wants. Consumers are more

demanding and this can also lead to growth of e-commerce and home deliveries, even though regarding of the grocery shopping consumers may still be prefer traditional brick-and-mortars due to the high prices of delivering, as argued by Koistinen and Järvinen (2009). However, one could argue that the entry of Amazon might change this setting as the increasing competition would force the retailers to drop the prices of delivering groceries.

2.2.2. Perception of service

Store **service** is also crucial store attribute when a retailer wants to form a positive store image (Hultman et al. 2017). In addition, it has been found that service is also influencing on consumer's store choice (Nilsson et al. 2015b). For instance, when Koistinen and Järvinen (2009) investigated consumer perceptions of different grocery channels, they found that Finnish consumers expect certain type of service depending on the store type and either see this as a strength or weakness of the store.

In convenience stores and neighbourhood stores, Finnish consumers expect to have personal service (Uusitalo 2001; Koistinen and Jarvinen 2009). Koistinen and Jarvinen (2009) has found that store's personal service is also a major strength of in supermarkets, however, in hypermarkets the lack of personal service is widely approved. From this one could draw a conclusion that consumers are expecting better and more personal service when the store type is convenience/neighbourhood store or supermarket, whereas, in hypermarkets it is seen reasonable that the level of service is not as high. Nonetheless, according to Koistinen and Järvinen (2009), many would prefer to have more salespersons available also in the big stores.

Besides the availability and friendliness of the salespersons, service can be perceived good, also when the store has additional services such as chemist's and product tastings. These are appreciated especially in hypermarkets (Koistinen and Järvinen 2009). In addition, consumers are appreciating the long opening hours of grocery stores. The store service is claimed to be weak when there is not enough salespersons available, additionally, if there is long queuing time, lack of bottle recycling system or lack of an armchair service. (Koistinen and Järvinen 2009.)

To draw a conclusion store service can influence on consumer grocery store choice and it

certainly seems to be important attribute of consumer satisfaction, as also found by Hunneman, Verhoef and Sloot (2015). Nonetheless, Finnish consumers expect different service depending on store type (Koistinen and Järvinen 2009). Also, consumers socio-demographic background may influence. For instance, in the Swedish study by Nilsson et al. (2015b) women more than men, additionally, older people rather than younger regarded the service as important attribute of store choice.

2.2.3. Perception of assortment

Store **assortment** is important attributes forming a store image presented by Hultman et al. (2017). When customers are pleased about the availability, variety and quality of the assortment they most likely generate positive associations towards a store as well. Thus, it can be concluded that assortment influences to the formation of store image. (Hultman et al. 2017). Moreover, quality perceptions of the assortment are significant for consumer satisfaction and sales performance of a retail, as the empirical research by Gómez, McLaughlin and Wittink (2004) has found. In Finland the wide assortment and quality of products (here meaning the long expiration date) are seen as a strength of hypermarkets. In addition, in supermarkets the wide selection and also the availability of special and local products are attracting Finnish consumers. Furthermore, consumers who shop in market halls perceive the fresh products as a major strength, especially in meat, fish, vegetables and bread. (Koistinen and Järvinen 2009.)

Availability of specific products such as organic products, unique products and private label products, can play an important role when consumers are choosing where to shop. In addition, consumers can be attracted to exceptional quality-price ratio of one or several products. (Koistinen and Järvinen 2009.) Koistinen and Järvinen (2009) has found that Lidl's specific product lines such as drinks, nuts, fruits, cleaning agents and nappies attract consumers. However, the same study revealed that the weakness of Lidl is its limited selection in overall. Thus, the findings suggest that consumer might use Lidl to buy specific items, however, they might not have Lidl as their primary grocery store.

2.2.4. Perception of store's physical attributes and store layout

Physical attributes and **store layout** are the final store attributes in forming a store image

(Hultman et al. 2017; Dastous and Levesque 2003). The study by Nilsson et al. (2015b) found that, besides the accessibility and availability attributes, Swedish consumers highly appreciate the store's physical attributes like *cleanliness*, *good lighting*, *space between the shelves* and *easiness to find products in the store*, are the most important attributes of store choice. The same research also found that consumers socio-demographic background may also have influence. The study revealed that especially women over men find these physical attributes to be important on store choice (Nilsson et al. 2015b.) In addition, the cleanliness has been found to be important especially for older consumers (Myers and Lumbers 2008; Nilsson et al. 2015b). Also the store size matters and some consumers perceive small stores attractive because it helps them to meet and interact with people, while, some have perceived them unattractive because it is hard to move around with a trolley. (Koistinen and Järvinen 2009.)

Furthermore, Finnish consumers define stores either small or big which influences on the perception of store layout's convenience. For instance, small stores are appreciated since consumers are able to get to know the store, quickly resulting that it will be also easier to predict the price level (Uusitalo 2001) and where the products are placed (Uusitalo 2001; Koistinen and Järvinen 2009). In big stores, like hypermarkets, the spacious environment is appreciated, however, it is found to be a weakness of a store if it is too large and shopping takes too much time and effort (Koistinen and Järvinen 2009; Uusitalo 2001). Yet, retailer's stores can be perceived more positively since the layout of the stores are in line with each other and as a result, it will be easier to navigate in the store and learn the product placement, as found by Koistinen and Järvinen (2009). All in all, from these findings one could draw a conclusion that consumers are satisfied about the store layout when it enables the shopping to be fast, effortless and predictable.

2.3. The influence of store personality on consumers' store choice

The notion that consumers associate human characteristics with brands was firstly introduced by Aaker (1997) who has done the pioneering research about brand personalities. Also more recent studies conducted by d'Astous and Lévesque (2003) suggested that besides measuring the store image where the focus is on a store's functional aspects, managers should also focus on store's psychological aspects and measure store's

personality. Furthermore, the researchers suggest that store-personality scale should be used along with store-image measures and not as a replacement. In the following subsections the dimensions of store personality are introduced. In addition, the aim is to explore the prior research around the subject matter and in the context of Finnish grocery retailers.

2.3.1. The dimensions of store personality

According to d'Astous and Lévesque (2003), the store personality helps managers to understand how customers perceive the store on a psychological level. Furthermore, it has been found that store personality has an impact on consumer store choice behaviour (Gopal Das 2014). In addition, scholars have found evidence that consumer satisfaction and loyalty are important consequences of store personality (Lombart and Louis 2012). All in all, these findings argue that store personality is an important concept and it could be used as a way to understand consumer buying behaviour as also argued by d'Astous and Lévesque (2003).

d'Astous and Lévesque (2003) has introduced the following five store personality dimensions: The first dimension is **enthusiasm** that refers to store characteristics as *dynamic, enthusiastic, lively and welcoming*. The second is **sophistication** dimension referring to store characteristics *chic, elegant, high class and stylish*. The **genuineness** dimension refers to store characteristics as *honest, reliable, sincere and true*. Whereas, the **solidity** dimension refers to store characteristics as *hardy, reputable, solid and thriving*. The final dimension is **unpleasantness** that refers to store characteristics such as *annoying, irritating, loud and superficial*. The last dimension represents the negative aspects that consumers may associate to shopping environment and by this way the concept of store personality differs from Aaker's (1997) brand personality concept, which only concentrates on positive aspects of brands.

Scholars have found that store personality has a significant impact on customer loyalty especially when a store carries a high level of symbolic meaning (Willems & Swinnen 2011). As found by Uusitalo (2001) grocery stores mainly have utilitarian meaning for consumers rather than symbolic, therefore, one could argue that store personality may not be as significant for grocery stores. However, many researchers, also Finnish scholars Rintamäki, Kuusela and Mitronen (2007), have found that at least grocery stores are selected based on the social value (Willems & Swinnen 2011). Maybe grocery retailers

could also express a store personality and be selected based on the psychological value it brings to customers. Willems and Swinnen (2011) has argued that in general all retailers should express identity but it needs to be related to their customers needs and values.

2.3.2. Store personality in the context of Finnish grocery retailing

The Finnish grocery store's psychological aspects and store personality has not been studied as extensively as the functional aspects. Also grocery retailers are mainly focused on managing the functional attributes like price, quality and assortment (Uusitalo 2001), which may also reflect on the lacking academic research of store's psychological attributes. However, some attitudes that Finnish consumers seem to associate on grocery shopping can be distinguished from the existing studies. The existing research in the area of Finnish grocery retailing has been focused on subjects such as consumer's attitudes towards food prices (Ollila 2011), consumers' perceptions of grocery retail formats and brands (Uusitalo 2001). In addition, in the impacts of a hard discounter's entry on pricing in the Finnish grocery market (Uusitalo and Rökman 2007) and consumer observations on channel choices (Koistinen and Järvinen 2009) among others. Findings from these researches will be briefly discussed in the next sections in order to build the groundwork for the empirical part of the thesis, where a grocery store's personality dimensions will be tested.

According to Ollila's (2011) empirical research, Finnish consumers hold neutral attitudes towards grocery shopping. Finnish consumers describe grocery shopping as a necessary routine task, and do not seek pleasurement from it. Despite this notion, Finnish consumers have presented that convenient atmosphere, safeness and easiness are seen as a strength of hypermarkets' shopping environment, as found by Koistinen and Järvinen (2009). Furthermore, Uusitalo's (2001) study has found that consumers are appreciating familiarity, predictiveness and intimacy of small stores, additionally, because they get personal attention to their needs.

Thus, one could argue that, even though there is no clear demand for pleasurement and convenience (Ollila 2011), consumers appreciate if a grocery store has positive psychological attributes like familiarity or intimacy (Koistinen and Järvinen 2009). Therefore, grocery retailers could benefit and possibly differentiate from competitors by utilizing these attributes and generating pleasant grocery shopping experience. However,

for a hypermarket it can be more difficult to achieve intimacy and offer personal service than for a small store, however, since consumers are not expecting that from the big stores, as also argued by Koistinen and Järvinen (2009), it could work as a way to exceed consumers' expectations.

On contrary, consumers feel irritated about grocery shopping, especially, when they are forced to walk through various departments like clothes department before getting to the food department. (Koistinen and Järvinen 2009.) This could be presumed that even though a large size of assortment and selection is appreciated by some consumers it may irritate others since it is resulting that the layout is inconvenient and causing too much walking. Also store's big size can be seen positively or negatively, one consumer might see them convenient and child-friendly (Koistinen and Järvinen 2009), whereas, other consumer might associate unpleasantness and oppressiveness to hypermarkets due to the feeling, that consumers are implied to buy plenty and the shopping pattern is impersonal (Uusitalo 2001: 221).

All in all, Finnish consumers seem to associate different psychological attributes especially on different store formats. For example, in smaller stores like convenience stores consumers appreciate the familiarity, predictiveness, personal attention and intimacy. Whereas, stores like hypermarkets may also cause frustration if the store layout is not convenient. But besides store formats are there differences on how different grocery retailers are perceived by consumer on a psychological level? This will be tested in the empirical part of this thesis.

2.4. The influence of store price image on consumers' store choice

Before exploring the price image and it's impact on store choice the concept of price image is defined. In this thesis the price image is seen as *"The general belief about the overall level of prices that consumers associate with a particular retailer"* as defined by Hamilton and Chernev (2013:2). The definition has been built on prior research and it diverses from the conventional view where a retailer's price image is seen merely as a function of its average level of prices. Hamilton and Chernev (2013) have argued, that consumers are not simply observing actual prices but relying on their perceptions of a retailer's price-related

drivers (like price policies) also nonprice drivers (like store's physical attributes). Therefore, this research is not only focusing on price level but the *price image* impact on consumers' store choice.

Hamilton and Chernev (2013) have gathered the findings of the existing research and found that price image impacts on consumer beliefs and consumer behaviour through five different domains, which are *store choice*, *price evaluations, price fairness* and *choice deferral* and *purchase quantity*. These five domains and also findings from the other existing researches are briefly discussed in the following subsections. Besides understanding price image importance in grocery store choice the aim is to understand why the concept of price image is important before diving into the theory of the price image formation. The following figure presents the outcomes of price image which will be discussed next.

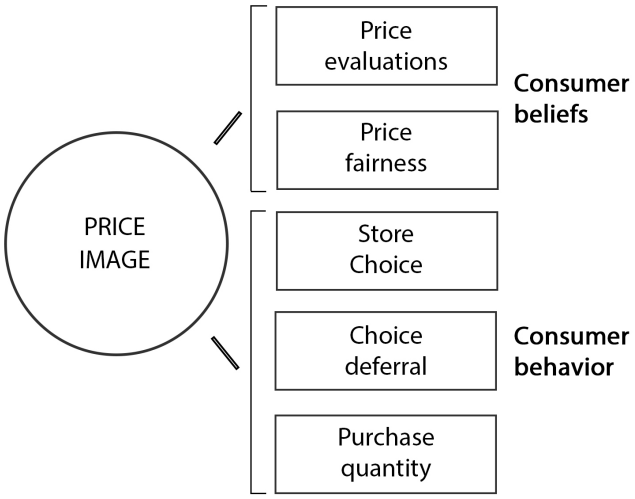

Figure 2. Price image outcomes (Hamilton and Chernev 2013).

2.4.1. The influence of price image on consumer behaviour

Kent B. Monroe is the pioneer of studying the price behaviour and the observation that price has an influence on consumers' buying behaviour is well established (Monroe 1973; Monroe & Lee 1999; Cox, Monroe & Xia 2004). According to Hamilton and Chernev

(2013) price image influences on consumer behaviour through *store choice, choice deferral* and *purchase quantity*. Scholars have found that price image has impact on consumers' **store choice** (Hamilton and Chernev 2013) but how crucial it is in the context of a grocery store? According to Uusitalo (2001) Finnish grocery stores have met customer's expectations and they do not have significant differences on their image or brand. Furthermore, Uusitalo (2001:224) has argued that Finnish grocery retailers are focused on building attractive price level and use it as "a major competitive weapon". It might be that as grocery retailers are focused on managing prices also Finnish consumers are choosing stores based on the store price image if they perceive that there are no significant differences between the retailers on other level.

Scholars have argued that especially in the 1990s and 2000s consumers changed more to low-price oriented shopping (Nilsson et al. 2015a). Koistinen and Järvinen (2009) has found that for those consumers whose primary grocery store is a hypermarket or a super market the key criterias behind the choice were *price, quality, assortment* and *shopping environment*. On contrary, for those consumers who choose a neighbourhood or a convenience store as their primary store, the key criteria has not been price but service, shopping efficiency and convenient accessibility. (Koistinen and Järvinen 2009.) Thus, price image impact on store choice seems to be crucial especially in case of hypermarkets and supermarkets.

Scholars have found that the impact of price image on store choice is more obvious when consumers are purchasing expensive items (Grewal and Marmorstein 1994). Needless to say, those consumers who aim to consistently save money prefer low price image stores (Burton et al. 1994). One could presume that consumers who are visiting a store for the first time do not have the information about the price level, therefore, they are more likely trusting on price image. The findings of the prior research argue that consumers use price image on store choice when the prices of specific items are not easily available (Bell and Lattin 1998). Also Buyukkurt (1998) research suggests that price image is more significant for those consumers who trust more on price image cues (like physical attributes of a store) rather than observe the actual information of the prices. (Hamilton and Chernev 2013.)

Furthermore, Lombart et al. (2016) findings show that low prices have a positive and significant impact on consumers' satisfaction (Stan 2007) and attitude (Stan 2007, Zielke

2006). Lombart et al. (2016) studied price image consequences with the experiment conducted under two conditions: a retailer having intermediate prices or a retailer having low prices. The findings of the study showed that low price image had relationship with consumer satisfaction and attitudes. Furthermore, neither in low or intermediate price image condition price image had influence on consumers' trust towards the retailer. The study by Lombart et al. (2016) also showed that price image had a positive and significant impact on consumers' future behavioural intentions such as store patronage intention but only when a retailer had low prices. To draw a conclusion from this study price image influences on consumer's satisfaction, attitudes and future behavioural intentions but only when a store has low prices.

Price image can also have an impact on how consumers **defers the choice** of a specific item to search the item elsewhere for better prices. In low price image store consumers are less likely to defer choice than in high price image stores (Burton et al. 1994). Retailer's price image is also connected to the concept of "showrooming". It means that high price image stores are transforming into places where consumers visit to see products or to utilize the upscale service but eventually purchases the products in low price image stores or online. Both showrooming and the deferring of the choice are appearing most likely in high price image stores rather than low price image stores. (Hamilton and Chernev 2013.)

Scholars have found a relationship between price image and **purchase quantity**: Consumers who are shopping in low price image stores tend to use more money per visit than in high price image stores (Singh, Hansen, and Blattberg 2006; Van Heerde et al. 2008). Furthermore, it has been found that when a low price image store entries the market the other stores often suffer losses in store visits, volume and revenue (Singh et al. 2006). In addition, low price image stores attract consumers who buy large-basket of goods like families. (Bell and Lattin 1998.)

Hamilton and Chernev (2013) suggests that when consumers are visiting the high price image stores they are more accurate about the purchases, therefore, the quantity of purchased items are lower. Whereas in low price image stores, consumers are more likely to purchase products extensively from different categories, even if they had the intention to do only a refill and purchase a specific item. For instance, a consumer who comes to a store to buy a laundry detergent ends up shopping other unrelated items because of the

perception of low price level. Alternatively, a consumer may be attracted by the low price of a specific product and ends up purchasing the item in larger quantities for future need.

2.4.2. The influence of price image on consumer beliefs

According to Hamilton and Chernev (2013) price image impact on consumer beliefs through price evaluation and price fairness. Hamilton and Chernev (2013) argues that consumers may encounter the same price and evaluate it differently depending on the retailer's price image. Prior research has illustrated two ways on how consumers **evaluate prices**. Some researchers have found that consumers evaluate the individual prices of a retailer and reflect it with their perception of a retailer's price image (Brown and Oxenfeldt 1972; Nyström, Tamson, and Thams 1975). However, some researchers have presented that rather than evaluating individual prices consistently with the price image, consumers adapt their internal reference price to match with a retailer's price image. This means that when shopping in a high price image store consumers adjust the internal reference price higher, in contrast, when shopping in a low price image store consumers adjust the internal reference price lower (Berkowitz and Walton 1980; Fry and McDougall 1974; Thaler 1985).

Also Hamilton and Chernev (2013) have argued that in a high price image store consumers are more likely to evaluate price more favourably than in low price image store. For example, if the same price of a wine bottle is encountered in a premium wine store it may have more favorable judgment than in bargain wine store. This finding raises the question if the low price image is always worth of aiming for. However, one needs to notice that the price evaluation depends on the availability of reference price. As argued also by Hamilton and Chernev (2013), when consumers do not have available reference price, they are more likely evaluating prices consistently with a retailer's price image - leading to the assumptions that in low price image store's prices are indeed low, on contrary, high price image store's prices are high. To draw a conclusion, consumers evaluate prices differently, either they are blindly trusting on the price image perception or they are using a reference price. Based on this one could also argue that it can be a significant asset for a retailer to acknowledge which price evaluation techniques their consumers are using.

How price image is evaluated depends also on how consumers perceive the **fairness** of the price level (Hamilton and Chernev 2013). Price fairness means how reasonable and

acceptable a retailer's prices are compared to equivalent prices of competitors (Campbell 1999). It can lead to negative consequences such as negative word of mouth if consumers perceive the prices unfair. Prior research implies that unfairness may appear if consumers finds conflict between retailer's present prices compared to the experience with the past prices. For instance, consumers may become angry if price of the product has fallen significantly after their purchase (Chang & Wang 2014). This could be interpreted that a stable EDLP (every day low price) pricing strategy is more likely to generate the perception of price fairness than a promotion-based pricing where the prices change more rapidly. In addition, Hamilton and Chernev (2013) have suggested that unfairness is more likely to appear if prices differ between two low price image stores than between a low price image store and a high price image store.

2.4.3. The influence of price war on consumers behaviour

Before summarising the findings of this chapter the case of Albert Heijn and the research of price war by Van Heerde, Gijdbrechts, and Pauwels (2008) will be briefly discussed. The leading Dutch supermarket chain Albert Heijn had difficulties because of the economic downturn but also because of the hard discounters, Aldi and Lidl, gained more popularity. Albert Heijn aimed to enhance the price image and decreased its price level systematically and permanently by lowering the prices of more than 1000 products. The initiative was launched in 2003 and all national and local newspapers advertised the new price cut with the headline of "From now on, your daily groceries are much less expensive". (Van heerde et al. 2008:499.) The initiative forced competitors to respond and leaded to a price war. Eventually one of the competitors Edah supermarket chain went out of business as it had significant losses in spending and store visits. (Van heerde et al. 2008) This Albert Heijn's initiative is interesting case as it is similar to Finnish leading grocery retailer S-Group's initiative "Halpuuttaminen" which was a strategic choice to cut the prices permanently in specific products starting in 2015.

Van heerde et al. (2008) investigated the consequences of the price war by analyzing data collected two years before and after the price war. They found that a price war between the grocery stores made consumer more price sensitive and also more sensitive to store price image. First the price war made consumers to shop and spend more, however, eventually the spend per visit decreased as consumers were distributing their shopping across the

stores. The results showed that the grocery retailer Albert Heijn who started the price war had improved its price image and it had positive impact on it's stock price and market share. But also the chains that already had positive price image in consumers' minds, like hard discounters, gained benefit from the price war. Also in Finland, after one year of launching the "Halpuutus" -campaign the market share of S-Group increased 1,3 %, however, the discounter Lidl's market share decreased 0,3 % during the same year (PTY 2016).

The findings of the study by Van heerde et al. (2008) suggest that when the price competition increases the price sensitivity of consumers increases and consumers are also more sensitive to store price images when choosing where to shop. One could argue that among Finnish consumers, the sensitivity to prices and price image may be increased because of the increased price competition started by S-Group's "Halpuutus"-campaign in 2015. Especially because the "Halpuutus"-campaign has been widely advertised and also discussed in the Finnish media, therefore, Finnish consumers have been widely exposed to the discussion of prices for the past few years (HS 2016; IS 2016; Kauppalehti 2017).

2.5. Discussion of the chapter

To draw a conclusion of this chapter, scholars have argued that store image, store personality and price image are all influencing on grocery store choice. As described in the beginning of this chapter store's functional attributes *location, service, layout* and *assortment* influence on consumer store choice and generate satisfaction. In addition, scholars have argued that these store attributes are determinants of a store image. Thus, one could argue that when consumers are satisfied about the store attributes it also generates a positive store image. Furthermore, it was found that consumers are demanding different store attributes depending on consumers socio-demographic background (e.g. age, gender, family size) and also the shopping situation has an influence (e.g. major shopping versus fill-in shopping).

Besides functional attributes scholars have found that consumers associate psychological attributes on stores. Moreover, they may even form store personalities on different stores, which again may have influence on store choice. Regarding Finnish consumers they mainly

hold neutral attitudes towards grocery shopping (Ollila 2011). Nonetheless, they have associated some psychological attitudes on grocery shopping like safeness, intimacy and irritation and some of these attitudes are related to the personality dimensions, suggested by d'Astous and Lévesque (2003). Thus, there is still lack of understanding what kind of psychological attributes Finnish consumers associate on grocery stores and whether these hold specific store personalities on consumers minds.

The findings also suggest that consumers are already satisfied about grocery stores functional attributes but there is still lack of understanding how grocery stores are perceived on psychological level. For instance, when Uusitalo (2001) interviewed residents of a small town of Finland she found that grocery stores had successfully created stores that met customer's expectations on a functional level. However, she also found that grocery stores are not providing any unique hedonic or experiential value that could differentiate the stores from each other. Thus, also Uusitalo (2001) findings argue that consumers can define and differentiate stores by using their functional attributes, but perhaps grocery retailers have not managed to generate feelings or emotions on a psychological level.

Besdies store image and store personality also the concept of price image was discussed. As we found out price image may have a significant impact on consumers' store choice. In addition, consumers' beliefs and behaviour were found to have a relationship with store price image. Scholars have associated several dimensions to impact on price image like *price level* (Alba et al. 1994), *assortment* (Desai and Talukdar 2003), *sales promotion* (D'Andrea et al. 2006) and *advertising* (Feichtinger, Luhmer, and Sorger 1988, Desmet and Le Nagard 2005). In addition, *physical attributes* like store's size (Brown 1969), interior and exterior architecture (Zielke and Toporowski 2014). Also *service* has been linked with price image (Brown 1969; Brown and Oxenfeldt 1972).

As one can see there are many functional store attributes that are also contributing on forming the *store image*. It can be concluded that the two concepts, store image and price image are similar and multidimensional. However, the same store attribute may cause different results in consumers' perceptions of store image versus price image. For example, upscale service may increase the positive perception of store image, however, it may cause more negative price image if the price level is seen too high.

All in all, there is lack of understanding on how Finnish grocery retailers are associated especially on a psychological level and whether the consumers are forming store personalities on grocery stores. In the empirical part of this thesis it will be tested whether there are differences on how grocery retailers' store attributes are perceived on a functional (store image) psychological (store personality) level. In addition, the store attributes effect on consumer satisfaction and store patronage intention will be tested (H1). In addition, it seems that functional store attributes are contributing on forming both store image and price image. In this research the main focus is on investigating whether these store attributes and "image drivers" has an effect on how price image is perceived (H2). As it was found also socio-demographic may have influence on how stores are perceived, therefore consumer characteristics moderating the effects of price image on store satisfaction and store patronage intention will be investigated (H3). The following hypotheses are presented:

H1 Consumers' perception of store attributes has an effect on consumers' satisfaction and store patronage intention.

H2 Consumers' perception of **s**tore attributes has an effect on how store price image is perceived.

H3 Consumer characteristics moderate the effect of price image on store satisfaction and store patronage intention.

3. DRIVERS OF PRICE IMAGE FORMATION

As the previous chapter points out the price factors are influencing on satisfaction and on consumers' choice of a grocery store. Furthermore, this chapter aims to create understanding of price image in retailing by utilizing framework created by Hamilton and Chernev (2013). By exploiting the framework it is possible to conduct the survey questionnaire for the empirical part of the research and observe the research question comprehensively.

3.1. Framework of price image formation

Hamilton and Chernev (2013) have studied the academic discussion around the concept of price image and based on the findings conducted a framework that will be utilized in this chapter. The framework is conducted in retail context and it presents two drivers of price image formation: *price-related drivers* and *nonprice drivers*. These two drivers are also introduced as "price image cues" and these are retailer-based drivers as retailers can directly influence these factors. In addition, the scholars present consumer-based drivers which retailers can not control. Besides utilizing the framework conducted by Hamilton and Chernev (2013) also other and more recent findings will be introduced. The figure 2 illustrates the framework of this chapter in addition to the price image outcomes presented in the previous chapter.

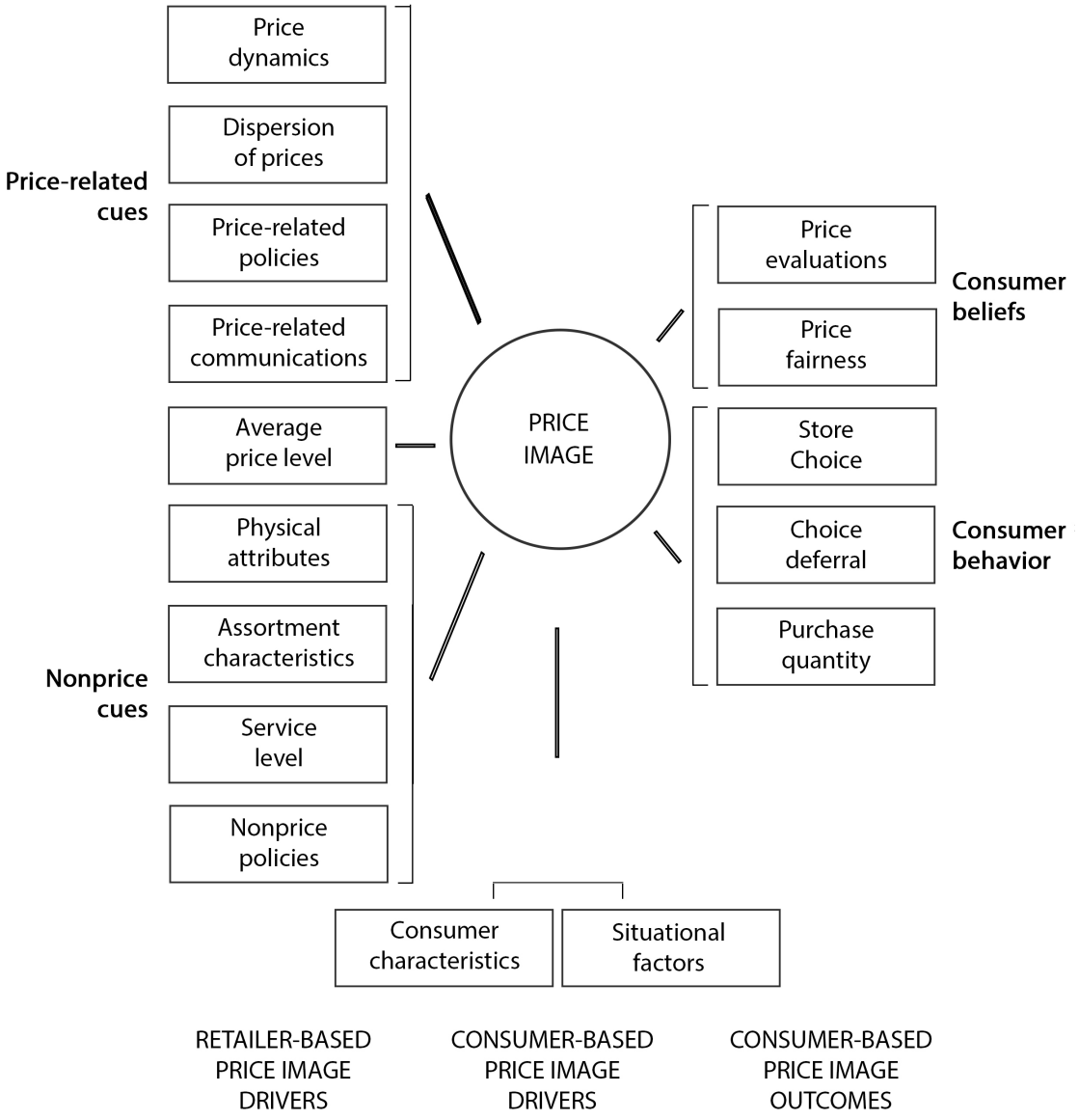

Figure 3. Price image formation framework (Hamilton and Chernev 2013).

3.2. Price-related drivers

Hamilton and Chernev's (2013) have identified five different price-related drivers (see figure 3) which contribute on price image formation: *average price level*, *price dynamics*, *dispersion of prices*, *pricing policies*, and *price-based communication*. These five drivers are discussed in more detail in the following subsections.

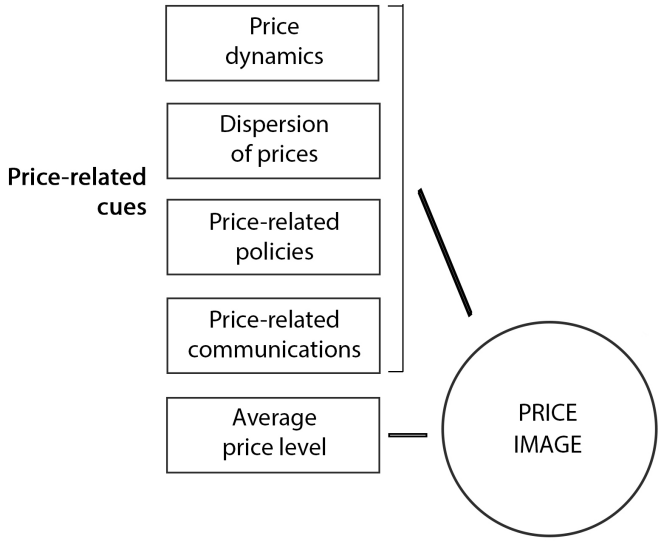

Figure 4. Price-related factors (Hamilton and Chernev 2013).

3.2.1. Average price level

Many scholars have focused on investigating the average price level aiming to prove it's impact on consumer behaviour (Bell and Lattin 1998; Singh, Hansen and Blattberg 2006). Conventionally the average price level has been argued to be the key driver of price image formation (Feichtinger et al. 1988; Hamilton and Chernev 2013). However, in more recent studies, many scholars have empirically found that consumers have relatively low price knowledge (Evanschitzky, Kenning, Vogel 2004; Ollila 2011). The findings have demonstrated that consumers overestimate prices especially when the product has great variance in the market (Aalto-Setälä and Raijas 2003). Moreover, Evanschitzky et al. (2004) empirical research showed that consumers overestimated prices in almost 80 percent of all cases. This raises the question if consumers are even able to observe the average price level of a retailer? Also Hamilton and Chernev (2013) have suggested that rather than evaluating the actual prices consumer forms a perception of a price level.

The study by Evanschitzky et al. (2004) indicated that in some cases consumers knowledge of prices were highly accurate especially if the product had strong brand, which is also in

line with Aalto-Setälä and Raijas (2003) findings. Moreover, Hamilton and Chernev (2013) have suggested that consumers may even focus on a specific product prices when aiming to form an overall perception of store price level. Consequently, scholars and retailers have aimed to identify the specific items that are the most influential on forming the price image. These specific items are also named as "known value items" (KVIs), and some retailers are using KVI pricing strategies, meaning that the prices of KVI items are made more attractive in order to influence the consumers' perception of the average price level. (Hamilton and Chernev 2013.)

As discussed above a retailer can manage its average price level by changing its actual prices. However, scholars have argued that consumers may concentrate only a few prices rather than the average level of prices. In addition, the findings suggest that also in Finland consumers price knowledge is relatively low (Ollila 2011). To draw a conclusion, the actual prices and average price level are contributing on forming the price image but so is the perception of the prices. Moreover, a retailer who aims to change it's price image needs to understand how consumers evaluate the price level and which other factors are contributing on forming the perception of price level. According to Hamilton and Chernev (2013) a retailer needs to manage not only the prices but other price-related and nonprice drivers of price image. (Hamilton and Chernev 2013.)

3.2.2. Price dynamics

According to Hamilton and Chernev (2013) also price dynamics, which reflects how a store's prices changes overtime, contributes on price image formation. Before discussing more about this issue one needs to understand the concept of consumers external and internal reference prices. *Internal reference price* refers to the past prices in a consumer's mind and which a consumer uses in order to evaluate the prices while shopping. (Kumar et al. 1998). Whereas, *external reference price* is observed from the environment while shopping such as a store's price variation in the same product range or the price promotions on a display (Alford & Engelland 2000). Prior research has documented that consumers may lower their reference prices or be confused about the "normal" price if a brand is often on a promotion. Thus, retailers should aim to establish an optimal frequency of promotions without confusing customers about the normal price. (Kalyanaram and Winer 1995.) One could argue that price promotions which make consumers confused about the "normal

price" are also making the price image unstable as consumers are not able to form a proper price level perception.

Retailer's can use different pricing strategies and either keep the prices steady or change those rapidly over time, it will affect on consumers price image formation. Two commonly used pricing strategies are EDLP and hi-lo strategy. When a retailer aims to keep prices static over time without temporary price discounts it refers to EDLP strategy, meaning "everyday low price". By contrast, a retailer that utilizes discounts, offers, coupons or other temporary discounts on specific items, often refers to promotion based strategies such as hi-lo pricing.

However, the connection between price image and a retailer's pricing strategy is not well-established since both strategies may result either low or high price perceptions. An EDLP strategy is likely to foster a low price image since it is not dependent on what time or occasion a consumer comes to a store and if there is promotions available on selected items (Bell and Lattin 1998). In contrast, a promotion based strategies, like hi-lo strategy, can create a low price image in consumers' minds if consumers use discounts as reference prices (Kalyanaram and Winer 1995).

Nevertheless, according to Hamilton and Chernev (2013) prior research suggests that small but frequent promotions are more likely forming a low price image compared to huge but rarely given discounts. In addition, they suggest that hi-lo store's price image may cause a greater price image uncertainty compared to a EDLP store since hi-lo strategy brings more dispersion to prices. Thus, price image of a hi-lo store may vary among consumers.

3.2.3. Dispersion of prices

The dispersion of prices is the second price-related driver of price image formation observed by Hamilton and Chernev. The dispersion of prices refers to the intensity of the price competition across retailer's different product categories. The dispersion can be a result from retailers use of different pricing tactics. For example, one retailer may set prices close to the market average overall, whereas, another retailer may set prices in one category higher than the market average but offer lower prices in other categories. Consequently, both retailers may have the same average price level across all products categories, but

create different category-specific price images in consumers' minds. For instance, a consumer may perceive that the overall price level of a grocery store is high but the fish counter in the store has low prices. (Hamilton and Chernev 2013.)

Hamilton and Chernev's (2013) observation that consumers form category-specific price images is supported by the empirical research by Lourenco, Gijsbrechts and Paa (2015). They have found that consumers can rely on selective categories and use these as key value indicators for a store's overall price image. Thus, it is crucial to know which categories consumers use when they form the store price image. The experimental research by Desai and Talukdar (2003) showed that product categories which are frequently purchased and relatively expensive had a significant influence on price image formation. Consumers may be more concerned about the prices of products which are frequently purchased and this may result that these prices are used in forming the price image.

However, Lourenco et al. (2015) empirical findings were somewhat controversial. In their study they found that those categories that were frequently purchased had less impact on price image as consumers did not use these prices to update the store price image. The research was conducted in the context of a supermarket following a hi-lo pricing strategy. However, the study also found that consumers were not using deep promotions to update the price image. The researchers concluded that consumers may have less tendency to observe the prices in frequently purchased categories as consumers are buying these as a routine and trusting that they know the prices. In addition, the same study showed that product categories which are often having deep promotions are less likely to be used by consumers to update the store's price image. Moreover, consumers may perceive that store's heavy price drops are revealing that regularly the store's assortment is overpriced. (Lourenco et al. 2015.)

Scholars have found evidence that more expensive categories matter more in price image formation (Desai and Talukdar 2003; Lourenco et al. 2015). It has been suggested that expensive items draw more attention and can be easier to recall (Lourenco et al 2015). Lourenco et al. (2015) empirical findings showed that a store's price image is strongly influenced by the expensive categories but only if these hold a narrow price variation. Thus, the categories that hold a wide price variation had a weaker influence on price beliefs. The researchers suggest that price spread may complicate the price comparison and result that

consumers are not able to evaluate the prices and use these to form the store's price image. This notion is supported in Hamilton and Chernev's (2013) article as they suggested that high variation in prices leads to higher variance in store price image. Based on this one could argue that a retailer's EDLP pricing strategy can lead to more stable price image than the promotion-based hi-lo strategy.

Based on the empirical findings, Lourenco et al. (2015) suggested categories which have the greatest potential to shape store price image without significantly harming the store's sales and revenues. The authors suggest that in a hi-lo store format, the most potential categories are *breakfast products* and *hair cosmetics*, whereas, in EDLP store format the categories are *laundry detergents*, *rice* and *pasta products*, additionally, in both store formats categories such as *soup* and *skin cosmetics* are most potential in shaping the price image. These insights could be useful for managers who aim to enhance the price image of a grocery retail.

All in all, consumers are more sensitive to price dispersion in a store's assortment rather than the store's overall price level, as found by Alba et al. (1994). However, the prior research does not offer a clear view to the optimal level of category price dispersion. High dispersion may result that consumers are confused about the different prices (Lourenco et al.; Hamilton and Chernev 2013), which may result that consumers are lacking a clear vision about the price image. In addition, if a retailer's category prices vary significantly across categories, it may induce consumers to cherry-picking and to shop in various stores in order to achieve the optimal basket of goods (Fox and Hoch 2005).

Hamilton and Chernev (2013) also suggested that setting a high-price items to assortment, may cause two opposing consequences on price image depending on whether the consumer has a purchase intention or not: When a consumer is having an intention to buy a specific product, the presence of a higher-price item is creating contrast and this may lead to more favorable evaluation of the first product and lead to more favorable price image. In contrast, if a consumer is only browsing the products and do not have the intention to buy anything, the presence of a high price item may draw attention and consumer may use it to increase the overall price level perception.

3.2.4. Pricing policies

Pricing policies are retailers guarantees such as price-match, same-store lowest price and payment form policies, which can also influence on a retailer's price image. Price-match guarantees have been found to lower a retailer's price image since it shows consumers that a retailer is confident of having low prices and committed to protect its low-price position against competitors. However, price-match guarantee's impact depends on the easiness to receive the promised benefit by a consumer.

Study by Srivastava and Lurie (2004) demonstrated that price-matching guarantees are perceived as signals of low price image when consumers believe that other consumers are utilizing the policies and ensuring that the prices are staying fair. Furthermore, scholars have argued that a retailer's promise to match the prices to its own future discounts is more effective, than the promise to match with competitors prices. In addition, payment form policies, like accepting different credit cards, checks or cash, can influence retailer's price image, if consumers perceive that it causes additional cost for retailers. In general, more strict payment policies such as not receiving credit cards/cash, can be associated with lower costs resulting lower price image. (Hamilton and Chernev 2013.)

Thwaw findings suggest that a retailer might want to consider adding pricing policies, if it aims to lower its price image and gain consumers trust. For instance, a retailer that has the lowest price level among competitors (e.g. based on the basket of goods) could enforce it by adding a price guarantee. However, policies can also lead to a higher price image if consumers associate it with higher retailer costs. (Hamilton and Chernev 2013.)

3.2.5. Price-based communication

Price-based communication is the fifth and final of the price-related drivers of the Hamilton and Chernev's (2013) price image framework. Existing research has suggested that consumers rely on retailers price-based communication such as sales tags, advertising, public relations or social media, when forming a price image of a retailer. Moreover, Lourenco et al. (2015) has found a positive association between the advertised promotions and price image in their empirical study. In addition, prior research has documented that highlighting prices in retailer's advertising makes consumers pay attention to prices also

while shopping. Therefore, a retailer's low price level should be communicated through their advertising to make consumers more price sensitive and to make them acknowledge the low prices while shopping. (Kaul and Wittink 1995; Hamilton and Chernev 2013.)

In addition, researchers have further discovered that besides communicating a price, retailer's should use a reference price in advertising in order to draw attention, if the aim is to form a low price image. Moreover, according to Cox and Cox (1990) observation, consumers tend to form lower price image if the promotion is clearly showing the amount of saving that consumer gets with the discount. Furthermore, researchers have suggested that when the actual saving is relatively small a retailer should present the saving in percentage such as "save x%". On the other hand, if the actual savings are high a retailer is suggested to present the saving in monetary format such as "save x cents/euros". (Hamilton and Chernev 2013.)

On contrary to the drivers discussed earlier price-based communication enables retailers to reach consumers during the shopping event but also before and afterwards. Thus, retailers can promote their price image effectively with communication and advertising. Furthermore, it has been suggested as being the most direct way to enforce the price image and influence consumers evaluation process (Hamilton and Chernev 2013). A retailer should acknowledge these facts when planning the price based communication and consider which way it should present the price discounts (e.g. with reference price and either percentage or monetary format).

Furthermore, the findings suggest that a retailer who aims to promote its low price level should use price-based advertising. By this way it can lead to greater price sensitivity among consumers and consumers may pay more attention to a retailer's low prices while shopping. Whereas, a retailer who has a high price level, might want to utilize advertising that takes the attention away from prices. For instance, communicating other factors like service or assortment could reduce consumers' price sensitivity as they concentrate on factors that are bringing value rather than reducing costs. However, one needs to consider that price sensitivity also depends on factors like consumer's income, for instance, people in low income segments are found to be more price sensitive than people in high income segments (Wakefield and Inman 2003).

Prior empirical research has found a positive association between the advertised promotions and price image (Lourenco et al. 2015). In addition, using price-based advertising consumers price sensitivity on prices increases (Kaul and Wittink 1995), which could lead to a low price image, as suggested by Hamilton and Chernev (2013). Therefore, the suggested hypothesis is:

H2 a: *Advertising has an effect on how store's price level is perceived.*

3.3. Nonprice Drivers

In addition to the previously discussed price-related cues, consumers also utilize nonprice cues to form the price image. Hamilton and Chernev (2013) have identified the following nonprice drivers to influence on price image formation: the store's *physical attributes* and *assortment characteristics,* in addition*, the service level* and *nonprice policies*. These nonprice drivers are discussed in more detailed in the following subsections.

According to Hamilton and Chernev (2013) there is lack of understanding especially on nonprice cues influence on price image in the existing marketing research. For example, consumers usually regard the grocery store chain Whole Foods more expensive compared to its competitors which has the similar price level (Anderson 2011). Therefore, Whole Foods has done many efforts to convince consumers that it can be an economical place to shop. For example, Whole Foods added greater discounts, offered lower prices in its assortments and highlighted value in its communications. In addition, it has invited customers to guided store tours in order to show, how to make budget shopping and find bargain products in their stores. (Martin 2008.)

Hamilton and Chernev (2013) have concluded that the reason why Whole Foods has not succeeded to change consumers' impressions, may be the nonprice cues such as upscale ambiance and service, premium offerings, central locations, activities in social responsibility and a lack of price-match guarantees. Therefore, also the present study aims to contribute especially on the lacking understanding of the nonprice cues by testing the hypotheses that will be presented later in this chapter.

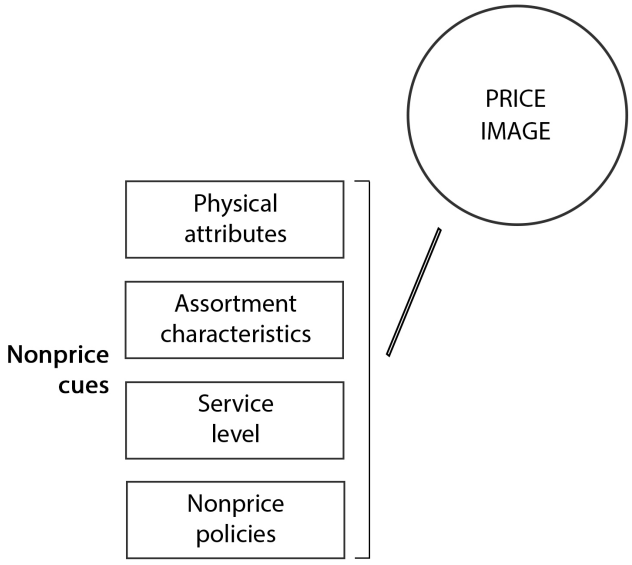

Figure 5. Nonprice factors (Hamilton and Chernev 2013).

3.3.1. Physical attributes and assortment characteristics

Prior research has investigated how physical attributes, such as interior (Baker et al. 1994) and exterior architecture (Zielke and Toporowski 2014), contributes on price image formation. According to Hamilton and Chernev (2013) existing studies suggest that these physical attributes have even more impact on price image that the actual, objective price level (Brown 1969). Store's design, size and location can be easy and quick signals to perceive store's overall price image. Furthermore, prior research has documented that stores with high-priced decor and delightful music are associated with high price image, whereas, unpleasant and messy appearance are associated with low price image (Baker, Parasuraman, Voss 2002; Brown 1969).

Also the empirical research by Lourenco, Gijsbrechts and Paap (2015) showed a negative relationship between the price image and a store's cleanliness; when the level of perceived cleanliness is more favorable the price image is less favorable. In addition, small stores are often associated with higher price level and large stores with lower price level (Uusitalo 2001). Furthermore, also Hamilton and Chernev (2013) have suggested that physical attributes such as central location, small size of the store, high-priced decor and great

amenities are associated with higher retailer costs resulting higher price image.

However, study by Grewal and Baker (1994) have suggested that stores with high-image cues, like high-end design, tend to create higher price acceptability and even lead to more purchases. However, the same elements in low-image stores can result in negative price acceptability and less favorable price image. Therefore, a retailer needs to consider how consumers perceive the different physical attributes and if these are consistent with the retail brand and image. Zielke and Toporowski (2012) found empirical evidence that store's exterior architecture impact on price image. They found the relationship to be significant but only if consumer did not have prior information about the prices or was not familiar with the retail brand. The study demonstrated that consumers who knew the retail brand and its prices the negative effect of appealing exterior architecture on price image was reduced.

Findings from the prior research suggests, that store attributes like large stores, large parking lot and location in shopping mall are associated with large sales volume and consequently it tends to promote a lower price image (Hamilton and Chernev 2013). Consumers may perceive that retailers high sales volume and a large customer base is enabling the mass-production or gaining volume discounts from the manufactures. However, the same store attributes may also cause a high price image if the store is having pleasant atmosphere or premium assortment or service (Hamilton and Chernev 2013).

Prior empirical research has documented that stores with stylish, high-priced decor and delightful music are likely to promote a high price image, whereas, unpleasant and messy appearance tends to promote a lower price image (Baker, Parasuraman, Voss 2002; Brown 1969). Considering these findings this research aims to create more understanding whether the physical attributes have impact on how consumers perceive a grocery store's price level. Based on these findings the suggested hypothesis is:

H2 b: *Physical attributes has an effect on how store's price level is perceived.*

A retailer's product assortment characteristics can also influence on price image. The retailer's assortment size and variation can directly impact on a retailer's price image. One could argue that consumers may have the impression that large assortment size enables

retailers to shift the benefit, gained from the economies of scale, to lowering prices. The depth and breadth of the assortment is also influencing on price image. Prior research has distinguished two ways to achieve a low price image: by offering a *narrow* but *deep* assortment where a retailer offers narrow variety across different product categories but deep variety within a given product category - or by offering a *broad* but *shallow* assortment (also referred as "discounters") where a retailer offers a broad variety across products categories but shallow variety within a given product category. (Hamilton and Chernev 2013.)

However, one needs to acknowledge that consumers use the perception of assortment, rather than the actual variety or size of the assortment to form a retailer price image. Furthermore, a retailer can influence on the perception of variety and consequently on its price image by changing the order of its assortment, thus without adding or reducing items and changing the actual variety. (Hamilton and Chernev 2013,) For instance, prior research has found that consumers perceive greater variety when assortment is disorganized, rather than organized equally with consumers' evaluation process (Hoch et al. 1999; Kahn and Wansink 2004; Morales, Kahn, McAlister &. Broniarczyk 2005).

However, also the exclusiveness of the assortment may impact on a retailer's price image. Consumers consider products not only from the functional point of view but also how well the product expresses their identity (Aaker 1999). According to Hamilton and Chernev (2013) consumers connect self-expressive items with higher prices. Thus, when a retailer includes design items to its assortment, it is more likely to have a higher price image (e.g. Target) compared to a retailer which has more functional items in its assortment (e.g. Wal-Mart). Prior research argues that consumer perceptions of a retailer's supply and demand level can also have an influence on a retailer's price image if consumers assume, that the availability of items is indicating the level of supply. For example, the level of stockouts can be associated with a retailer's low price level since consumer demand is sensitive to price. (Anderson, Fitzsimons, and Simester 2006.)

In the empirical part of the present study the aim is to further investigate, if a consumer's perception of a grocery store's assortment has an effect on how store's price-level is perceived. Prior research has found that a retailer that offers design items or self-expressive items in its assortment, tends to have a higher price image. (Hamilton and Chernev 2013).

Also, the level of stockouts has found to be associated with a retailer's low price level since consumers demand is sensitive to price (Anderson et al. 2006). The present research investigates if assortment characteristics will have an effect on how store's price-level is perceived. Based on these findings the suggested hypothesis is:

H2 c: *Assortment has an effect on how store's price level is perceived.*

3.3.2. Service level and nonprice policies

Prior research has found evidence that service level contributes on price image formation (Brown 1969), in addition, it has been documented that offering extra service, such as service-oriented and well-trained sales staff or longer business hours, tend to have a higher price images (Baker et al. 2002; Brown 1969). Researchers have suggested that consumers associate service level with retailers cost, therefore, the service level is often correlating with high prices in consumers minds (Zeithaml, Parasuraman, and Berry 1990). For example, Lourenco et al. (2015) empirical research failed to find a relationship between store service and stores price image possibly because the measurement was not closely linked with retailer costs. Hamilton and Chernev (2013) have suggested that can easily perceive the service level of a retailer, therefore, it is can be easily used to form a price image. In addition, retailers who are offering extra service are often promoting it in order to differentiate from the competitors and also for this reason consumers can easily acknowledge the high level of service.

This research aims to create more understanding of the impact that grocery store's service may have on price image. Based on the findings it can be suggested that high level of service may have a relationship with a high price level perception. However, as in other price image cues it can not be sure if consumers use different pricing tactics and while some customers may rely on nonprice cues other customers may focus more on price-related cues. Anyhow, based on these findings the hypothesis 5 is formulated as follows:

H2 d: *Service has an effect on how store's price level is perceived.*

The nonprice store policies refers to a retailer's return policies or social responsibility policies. With nonprice store policies a retailer can effectively influence consumers'

perceptions and its price image. Policies can create higher price image if consumers presume that policies will increase a retailer's costs, vice versa, if consumers presume that policies reduces retailer's costs it more likely leads to lower price image. For example, a retailer's superior return policies can lead to a high price image if consumers presume that it increases costs such as sorting, repacking and restocking. However, scholars have argued that superior return policies have significant influence on price image but only if a retailer is rather small and not part of a national chain, which is often perceived as having the leverage to shift the costs to the manufacturers. Another policy influencing price image formation is a retailer's social responsibility initiatives. For example, a retailer can raise money for a charity, or pay producers more than the market prices, additionally, a retailer can enforce social or environmental actions. (Hamilton and Chernev 2013.)

These findings suggest that a retailer needs to consider whether its store policies are impacting on consumers price level perception. However, in this thesis the effect of store policies are excluded in the empirical research part and will not be investigated further. The decision was made in order to make the empirical research more focused and easier to implement as it is not possible to take all factors in account. However, it is important to understand that also these factors can have an influence on price level perception, especially, if a retailer has special policies that makes them differentiate considerably from the other retailers.

It will be taken into account in the empirical research if the investigated case grocery stores are having unusual returning or social responsibility policies that would significantly affect on their market position or price image. Finally, considering the findings discussed in this chapter, it can be argued that nonprice cues can have significant impact on price image and nonprice cues may be the reason behind the inconsistency of a retailer's actual price level and price image.

3.4. Consumer-Based Drivers

Now we have explored that both retailers price related cues and nonprice cues are contributing on price image formation. Hamilton and Chernev's (2013) argues that besides these retailer-based drivers (price-related and nonprice cues), additionally, consumer-based

drivers have impact on price image formation. These consumer-based drivers can not be directly managed by a retailer.

The consumer-based drivers are **consumer characteristics** which refers to consumer's *information processing style, price sensitivity* and *knowledge of market prices*. In addition, **situational factors,** which refers to *evaluation* and *purchasing decisions, financial consequences*, *time pressure* and a consumer's *cognitive resources*. These factors are discussed in more detail in the following subsections.

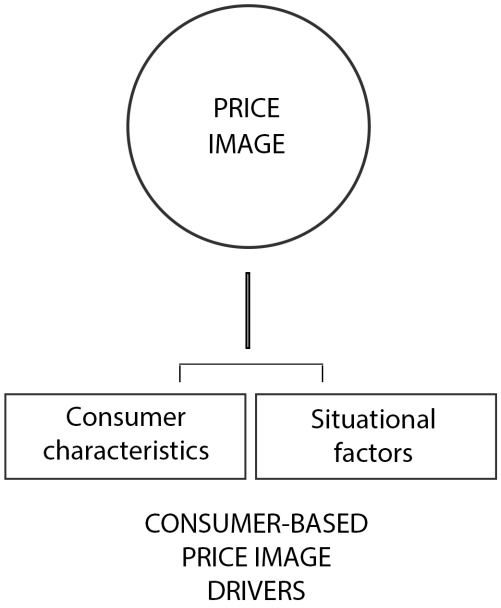

Figure 6. Consumer-based drivers (Hamilton and Chernev 2013).

First we explore the influence of **consumer characteristics** on price image formation. Prior research has documented that consumer's way of *receiving and processing information* influences on price image formation. Hamilton and Chernev (2013) have described two type of consumers which they distinguished based on the consumers information processing style. I name these as "Price-oriented consumers" and "Nonprice-oriented consumers". Price-oriented consumers evaluate retailers' cues in deliberative and systematic way and mainly by using the price-related cues (Ofir, Raghubir, Brosh,

Monroe, Heiman 2008). Whereas, nonprice-oriented consumers evaluate information more heuristically and interpretatively relying strongly on nonprice cues (Brown and Oxenfeldt 1972; D'Andrea, Schleicher, and Lunardini 2006).

When nonprice-oriented consumers think they have a strong notion of the price image, they are more easily simply trusting that a retailer has a decent price level, as suggested by Hamilton and Chernev (2013). Therefore, price image has a significant role in nonprice-oriented consumers buying decision, whereas, the actual prices have less impact. Furthermore, this type of consumers price image perception is influenced by nonprice cues, such as service level and physical attributes of the store. On contrary, the price-oriented consumers evaluate price-related cues like dispersion of prices. Therefore, a retailer should focus on managing the price-related cues when aiming to change this kind of consumers price image perception. (Hamilton and Chernev 2013.)

Nonetheless, it can be challenging to indicate which type of evaluation process a retailer's existing customers use. Moreover, consumers evaluation process may change over time or depend on the purchasing situation. Also for this reason it is important to know which type of consumers, price-oriented consumers or nonprice-oriented consumers, are bringing more value and are worth of invest for. Furthermore, it could be argued that a retailer whose actual price level changes, may have difficulties to change nonprice-oriented consumers price image, once the customer is already relying on nonprice cues rather than actual prices (Hamilton and Chernev 2013). Yet, this can be an asset for a retailer who holds a low price image; once its customers are trusting on the price image they may not notice if the price level slightly increases over time. In contrast, a retailer who holds a high price image may have difficulties if the actual price level decreases but consumers bypass it if their concentration is on the nonprice cues. Thus, in that case the findings suggest that a retailer should also communicate its price decrease through the nonprice cues such as store's physical attributes.

The empirical study by Lourenco et al. (2015) has found that consumers evaluate prices depending on whether the store is using hi-lo or EDLP strategy. In hi-lo supermarkets, consumers are focusing on evaluating prices of storable categories which are bought at once in larger quantities. Whereas, in hard discount stores that utilizes EDLP strategy, consumers perceive store's price level mostly by utilizing the categories that are frequently

bought, like toilet paper, but which also holds a narrow assortment in a store. One could argue that the reason behind this is that for consumers it is more relevant to evaluate prices that are frequently bought but also easier to evaluate prices when the assortment is narrow. Furthermore, these findings suggest that consumers may evaluate prices differently based on their own personal ways of processing available information (systematic vs. heuristic), but also it can depend on a store's pricing strategy (hi-lo store vs. EDLP store).

Besides the consumer information processing style also consumer's *price sensitivity* impacts on price image formation. Price sensitivity means the degree to which prices a consumer is influenced the most. More specifically, how a consumer uses these prices in making purchasing decisions and how its purchasing behaviour is influenced by certain prices. (Kaul and Wittink 1995; Grewal and Marmorstein 1994; Hamilton and Chernev 2013.) A consumer with a high price sensitivity tends to pay a great attention to prices while shopping, whereas, a consumer with a low price sensitivity tends to rely on other factors, for example on quality. Hamilton and Chernev (2013) argues that a consumer with a high price sensitivity is more likely to rely on prices, therefore, more likely to be influenced by a store price image when making purchasing decisions.

Additionally, a consumer's *knowledge of prices* can contribute on price image formation (Hamilton and Chernev 2013). However, Aalto-Setälä and Raijas (2003) study indicates that consumers price knowledge may not always be accurate. According to Aalto-Setälä and Raijas (2003) study Finnish consumers guess prices of groceries above the market price and the price knowledge was low if the product had great price variation in the market. However, the price knowledge was rather good on average, especially in case of strong brands or products, which had low market price variation. In addition, the scholars suggested that consumers had better understanding about the value of their weekly shopping basket than the accurate prices.

Based on these findings one can presume that price knowledge is complicated phenomenon but it is suggested that consumers price formation is influenced by their price knowledge (Hamilton and Chernev 2013). For instance, consumers that have better knowledge of prices are also perceiving price image cues to maintain their knowledge (Desai and Talukdar 2003). In addition, consumers who are uncertain of a retailer's price level are more motivated to compare price level of different stores to form a retailer's price image

(Magi and Julander 2005). Furthermore, consumers whose price knowledge is weak, for instance if they are visiting the store for the first time, may use a significant promotional discount to form the price image (Anderson and Simester 2004). (Hamilton and Chernev 2013.)

According to Hamilton and Chernev (2013) also **situational factors** in consumers' shopping event contributes on price image formation. *Financial consequences* of a consumer's purchasing choice may determine which prices one pays attention and how price sensitive consumer is. For example, during economic recession consumers tends to be more price sensitive and rely on price-related cues instead of nonprice cues. In addition, when purchasing expensive items consumers tend to concentrate on actual prices instead of doing purchases heuristically. (Hamilton and Chernev 2013) Therefore, a retailer should acknowledge how it's customer base is divided between the people with high- and low income, in addition, how the changes in the economic situation is affecting on the behaviour of its customers. By this way I suggest that a retailer is able to understand how its consumers perceive price image and is it formed by focusing more on price image cues or by observing actual prices.

The previous research has also found that *time pressure* influences on consumers buying decision and price image formation. Once consumers' purchase is constricted by time pressure, consumers are more likely to rely on heuristic and nonprice cues, which are easy to process (Buyukkurt and Buyukkurt 1986). Prior research has discovered that shopping activities tend to deplete consumers cognitive resources (Vohs, Baumeister, Schmeichel, Twenge, Nelson, Tice 2008), as a result consumers are more likely to evaluate prices heuristically and form price image by using nonprice cues. For example, a shopping environment can exhaust consumer's cognitive resources and their ability to process the price cues from the information overload. However, from a retailer's point of view it can be difficult to indicate how the time pressure or the cognitive resources are influencing on consumer behaviour as these are individual and situational factors. Anyway it is important to take these situational factors into account when a retailer manage its price image and makes tactical decisions about prices.

3.5. Summary of the chapter

This section briefly summarises the key conclusions of this chapter. Furthermore, these insights will be utilized and tested in the empirical part of the thesis. The aim of this chapter was to answer the second objective of this thesis and to build understanding of price image of a retailer. In addition, the chapter's aim was to find the key drivers of price image formation present the research hypotheses.

Prior research of price image has conventionally viewed price image simply as a reflection of a store's average level of prices. Based on this notion price image management has particularly been price focused and managers have measured the price image mostly by comparing prices across retailers. However, the subsequent research argues that besides actual prices, managers should measure consumers' overall impressions of a retailer's price level, including metrics which covers price-related and nonprice factors. (Hamilton and Chernev 2013.) Based on the findings it can be concluded that price-related drivers of price image are directly informing consumers about the prices, Whereas, nonprice drivers are informing consumers about the prices indirectly through consumers' perceptions of a retailer's costs which are assumed to reflect to prices.

Hamilton and Chernev (2013) argues that a retailer will most likely fall through in managing price image if it is only focusing on prices without managing the other price-related and nonprice drivers of price image. Therefore, managers should concentrate on each price image drivers impact, when aiming to change the price image in consumers minds. Nonetheless, according to Hamilton and Chernev (2013), a retailer's price image is a function of all marketing-mix variables, not just price, but also products (e.g. retailer's assortment), place (store's location), promotion (price-related and nonprice communication), people (salespeople), physical elements (physical attributes) and process (consumer's information processing style). In the following empirical research the aim is to build more understanding of the price image drivers. However, as pointed out earlier the image drivers are not only a function of price image but also the key elements in marketing mix, therefore, it is also important to see how these drivers are linked with consumers' satisfaction and store patronage intention. Before diving into the empirical research part of this thesis the following table presents the hypotheses emerged from the theory chapters.

4. RESEARCH METHODOLOGY

This chapter describes the research methods employed in the empirical research of the thesis and finally presents the results of the quantitative analysis. First part presents the approach, aim and design of the empirical research, in addition, it explains the choices behind the selected method.

4.1. Research approach, aim and design

The scientific approach of the study was scientific realism. This research approach allowed us to create conclusions by using the statistical results and common-sense. However, it can also be challenging to investigate concepts like image as individuals have contrasting views and perspectives about the world surrounding them. A scientific realist realizes that individuals may have contrasting views and perspectives about the world surrounding them. However, by utilizing this view it could be considered that the real world truly is as the well-substantiated scientific theories describe it. (Godfrey-Smith 2003: 174-177.)

The empirical research attempted to create a better understanding of grocery retailer's price image drivers. This was accomplished by investigating the store attributes also referred as 'price image drivers' contribution in price image formation. Furthermore, by utilizing the concept of store image and store personality the research attempted to find out if the case stores are perceived differently on a functional and psychological level. In addition, the aim was to discover how these drivers are linked with consumer satisfaction and store patronage intention. Finally, it was tested if the consumer characteristics like gender, values and price sensitivity moderate the effects of price image on store satisfaction and patronage intention.

In this research the focus was on the store attributes **Price-level, Assortment, Advertising, Physical attributes** and **Service**. These store attributes emerged from the theory chapter that extensively presented the antecedents of price image. In addition, these attributes are related to Lombart et al. (2016) suggestion where the set of elements contributing on price image formation are presented as *price level* (Alba et al. 1994), *assortment* (Desai and Talukdar 2003), *sales promotion* (D'Andrea et al. 2006) and *advertising* (Desmet and Le

Nagard 2005) and the *physical attributes* of the store: interior and exterior architecture (Zielke and Toporowski 2014).

In this study the focus was on the nonprice drivers of price image rather than price-related drivers of price image formation. The reason behind this choice was that there is still lacking understanding of nonprice cues impact on price image formation. For instance, Hamilton and Chernev (2013) have suggested that the reason why Whole Foods has not succeeded to change consumers' price impressions are possibly its nonprice cues, such as *upscale ambiance* and *service, premium offerings* and *premier locations*, rather than the price related cues. This research attempted to find out if these cues are significant factors in price image formation in the context Finnish grocery retail.

4.2. Introducing the case retail grocery stores Prisma and Lidl

The selected retailers were S-Group's and its grocery store Prisma and Lidl chain's grocery store. S-Group and Lidl are significant players in Finnish grocery market. Prisma and Lidl are both utilizing EDLP (every day low prices) pricing strategy which means that they are both aiming to establish a low price image. Prisma's value proposition is to offer low prices, large assortment and convenient shopping experience especially for families (Prisma 2018). Whereas, Lidl's value proposition is to offer low prices and quality products, in addition, it promises to focus on social responsibility (Lidl 2018).

The difference between the two stores is that Lidl is a hard discounter and Prisma is a soft discounter. Lidl offers limited selection of products focusing on store's private labels, additionally, the discount stores are usually lacking service and have simple in-store fixture. Whereas, Prisma is considered as a soft discounter because it offers broader selection and both private and national brands. Both Prisma and Lidl have hypermarket store format which makes it more convenient to compare the stores between each other. (Willems & Swinnen 2011.) There are 64 Prisma in Finland and 170 Lidl stores in Finland in total (Prisma 2017; Lidl 2017).

It has been argued that after Lidl's entry Finnish consumers changed to price orientated shopping as Lidl was the first hard discounter entering the Finnish grocery market in 2002

(Rökman and Uusitalo 2007). Also S-Group started to lower its prices in certain products and product categories in 2015. The price drops have been notable especially in Prisma, where the initiative ”Halpuutus” was first started.

4.3. Data collection

The subject of price image has been previously studied by using experimental methods (e.g. Baker et al. 2002; Van Heerde et al. 2008), empirical models (e.g. Bell and Lattin 1998), analytical models (e.g. Lourenco et al. 2012) and survey questionnaires (e.g. Zielke 2006). In this research the data was collected quantitatively since it is considered to be appropriate method when one seeks to describe correlation or causality between variables. Alternatively, the qualitative method would be more suitable if one seeks to create a new theory (Malhotra & Birks 2006, 132-133.) In this research the quantitative approach was used in order to test the hypotheses presented in the theory chapter. In addition, in order to find statistical relationships between variables e.g. image drivers and price image formation.

Based on existing studies, Hamilton and Chernev (2013) have identified several measures of price image and distinguished two approaches, direct and indirect way, to measure price image. Direct measurement approach means that consumer beliefs are measured by exploring consumers' perceptions of a given retailer's price level. As against a indirect approach means that consumers' price image beliefs are explored from consumers' behaviour. In the direct approach consumers are evaluating a store's overall price level either with comparative or noncomparative measures. When using comparative measures, consumers rate price image against to a standard, such as against to a competing store (Brown 1969), whereas, non comparative measures directs consumers to evaluate price image without a specific standard or reference point. For example, measures can include various questions such as “How would you rate the prices at this store?” where consumers rate from the scales with “low” and “high” endpoint (Alba and Mormorstein 1987).

In this study the data was collected by using a survey questionnaire. Survey questionnaires are commonly used in quantitative researches and it is considered to be easy way to reach a large sample that can be later analyzed with quantitative methods (Wilson 2014: 14-15).

The 7-point likert-scale was utilized throughout the survey and the respondents were instructed to indicate their degree of agreement with the specific item ranging from "Disagree completely" to "Agree completely" (Aaltola & Valli 2001: 106-107). The respondents presented their views on either Prisma or Lidl store (depending on the survey) and without knowing that the answers were compared against the other store.

The data was collected by using phone interviews and online questionnaire, which automatically entered and saved the data to a computer. The research was administered by a professional research company and the random sample of 200 responses was collected in Southern Ostrobothnia region of Finland and from those areas where both case grocery stores Prisma and Lidl are operating. The half of the sample (100 respondents) were answering on the survey regarding Prisma store and other half (100 respondents) were answering, otherwise identical survey, but regarding Lidl store.

4.4. Logic and structure of the survey

Next we discuss about the logic and structure of the survey questionnaire. More detailed information about the questionnaire can be found at the appendix 1.

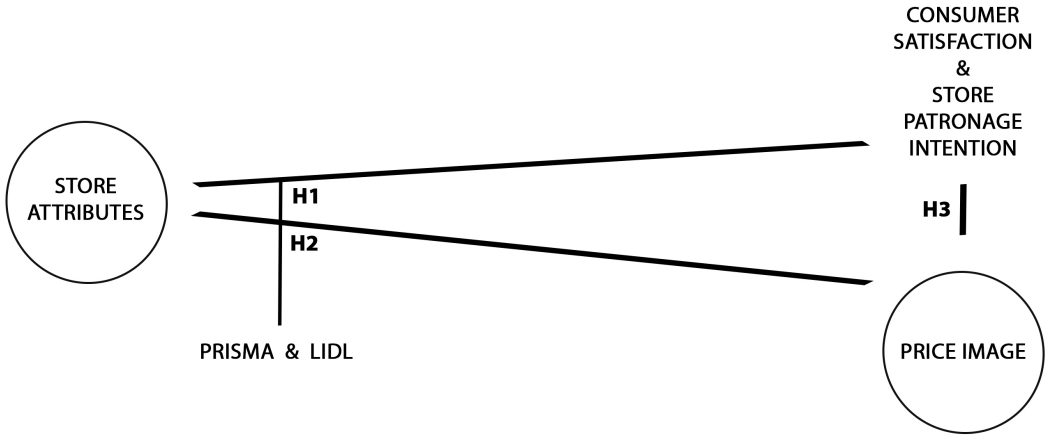

Figure 7. Conceptual model.

The figure X illustrates the conceptual model of the empirical research. By testing the hypothesis *H1* the aim was to discover whether the store attributes has an effect on consumers' satisfaction and store patronage intention. In addition, it was tested on how the store's functional and psychological store attributes were experienced by consumers. This was executed by investigating the difference in consumers' perceptions between the two competing grocery stores. Furthermore, by testing the hypotheses *H2* it was possible to gain better understanding about grocery retailer's price image drivers. The aim was to investigate if there is a link between the store attributes (assortment, advertising, physical attributes and service) and the store price level. Finally, the aim was to test the hypothesis *H3* and find out if consumer characteristics moderate the effects of price image on store satisfaction and patronage intention. Table 2 gathers all hypotheses into one table and presents the theoretical background and analysis method used in testing the hypotheses.

Table 1. Operationalization of variables.

Hypotheses	**Theoretical background**	**Method of analysis**	**Questionnaire**
H1 Consumers' perception of store attributes has an effect on consumers' satisfaction and store patronage intention.	Uusitalo (2001) Kaul and Wittink (1995)	Regression analysis	Part I: Section 1: items 1-5 Part II: Section 1: items 1-5 Section 2: items 1-6
H2 Consumers' perception of store attributes has an effect on how store price image is perceived.			
a) Advertising has an effect on how store's price level is perceived.	Lourenco et al. (2015) Kaul and Wittink (1995)	Regression analysis	Part I: Section 1: items 1-5 Section 3: items 1-3
b) Physical attributes has an effect on how store's price level is perceived.	Baker et al. (2002) Brown (1969) Lourenco et al. (2015)	Regression analysis	Part I: Section 1: items 1-5 Section 4: items 1-6
c) Assortment has an effect on how store's price level is perceived.	Anderson et al. (2006) Hamilton and Chernev (2013)	Regression analysis	Part I: Section 1: items 1-5 Section 2: items 1-5
d) Service has an effect on how store's price level is perceived.	Baker et al. (2002) Brown (1969)	Regression analysis	Part I: Section 1: items 1-5 Section 5: items 1-4
H3 Consumer characteristics moderate the effect of price image on store satisfaction and store patronage intention.	Hamilton and Chernev (2013) Myers and Lumbers (2008) Nilsson et al. (2015)	ANOVA & Regression analysis	Part I: Section 1: items 1-5 Part II: Section 2: items 1-6 Part III

As the Table 2 shows the survey questionnaire was divided in three parts and it included several sections. Next we briefly discuss about the structure of the survey and how the measurement scales were created. The first (I) part of the survey measured the store assortments in order to investigate whether the price image had a link with store attributes "assortment", "advertising", "physical attributes" and "service". These store attributes are presented also as price image drivers and these are either directly informing about the prices or indirectly informing about store's costs, therefore, used by consumers to shape the price image either up or down.

Consumers' perception of **price-level** was measured by using the scale that was originally created by Zielke and Toporowski (2012). Five items measured the price-level perception and the statements were targeted towards either store such as ''The prices are generally very low in Prisma" or " The prices are generally very low in Lidl". The aim was to discover whether the respondents evaluate the store's overall price level low or high. This variable was used in order to investigate the respondents' perception of price image.

Consumers' perception of **assortment** was measured with the scale of five items adapted from the scale created by Martinelli and Balboni (2012). The chosen items measure assortment characteristics and therefore were seen as suitable for this research. The chosen items were slightly modified to fit into this research and in order to utilize the store comparison. The items in the scale were: "Prisma/Lidl offers a broad assortment of products and brands", "Brands in Prisma's/Lidl's assortment are very well-known", "Prisma/Lidl offers high quality and fresh products", "Prisma's/Lidl's own brand products are high quality". In this research it was investigated if strong brands in general have a link with price image as in the prior research it was found that designer items and self-expressive items are associated with high prices. Lastly the scale was completed by adding item measuring the stockout-level that emerged from the theory chapter "In Prisma/Lidl I have noticed that products are out of the shelf".

Advertising was measured by using the scale of three items measuring how consumers perceive the grocery stores' advertising. The items that were used in the survey were: "I see Prisma's/Lidl's ads often" "In my opinion Prisma's/Lidl's ads are especially communicating about prices", "In my opinion Prisma's/Lidl's ads are especially communicating about quality". The aim was to investigate if the advertising has a link with

price image. Consumer's perceptions of advertising were measured from the scales created by the author of this study as there was lack of scales suitable for this research. In order to create reliable scale the items were carefully formed based on the findings that emerged from the theory chapter.

Consumers' perception of **physical attributes** were measured from the scale of five items. The items were adapted from the scale created by Martinelli and Balboni (2012) who used the scale to measure physical aspects of a grocery store. The following items were used in the survey: "In Prisma/Lidl I can easily find the product categories I am searching", "While shopping at Prisma/Lidl I can move around with ease", "Prisma/Lidl is characterized by its efficient running", "At Prisma/Lidl the products are appropriately displayed on the shelves" and "Prisma/Lidl is characterized by its cleanliness"

Consumers' perception of **service** was measured using the scale of three items adapted from the scale measuring store image created by Grewal, Baker, and Borin (1998). The chosen items were closely related to service qualities and therefore utilized in this research. Items measuring service were "Prisma/Lidl offers good overall service", Prisma/Lidl has helpful salespeople" and "Prisma/Lidl has knowledgeable salespeople".

The second section (II) of the survey focused on discovering consumers' perceptions of store personality and consumer satisfaction and store patronage intention. **Store personality** was measured by using scale of five items adapted from the scale created by d'Astous and Levesque (2009). The scale included items such as "I perceive Prisma/Lidl as welcoming", "I perceive Prisma/Lidl as stylish", "I perceive Prisma/Lidl as trustworthy", "I perceive Prisma/Lidl as reputable".

In addition, the **consumer satisfaction** and **store patronage intention** were measured. The first scale included items such as "I am satisfied with Prisma/Lidl" and "I think that frequenting in Prisma/Lidl store is a good idea" from the Lombart et al. (2016) research. Additionally, items "I would recommend Prisma/Lidl" and "I would encourage friends and relatives to visit in Prisma/Lidl" were used from the study by Chang and Wang (2014).

In the final section (III) the aim was to gather information about **consumer characteristics** (like values, price sensitivity) and **socio-demographic background** (like gender and age). In this section respondents were instructed to indicate their degree of agreement in 7-point likert-scale with the specific item ranging from "disagree completely" to "agree

completely". The scale of price sensitivity was measured using scale of three items such as "I always compare prices among different brands before choosing one" and "I look for bargains", created by González-Benito & Mercedes Martos-Partal (2014). Various socio-demographic factors were asked in order to see if the sample was reliable and represented approximately the population of Finland. Some of these variables were used in the empirical part, however, only the factors that could be supported with the theoretical findings and were considered as relevant to this research were utilized.

4.5. Reliability and validity of the research

Survey questionnaire was used in this research and it is considered to be easy way to reach a large sample that can be later analyzed with quantitative methods (Wilson 2014: 14-15). In addition, in the survey method the researcher was not able to influence on the survey participants' answers by being present when data was collected. Also, the questions were always presented in the same way. Moreover, the face-to-face interviewing may pose a risk that interviewers tone of voice or gaps are influencing on the participants when a researcher presents the question. (Aaltola & Valli 2001: 100-102.) However, the phone interviews were also used in this research, however, these were conducted by the professional research company which can be seen as minimizing the risk.

The statistical measurements were used in order to examine the *variability* and *reliability* of the research. Validity indicates the accuracy of the questions and whether these truly are measuring the phenomenon as it was supposed to measure. In order to achieve the perfect validity it requires that there has not been any kind of measurement error. (Malhotra & Birks 2006, 314.) Errors in validity may occur if the questions were poorly formed and do not measure the phenomenon as it was supposed to measure. In this survey, the respondent's honesty or misapprehension of the questions may cause an error. Respondents may reply dishonestly if they bear a social pressure to answer in a way that is presumed to be generally accepted or "in fashion". (Alkula et al. 2002, 89-91.)

The validity of this research has been attempted to maximize in several ways. First, the survey questionnaire was carefully conducted and it has been built by using several questions from the previous research that are already been tested in use. These questions

have been precisely translated from English to Finnish in order to keep the same idea behind the question, however, to still make it easier for the Finnish respondents to read the questions in their native language.

However, there was a lack of questions in the existing studies to measure some of the factors that emerged from the theory. For example, regarding the advertisement, it was necessary to create new questions in order to get new understanding. This naturally poses some risks to the validity, however, in social sciences it is natural that questions can not be repeated constantly (Alkula et al. 2002, 93). To increase the validity the questions were carefully chosen to examine the factors emerged from the theoretical background. Secondly, in order to see if the measures used in this research are relevant the survey questionnaire was reviewed by retail and grocery professionals, who can be considered to have an insight about the field in practise.

There can be a risk that participants were not answering the survey in the correct way and they may change the answers afterwards. Also, participants were not able to ask if there is unclarity in the questions. (Aaltola & Valli 2001: 100-102.) These risks were attempted to minimize in the following ways: the survey questionnaire included instructions to guide the respondents to read the questions and the scale correctly. Also, the survey was pre-tested by the research company. In addition, the author of this thesis tested the survey with a few persons before making the actual data collection from the field. This gave certainty that the questions were easy to understand and fill correctly. However, the lack of respondents ability to change the answers remained.

The reliability of the research can be considered high if the used measures are free from random error and if the research is repeated it should generate consistent results. The random errors are usually caused by a researcher or respondents. The errors done by a researcher can be typing errors, whereas, the errors by respondents appear if they have problems with memory, understanding or mood. (Alkula et al. 2002, 94.) It is possible to improve the reliability of the research by adding more questions to measure the same phenomenon, in addition, by describing the questions accurately and lastly by increasing the size of the sample (Field & Hole 2003, 57).

Saunders et al. (2007: 381) suggests that optimal length for questionnaires are four to eight

A4 size pages. If questionnaires are shorter than four pages a respondent may perceive it being irrelevant, whereas, longer than eight pages can be too painful to fill out. The length of the survey questionnaire used in this research was 11 pages (A4) long in total. Therefore, according to Saunders (2007), this could reduce the reliability of the results. However, when the questions about respondents' socio-demographic background are not took into account the survey was 8 pages, which was the maximum length (Saunders et al. 2007: 381). One could argue that questions about respondents background, like age and gender, are easy to answer and won't burden respondents, therefore, these questions were located in the end of the survey if the respondents are losing concentration when filling the last parts.

The reliability of this research has been attempted to increase by using professional research company. In addition, the survey is conducted in a way that it should minimize the possibility of random error caused by respondent or researcher. In order to minimize the risk of random error caused by a researcher each analysis were made two times and entering the data to SPSS software was double checked in order to exclude the risk of typing errors. The possibility of missing answers were eliminated by using survey that did not allow the respondent to continue without filling each part of the questionnaire, in addition, participants could choose the option "I don't know" if he or she did not want to answer to a certain question. The reliability of the results were measured by using Cronbach's alpha which could be used when there were questions measuring the same factor and the internal correlation was possible to calculate.

4.6. Data description

The random sample of 201 responses was collected in Southern Ostrobothnia region of Finland. The survey about Prisma store had 100 responses and the survey about Lidl store had 101 responses. The socio-demographic factors are briefly described in order to see how well the sample is representing Finnish consumers in general (see table X).

Table 2. Data description.

	Prisma	**Lidl**
Sample size	100	101
Gender		
Female	54 (53.5%)	56 (55.4%)
Male	46 (46.5%)	45 (44.6%)
Age		
15-29	11 (11.1%)	17 (16.8%)
30-44	32 (32.3%)	28 (27.7%)
45-59	18 (18.2%)	18 (17.8%)
60-74	26 (26.3%)	32 (31.7%)
over 75	2 (2%)	0 (0%)
Place of residence		
Seinäjoki	70 (70.7%)	73 (72.3%)
Lapua	15 (15.2%)	16 (15.8%)
Ilmajoki	13 (13.1%)	12 (11.9%)
Profession		
Workers	37 (37.4%)	41 (40.6%)
Officers	12 (12.1%)	9 (8.9%)
Executives/Entrepreneurs	1 (1%)	5 (5%)
Pensioners	37 (37.4%)	35 (34.7%)
Students	3 (3%)	1 (1%)
Full-time mothers or fathers	3 (3%)	3 (3%)
Farmers	1 (1%)	2 (2%)
Others	5 (5.1%)	5 (5%)
Number of children in the household		
No children	69 (69.7%)	74 (73.3%)
Yes, the youngest is under 7 years	20 (20.2%)	15 (14.9%)
Yes, the youngest is 7-17 years	9 (9.1%)	12 (11.9%)
Family		
1 person	30 (30.3%)	38 (37.6%)
2 persons	38 (38.4%)	35 (34.7%)
3 persons	11 (11.1%)	4 (4%)
4 persons	12 (12.1%)	13 (12.9%)
5+ persons	8 (8.1%)	11 (10.9%)
Grocery purchases / month		
200 euro or less	15 (15.2%)	17 (16.8%)
200 – 300 euro	17 (17.2%)	19 (18.8%)
301 – 400 euro	24 (24.2%)	17 (16.8%)
401 – 500 euro	18 (18.2%)	23 (22.8%)
Over 500 euro	16 (16.2%)	13 (12.9%)
Do not want to answer	9 (9.1%)	11 (10.9%)
Less than 1 000 euro	2 (2%)	3 (3%)
1 000 – 2 500 euro	16 (16.2%)	22 (21.8%)
2 501 – 4 000 euro	18 (18.2%)	27 (26.7%)
4 001 – 5 500 euro	14 (14.1%)	18 (17.8%)
5 501 – 7 000 euro	9 (9.1%)	9 (8.9%)
7 001 – 8 500 euro	5 (5.1%)	3 (3%)
Over 8 500 euro	1 (1%)	-
Do not want to answer	34 (34.3%)	18 (17.8%)
Loyalty card		
K-kauppojen Plussa-kortti	78 (78.8%)	87 (86.1%)
EEPEE:n/S-ryhmän S-etukortti	91 (91.9%)	84 (83.2%)
Pins kanta-asiakaskortti	13 (13.1%)	14 (13.9%)
None of the above	3 (3%)	6 (5.9%)
Regular grocery store		
S-market	36 (36.4%)	25 (24.8%)
K-supermarket	1 (1%)	2 (2%)
Prisma	32 (32.3%)	21 (20.8%)
Citymarket	11 (11.1%)	13 (12.9%)
Lidl	4 (4%)	15 (14.9%)
K-market	3 (3%)	11 (10.9%)
Halpa-Halli	3 (3%)	1% (1%)
Minimani	3 (3%)	5 (5%)
Sale	2 (2%)	1 (1%)
Veljekset Keskinen	-	1 (1%)
Do not know	4 (4%)	6 (5.9%)

When looking at the respondents (see figure 7), it can be seen that the sample is relatively evenly distributed between male and female: 91 (45.3%) of the respondents were male, whereas, 110 (54.7%) of the respondents were female. However, the female respondents were slightly dominating the sample. Regarding the age group the sample is distributed rather similarly as in whole nation, therefore, it represents the population of Finland quite well (Tilastokeskus 2018). The youngest age group was the smallest: *15-29 years old* represented approximately 14% of the sample. And the respondents in their middle age were the biggest age group in this sample: *30-44 years old* and *45-59 years old* together represented approximately 48% of the sample. This means that when one consumers in their middle age. Whereas the older age groups: *60-74 years old* and over *75 years old* represented together only 30% of the respondents. There were also a few missing values as all respondents did not want to answer.

Respondents' residential area was not as evenly distributed as most of the respondents were from *Seinäjoki*, group of 143 (71.1%), whereas, 32 (15.9%) are from *Lapua* and 25 (12.4%) are from *Ilmajoki*. The respondents size represents the population size of the cities quite well. Furthermore, one could argue that even though the sample is collected in Southern Ostrobothnia region the results may be generalized to other areas and even the whole nation. This is because the case stores Prisma and Lidl are utilizing similar concept in every region as the stores and the strategy are managed by a retail chain, therefore, the store attributes and pricing strategies are fairly similar in each store.

The respondents' grocery bill per month is fairly evenly distributed. The biggest respondent group, 78 persons (38.8%), used *301-500 euros per month* to grocery purchases (see figure 7). Most of the respondents had loyalty cards and not just one but several. S-Group's loyalty card was the most popular 'S-etukortti' owned by 175 of the respondents (87.1%). Almost as popular was K-group's 'Plussa' loyalty card owned by 166 persons (82.6%) of the respondents. Based on this finding one could argue that loyalty cards do not directly mean customer loyalty as consumers own many loyalty cards. Also Koistinen and Järvinen (2009) has found that Finnish consumers are actively using different loyalty cards and often they have two to five loyalty cards per household.

Respondents regular grocery stores were asked and most of the respondents replied S-Group's stores as their number one regular store to buy groceries: Approximately 30.4% (N

= 59) of the respondents name S-market as their regular store and 25.9% of the respondents name Prisma (N = 52) as their regular store. However, only 9.5% (N = 19) of the respondents chose Lidl as their number one regular store. Based on these results, one could argue that most consumers do not have Lidl as their primary grocery store, moreover, they may use Lidl to buy specific items, this has also been argued by Koistinen and Järvinen (2009).

4.7. Metrics of the study

The factor analysis was used in order to conduct the research metrics and measure the reliability of the research. Items of price level and store attributes were tested to make sure that the items are measuring the same concept. In addition, factor analysis was used to ensure that there were not problems of multicollinearity before conducting the regression analysis. The criteria for the factor analysis was that variable loadings needs to be over the value .7, if the loading was less than .7 the variable was eliminated (Field 2012: 666-668).

The Kaiser-Meyer-Olkin (KMO) test was conducted in order to measure how suitable the data is for the factor analysis. KMO value measures the proportion of variance among variables and values closer to 1 are better. The KMO value in this research was .784 meaning that the sampling is adequate as the value is over the critical .6, which is suggested as the minimum value. The KMO test confirmed that the factor analysis can be conducted. (Field 2012: 683-685.)

After conducting the factor analysis also the reliability of the scales were analyzed by using Cronbach's alpha. Cronbach's alpha measures the internal consistency and determines the reliability of the scale. It is commonly used in surveys which include multiple Likert-scales as in this research. The acceptable value for Cronbach’s alpha is .7-.8 (Field 2012: 709-710). After the factor analysis and reliability analysis the indices were constructed. Each index represented specific variable and their items and Cronbach's alpha values can be seen from the table 3 below. The factor loadings were acceptable and can be used in the further analysis. This analysis verified that the items are measuring the same variable and respondents have understood the questions correctly as measuring the specific concept.

Table 3. Research metrics.

Variable	Items	Loading	Alpha*
PRICE LEVEL	The prices of groceries are generally low in Prisma/Lidl.	.856	.861
	The price level of groceries is high in Prisma/Lidl.	.767	
	Prisma/Lidl sells groceries inexpensively.	.812	
	The grocery prices are cheaper in Prisma/Lidl than in other grocery stores.	.798	
	Prisma/Lidl is is more expensive than other grocery stores.	.781	
ASSORTMENT	Prisma/Lidl offers a broad assortment of products and brands.	.760	.788
	Brands in Prisma's/Lidl's grocery assortment are very well-known.	.760	
	Prisma/Lidl offers high quality and fresh grocery products.	.837	
	Prisma's/Lidl's own brand products are high quality.	.737	
ADVERTISING	I see Prisma's/Lidl's ads often.	.780	.715
	In my opinion Prisma's/Lidl's ads are especially communicating about prices.	.859	
	In my opinion Prisma's/Lidl's ads are especially communicating about quality.	.773	
PHYSICAL ATTRIBUTES	In Prisma/Lidl I can easily find the product categories I am searching.	.683	.880
	While shopping at Prisma/Lidl I can move around with ease.	.801	
	Prisma/Lidl is characterized by its efficient running.	.723	
	Prisma/Lidl has a pleasant atmosphere.	.834	
	Prisma/Lidl is characterized by its cleanliness.	.876	
	At Prisma/Lidl the products are appropriately displayed on the shelves.	.868	
SERVICE	Prisma/Lidl offers good overall service.	.835	.887
	Prisma/Lidl has helpful salespeople.	.920	
	Prisma/Lidl has knowledgeable salespeople.	.891	
	In Prisma/Lidl it is easy to get help from the salespeople.	.826	
STORE PERSONALITY	I perceive Prisma/Lidl as welcoming.	.835	.891
	I perceive Prisma/Lidl as stylish.	.825	
	I perceive Prisma/Lidl as trustworthy.	.885	
	I perceive Prisma/Lidl as reputable.	.896	
STORE SATISFACTION	I am satisfied with Prisma/Lidl.	.870	.916
	I think that frequenting in Prisma/Lidl store is a good idea.	.955	
	I think that frequenting in Prisma/Lidl store is a good choice.	.949	
STORE PATRONAGE INTENTION	I would recommend Prisma/Lidl.	.895	.876
	I will shop more in Prisma/Lidl in the near future.	.865	
	I would encourage friends and relatives to visit in Prisma/Lidl.	.929	
PRICE SENSITIVITY	I always compare prices among different brands before choosing one.	.863	.821
	I compare prices to take advantage of special offers.	.904	
	I look for bargains.	.807	

5. RESULTS

This chapter aims to contribute on the third aim of this thesis and empirically investigate the link between image drivers and consumers' perceptions. The statistics software SPSS is used and analysis such as Student's *t*-test, correlation and linear regression analysis were conducted. This section goes through the quantitative results and presents the empirical findings. Lastly the aim is to find out if the tested hypotheses can be empirically verified or not. In the first analysis the concept of store image and store personality are utilized and consumers' perceptions of stores' functional and psychological attributes are investigated. This is followed by the investigation of price image formation. Final part presents the results of store attributes influence on consumer satisfaction and store patronage intention.

5.1. Store image and store personality

Prior research has argued that functional and psychological store attributes are impacting on consumers overall satisfaction and consumers store choice. According to Hultman et al. (2017) perception of store's functional attributes like assortment, physical attributes and service are contributing on forming a **store image**. Whereas psychological perceptions like *welcoming, stylish, trustworthy* and *reputable* are contributing on forming a **store personality.** In this research Prisma's and Lidl's store image and store personality are compared by using the Student's *T*-test, which can be used in order to compare the means of two independent samples (Malhotra & Birks 2006, 485-487).

After running the *t*-test it was found that there was statistically significant difference in the means of Prisma and Lidl in the following attributes: *price level, assortment, physical attributes, service, store personality* and *satisfaction*. The significance level refer to the likelihood that the random sample is representative of the population and in this study the 5% chance of results being false is accepted. The summary of the results can be seen in Table 4, however, only the variables that were found statistically significant ($p < .05$) are presented in the table.

Table 4. Summary of the *t*-test results.

Variable	Store	N	Mean	Std. Deviation	*p-value*
PRICE-LEVEL	Prisma	97	4.86	1.05	*003***
	Lidl	97	5.33	1.14	
ASSORTMENT	Prisma	95	5.80	.77	*.000****
	Lidl	86	4.53	1.22	
PHYSICAL ATTRIBUTES	Prisma	94	5.76	.88	*.000****
	Lidl	90	5.15	1.18	
SERVICE	Prisma	97	5.75	.93	*.001***
	Lidl	89	5.18	1.30	

Variable	Store	N	Mean	Std. Deviation	*p-value*
SATISFACTION	Prisma	99	5.52	1.49	.023*
	Lidl	98	5.09	1.17	

Variable	Store	N	Mean	Std. Deviation	*p-value*
STORE PERSONALITY	Prisma	96	5.68	.91	*.000****
	Lidl	98	4.71	1.30	

+p = 0.10; *p = 0.05, **p = 0.01, ***p=0.000

The results show that Prisma has not managed to lower its price image as low as Lidl as we can see from the table above. Lidl has lower *price image* than Prisma, however, Prisma is perceived more positively on other attributes: *assortment, physical attributes, service* and *store personality*. In addition, these following variables had no statistically significant ($p > .05$) difference in means between Prisma and Lidl sample: *advertising*, *satisfaction*. These nonsignificant factors are not analyzed as the results can be a result of chance. Based on these findings, one could argue that Prisma has succeeded to generate more positive store image and store personality. However, Lidl has succeeded to generate lower price image. The results are explored in more detail in the following subsections.

5.1.1. Price image of Prisma and Lidl

Price level perception indicates the **price image** made by a respondent, the number 1 is

indicating high price image and number 7 is indicating low price image. *T*-test results indicated statistically significant ($p < .05$) difference in the means between Prisma's and Lidl's price level. Results show that Lidl has lower price image on average ($M = 5.33$, $SD = 1.14$) than Prisma ($M = 4.86$, $SD = 1.05$). This means that on average consumers perceive that Lidl has lower prices than Prisma.

As it was found from the theory chapter the price image is not always in line with the actual price level (Hamilton and Chernev 2013). In this research the *actual* price level was not investigated because there was a lack of resources. However, there is an analysis conducted by Kauppalehti (2017) with the help of a research company (Analyse2), which has examined the price level of Finnish grocery stores at the same time as the present research was conducted. One needs to use consideration before utilizing the findings as it can not be sure how the analysis is conducted. However, we can gain some understanding of the possible actual price level as they found that Prisma's actual price level is lower than Lidl's. For example, when the *lowest basket of goods* were examined Prisma had lowest, S-market second lowest and Lidl third lowest price level. Also when the *average basket of goods* were compared Prisma had lowest and Lidl second lowest price level on average.

This finding suggests that possibly the price image and actual price level are not always in line, as it was also suggested by Hamilton and Chernev (2013). However, further analysis would be needed in order to investigate the actual difference between the actual price level and price image. Nevertheless, this finding highlights the question: What is the driving force behind Prisma's and Lidl's price image that may have caused the difference the price level comparison relieved? The price image formation will be investigated later in this chapter but first we continue to go through the other differences that consumers had regarding the perceptions of Prisma and Lidl.

5.1.2. Functional store attributes of Prisma and Lidl

As mentioned before the results show that consumers perceive that Lidl has lower price image than Prisma, however, Prisma is perceived more positively on functional attributes like *assortment, physical attributes* and *service*. Next the results are discussed in more detail and the following analysis focuses on the store attributes that had statistically significant ($p < .05$) difference in the means between Prisma and Lidl. When evaluating the

means the numbers closer to 1 are indicating less-positive perception and numbers closer to 7 are indicating more positive perception.

The biggest difference was in Prisma's and Lidl's **assortment** perception: Prisma's assortment is ranked more positively on average M = 5.8 (SD = .77). Whereas, Lidl's assortment is less positive on average M = 4.53 (SD = 1.22). The **assortment** perception was measured by asking consumers to evaluate how well the following assortment characteristics are fulfilled either in Prisma or Lidl: store offers *very well known products, high quality and fresh products, a broad assortment of products and brands* and if their *own brand products are high quality*.

Usually hard discounters like Lidl offer limited selection focusing on store's private labels. Whereas Prisma is considered here as a soft discounter since it offers broader selection and both private and national brands. As suggested by Koistinen and Järvinen (2009) Lidl's weakness is its limited selection and consumers are more attracted on Lidl's specific product lines, such as drinks and nuts than the whole assortment. Also these results show that consumers are not as satisfied on Lidl's assortment as they are on Prisma.

Scholars have argued that customers who are satisfied on the assortment are generating positive associations towards a store consequently it can result as greater consumer satisfaction and sales performance of a retailer (Gómez, McLaughlin and Wittink 2004). Also here customers were more satisfied with Prisma on average (M = 5.52, SD = 1.49) than on Lidl (M = 5.09, SD = 1.17). The difference in the means between Prisma's and Lidl's store **satisfaction** was statistically significant ($p < .05$). However, we can not be sure which store attributes are linked with the satisfaction but this will be investigated later in this chapter.

The difference in the mean of stores' **physical attributes** is significant ($p < .05$) and the perception of Prisma's physical attributes are on average more positive M = 5.76 than Lidl's M = 5.15 (SD = 1.18). Here the results are shown also on item level and the results (see table 5) showed that respondents perceive Prisma more positively on each attribute. In Prisma it is *easier to move around and find products,* in addition, stores are perceived as *cleaner* and having more *pleasant atmosphere* and *appropriate displaying* than in Lidl. However, when looking the results on item level there was not significant difference

between Prisma and Lidl on the perception of *running efficiently* (p = .552, p > .05). According to prior research large hypermarket stores and discount stores, like Prisma and Lidl, are both characterized as running efficiently (Uusitalo 2001; Hamilton and Chernev 2013), which could be the reason why there are not significant difference between the stores on this attribute. In addition, one could argue that the finding that Prisma is perceived more positively on physical attributes is not that surprising as Lidl is a hard discounter and characterized by having a simple in-store fixture. (Willems & Swinnen 2011.)

Table 5. Summary of the physical attributes results on item level.

Variable	Store	N	Mean	Std. Deviation	*p-value*
Easiness to find product categories.	Prisma	99	5.33	1.57	*.027**
	Lidl	98	4.83	1.62	
Moving around with ease.	Prisma	98	6.24	1.05	*.001***
	Lidl	98	5.67	1.38	
Pleasant atmosphere.	Prisma	99	5.44	1.23	*.000****
	Lidl	95	4.62	1.56	
Characterized by cleanliness.	Prisma	99	6.00	1.51	*.000****
	Lidl	97	5.18	.96	
Products appropriately displayed on the shelves.	Prisma	98	6.14	.91	*.001***
	Lidl	97	5.56	1.39	

+p = 0.10; *p = 0.05, **p = 0.01, ***p=0.000

The difference in the means between Prisma's and Lidl's **service** was also statistically significant (p < .05). Service perception was measured by asking if the respondents' perceived that stores had *good service in overall,* or *helpful and knowledgeable salespeople* and if they perceive that *it is easy to get help at the store*. Also here the results show that respondents have more positive perception of Prisma's service on average (M = 5.75, SD = .93) than Lidl's (M = 5.18, SD = 1.30). Usually discount stores are lacking service (Willems & Swinnen 2011) and in hypermarkets the lack of personal service is widely approved (Koistinen and Järvinen 2009). Maybe hypermarkets like Prisma and Lidl could offer better service (e.g. personal service) since these are not expected but could work as a way to exceed customers expectations. Also Koistinen and Järvinen (2009) has found that many Finnish consumer would prefer to have more salespersons also in big grocery stores.

5.1.3. Psychological store attributes of Prisma and Lidl

Also the psychological attributes of the store were investigated and the table 6 presents the results on item level. The psychological attributes have been suggested as forming the *store personality* (d'Astous and Lévesque 2003). The difference in the means of Prisma's and Lidl's **store personality** was statistically significant ($p < .05$) and on average Prisma had more positive perception ($M = 5.68$, $SD = .91$) than Lidl ($M = 4.71$, $SD = 1.30$). Only the item 'superficial' had no statistically significant ($p = .172$, $p > .05$) difference in the means of the stores. As discussed in the theory chapter there is lack of understanding on how Finnish grocery retailers are associated on the psychological level and whether consumers are forming store personalities on grocery stores. These results suggest that Prisma has succeeded to gain more positive store personality and it is perceived more positively than Lidl on each level: *welcoming, stylish, trustworthy* and *reputable*. However, both stores are perceived positively as the results show that the mean values are between 3.81 – 5.99.

Table 6. Summary of the store personality results on item level.

Variable	Store	N	Mean	Std. Deviation	*p-value*
Welcoming	Prisma	99	5.70	1.04	*.000****
	Lidl	101	5.00	1.58	
Stylish	Prisma	97	5.19	1.20	*.000****
	Lidl	99	3.81	1.53	
Trustworthy	Prisma	98	5.88	1.18	*.000****
	Lidl	100	5.06	1.44	
Reputable	Prisma	98	5.99	1.08	*.000****
	Lidl	100	4.99	1.40	

+p = 0.10; *p = 0.05, **p = 0.01, ***p=0.000

On average Prisma was more *stylish* ($M = 5.19$, $SD = 1.20$, $p = .000$) than Lidl ($M = 3.81$, $SD = 1.53$, $p = .000$). In addition, Prisma was perceived more *welcoming* ($M = 5.70$, $SD = 1.04$, $p = .000$) than Lidl ($M = 5.00$, $SD = 1.58$, $p = .000$). Even though both retailers are discount stores and their main strategy is to offer low prices it seems that Prisma has managed to offer also stylish and welcoming store atmosphere, whereas, Lidl is perceived as less-welcoming and less-attractive. The difference was greatest between the stylish

attribute, however, Lidl has started to update its store design with a new concept (Yle 2016), but it was not launched in the case Lidl stores where the data was collected at the time of this research.

Furthermore, results showed that Prisma has managed to gain trustworthy and reputable perception in consumers' mind. Prisma was perceived more *trustworthy* (M = 5.88, SD = 1.18, p = .000) than Lidl (M = 5.06, SD = 1.44, p = .000) on average. In addition, more *reputable* (M = 5.99, SD = 4.99, p = .000) than Lidl (M = 4.99, SD = 1.40, p = .000) on average. Prior research have found a relationship between low price image and customers' attitudes but not with consumers trust (Lombart et al. 2016), which suggests that low price image do not have impact on consumers trust. This could be presumed that the trust towards Prisma is emerging from other factors and the trustworthiness is not linked with Prisma's low prices.

It could be argued that since Prisma is owned by the market leader S-Group chain and the first Prisma was opened already in 1972 (KSML 2016), it could be one explanation why Prisma has established consumers trust towards Prisma. Whereas, Lidl is the newest rival, furthermore, foreign owned and first hard discounter in Finnish grocery market, which may could the reason why Lidl has not yet established the same level of trust in consumers mind. Even though, Lidl is aiming to focus on social responsibility (Lidl 2017), the results argue that is has not established the same reputable and trustworthy image as Prisma.

Based on these findings it could be said that Prisma and Lidl have both established a positive perception in consumers' mind. However, retailers could create more differentiation by expressing unique personality that can not be copied by a competitor. Lidl had the lowest mean value in the perception of being stylish but almost the same mean values in trustworthy, reputable and welcoming. Also Prisma had the lowest mean value regarding the perception of being stylish, whereas, the highest mean values were on trustworthy and reputable.

According to Willems and Swinnen (2011), retailers should focus on customer needs and values when aiming to create the positive psychological attributes and managing the store personality. For example, consumers who buys groceries from Lidl because of the low price level may not want the store to be "stylish" if they associate this to retailer costs,

consequently perceive it resulting as higher price level. Therefore, the retailers need to understand how the different store personality attributes are influencing on the consumer satisfaction. Nonetheless, the correlation coefficients and regression analysis are used in the following analysis in order to better understand the relationship between these variables.

All in all, the findings of the *t*-study showed that there are difference on how Prisma and Lidl are perceived by consumers on both functional level, referring to a store image and on psychological level, referring to a store personality. Furthermore, Prisma had more positive store image and store personality, whereas, Lidl had lower price image than Prisma. One could argue that these results are in line with the retailers' store formats as Lidl is a hard discounter and Prisma is a soft discounter.

5.2. Correlations between variables

The Pearson correlation analysis and regression analysis are conducted in order to test the research hypotheses and to investigate the correlations among pairs of variables or correlations within and between sets of variables. However, one needs to note that the correlation refers to associations among variables and it does not signify inferences about causation. When the correlation is positive it means that as one variable goes up or down so will the other one. In contrast, when the correlation is negative it means that as one variable goes up or down the other one goes in opposite direction. The value 0 means that there is no correlation between the variables and the values between .1-.3 mean that there is a weak correlation. Values between .3-.7 refers to a relative high correlation but if the value is over .7 the problem of multicollinearity occurs. Multicollinearity is a common problem and it refers to a phenomenon where the correlations between the variables are too high and the statistical inferences conducted from the data may not be reliable. (Field 2012: 263–265, 324–326, 686.)

Results of the correlation analysis can be seen at the following tables. The correlation analysis was conducted individually for Prisma sample and Lidl sample. There was multicollinearity between some of the variables (see tables 6 and 7) which may occur if the respondents have been sloppy when answering the questions. When there is multicollinearity between the variables these variables cannot be used in the same metric.

This means that the researcher needs to carefully consider when deciding which variables should be eliminated when the multicollinearity occurs. The decisions are made by the researcher of this thesis and aim was to eliminate as few variables as possible.

From the table 6 below one can see the correlations between the variables regarding Prisma sample. There was multicollinearity between the variables *store personality – physical attributes* and *store personality – satisfaction*. There was multicollinearity also between variables *satisfaction – store patronage intention*. This means that we cannot use both of these variables satisfaction and store patronage intention in the same metrics as consumers may perceived that these variables are measuring the same factor. Luckily, there was not found multicollinearity between any of the store attribute variables and these variables can be used in the regression analysis for example when analyzing price image formation.

Table 7. Correlations between the variables of Prisma sample.

	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**
(1) Price level	1								
(2) Assortment	.258*	1							
(3) Advertising	.177	.191	1						
(4) Physical attributes	.418**	.584**	.380**	1					
(5) Service	.321**	.559**	.237*	.646**	1				
(6) Store personality	.309**	.681**	.313**	.705**	.633**	1			
(7) Satisfaction	.465**	.410**	.263*	.496**	.442**	.725**	1		
(8) Patronage intention	.440**	.368**	.372**	.470**	.363**	.603**	.702**	**1**	
(9) Price sensitivity	-.082	.038	.106	.052	-.015	.094	.205*	.099	1

** Correlation is significant at the .01 level (2-tailed)
* Correlation is significant at the .05 level (2-tailed)

From the table 7 below one can see the correlations between the variables regarding the Lidl sample. There was more multicollinearity than in Prisma sample between the variables and this means that we cannot use the problematic variables in the same metric. For example, there was multicollinearity between *physical attributes – assortment*, additionally,

physical attributes – service. Therefore, the variable physical attribute is eliminated for example from the price image formation metric as it has multicollinearity with store attributes service and assortment. There was also multicollinearity between variables *store personality – physical attributes, store personality – assortment*, additionally, between *store personality – service*. This means that these variables could not be used in the same metric without eliminating the other one.

Table 8. Correlations between the variables of Lidl sample.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) Price level	1								
(2) Assortment	.603**	1							
(3) Advertising	.384**	.534**	1						
(4) Physical attributes	.498**	.749**	.404**	1					
(5) Service	.431**	.634**	.455**	.792**	1				
(6) Store personality	.530**	.709**	.463**	.766**	.712**	1			
(7) Satisfaction	.519**	.648**	.298**	.651**	.653**	.790**	1		
(8) Patronage intention	.540**	.722**	.289**	.688**	.656**	.734**	.877**		
(9) Price sensitivity	.123	.209	.210*	.249*	.112	.206*	.281**	.317**	1

** Correlation is significant at the .01 level (2-tailed)
* Correlation is significant at the .05 level (2-tailed)

In addition, this study attempted to find evidence if the consumer characteristics like gender, values and price sensitivity moderate the effects of price image on store satisfaction and patronage intention. However, the results showed that there was not significant main effect nor interaction effect between the variables regarding the socio-demographic or consumers' values ($p > .05$). Thus, the test failed to find that these factors moderate the effects of price image on store satisfaction and patronage intention. Only the price sensitivity had a significant main effect on the variables which will be analyzed later in this chapter. However, also price sensitivity failed to have significant interaction, therefore, it does not moderate the effect of price image on store satisfaction and patronage intention.

All in all, the hypothesis H3 was tested by using the two-way ANOVA, in addition, regression analysis was used as an alternative method. Furthermore, the findings from the

existing literature have found that some demographic factors like gender has influence on store choice and how consumers perceive the importance of store attributes (Nilsson et al. 2015). However, the findings of the theory chapters did not point out that consumers' background would have impact on how store price image is formed or how store personality is perceived. In conclusion, also this study failed to find a link between these variables, therefore, the hypothesis H3 is rejected.

5.2.1. Price image formation

This study attempts to discover the store attributes impact on perceived price image. As suggested by Hamilton and Chernev (2013) these factors are nonprice drivers influencing on the formation of a retailer's price image. By utilizing the regression analysis the association between these drivers and price image are investigated and the hypothesis set in the theory chapter are tested. Regression analysis estimates whether predictor variables account for variability in a dependent variable. In this study the linear regression analysis is conducted in order to understand the relationship between store attributes and perceived price level.

The consumers' perception of overall price level refers to a retailer price image as described in the theory chapter. With the analysis it is possible to understand if the following variables *assortment, advertising, physical attributes and service* can predict a store's *price level* perception. Price level variable acts as an dependent variable in order to find answers to the research question and predictor variables are chosen based on the findings from the theory. Regression analysis was conducted separately for Prisma and Lidl, in order to discover if there are differences in the results between the two stores. The following sections presents the summaries of the analysis and results.

Regression analysis aimed to investigate if Prisma's and Lidl's *price level* (dependent variable) can be predicted based on the consumers' perception of *store attributes* (independent variables). First the regression analysis was conducted for **Prisma** and the store attributes *assortment, physical attributes, advertising* and *service* were included in the model based on the correlation analysis. The R-Square (R^2) was .180 and it indicates that the model can explain approximately 18 % of the variance in price level perception. ANOVA results showed that independent variables statistically significantly predicted the

dependent variable, $F(4, 84) = 4.605$, $p < .002$, $R^2 = .180$. The significance level $p < .002$ means that in this analysis there is 98% chance that the results are being true and 2% chance of it being false. The VIF values were less than 10 and tolerance values are over .2 which also indicates that there is not the problem of multicollinearity. These values show that the regression model is a good fit for the data.

As can be seen from the table 9 there was a significant and positive relationship between *price level* variable and *physical attributes* variable ($\beta = .354$, $t = 2.443$, $p < .017$). There was not found statistically significant relationship between price level and the other store attributes. This means that in this model the variable *physical attribute* can predict consumers perception of price image, whereas variables *assortment, advertising* and *service* failed to predict the price image.

Table 9. Summary of regression results: Prisma's price image formation.

Outcome	**Predictor**	**β**	**t-value**
Price level	Assortment	-.002	-.018
	Advertising	.021	.199
	Physical attributes	.354*	2.443
	Service	.088	.653

+p = 0.10; *p = 0.05, **p = 0.01, ***p=0.000

Next the regression analysis was conducted for **Lidl's** sample and store attributes *assortment, advertising* and *service* were included in the model. Here the R-Square was .371 and it indicates that this model can explain approximately 37 % of the variance in price level perception. ANOVA results showed that independent variables statistically significantly predicted the dependent variable, $F(3, 78) = 15.361$, $p < .000$, $R^2 = .371$. In this analysis the significance level was high as it reached to $p < .000$. Multicollinearity was not identified as the VIF values and tolerance values were acceptable. These values show that the regression model is a good fit for the data.

As can be seen from the table 10 the impact was significant and positive between *price*

level variable and *assortment* variable and no statistically significant relationships were found in other store attributes. This means that in this model the variable assortment can predict consumer's price image, whereas store attributes *assortment, advertising* and *service* failed to predict the price image.

Table 10. Summary of regression results: Lidl's price image formation.

Outcome	**Predictor**	**β**	**t-value**
Price level	Assortment	.520***	4.186
	Advertising	.076	.701
	Service	.067	.570

+p = 0.10; *p = 0.05, **p = 0.01, ***p=0.000

5.2.2. Drivers forming a low price image in Prisma and Lidl

The results showed that when **Prisma's** price image drivers were investigated the results showed that only *physical attributes* had a significant and positive impact on price level (β = .354, t = 2.443, p < .017). Whereas, when investigating **Lidl's** price image drivers, the results showed that only *assortment* had a significant and positive impact on price level (β = .520, t = 4.186, p < .000).

In order to see which specific items were significant the regression analysis was conducted on item level. Regarding Prisma the analysis was conducted between price level and physical attributes $F(6, 87) = 3.827$, $p < .002$, $R^2 = .209$. It was found that only the item indicating the level of Prisma's *efficient running* was significant (β = .424, t = 3.184, p < .002) and no statistical significance were found in other items. Whereas, regarding Lidl the analysis was conducted between price level and assortment $F(4, 82) = 16.949$, $p < .000$, R^2 = .453. It was found that two items had statistically significant and positive relationship with price level: item indicating that *Lidl offers a broad assortment of products and brands* (β = .389, t = 4.162, p < .000). In addition, item indicating that *Lidl offers high quality and fresh products* (β = .528, t = 3.311, p < .001).

Based on these results it can be argued that once consumers have the perception that Prisma

is running efficiently the price image is perceived low. One explanation for this can be that consumers presume that retailers ability to run efficiently indicates that it has lower retailer costs which again is reflecting to the price image, as also suggested by Hamilton and Chernev (2013). Based on this notion, one could suggest that when Prisma is aiming to enhance its low price image it should focus on enforcing this perception that it is able to run efficiently. This could be done through advertising and communication. For instance, Prisma could enforce consumers' perception that it is able to offer low prices because of the efficient business model e.g. large sales volume and economies of scale. The results did not support the prior finding that low price image is associated to store cleanliness (Lourenco et al. 2015). In addition, there was not association between high price image and pleasant atmosphere, convenient layout or appropriate displaying.

Regarding Lidl, the results indicated that when consumers have a positive perception of Lidl's assortment also Lidl's price image is perceived low. In this research the positive perception of assortment means that Lidl offers broad selection of products and brands, in addition, Lidl's products are high quality and fresh. One explanation for this may lie on consumers price evaluation and price fairness: once consumers perceive that store offers high quality and fresh products consumers reference price is higher and they perceive prices to be more acceptable and fair. Findings from the prior research supports this statement: it has been found that price fairness, meaning how reasonable and acceptable a retailer's prices are perceived against other comparative retail stores (Campbell 1999), enhances the store price image for discount stores (Chang & Wang 2014).

However, we can not know which variable is impacting on the other or if there is an external factor that is causing the relationship. Therefore, it could also be presumed that against Lidl's low prices the assortment is perceived positively. Consumers' perception of Lidl's good price-quality ratio in selection could be the reason behind the link: when the perception of low prices goes up also the positive perception of assortment goes up. Nonetheless, this study failed to find that well-known brands or retailer's own high quality brands would have a link with high price image. In addition, the study did not support the finding that perception of stock-out has link with low price image, as argued by Anderson, Fitzsimons and Simester (2006).

5.3. Consumer satisfaction and store patronage intention

In the following analysis consumer perception of store attributes and its relationship with store satisfaction and patronage intention is investigated. Also here the two competing grocery stores Prisma and Lidl are compared against each other.

Regression analysis is conducted in order to investigate if consumers' satisfaction on Prisma and Lidl can be predicted based on consumer's perception of store's *price level, assortment, physical attributes, advertising, service and price sensitivity*. The same analysis was conducted also to investigate if these image drivers are contributing on *store patronage intention*, however, there was not found significant difference in the results. In addition, in the correlation analysis it was found that there was multicollinearity between satisfaction and store patronage intention meaning that these variables are too closely related. Therefore, in this analysis the results stand for both satisfaction and store patronage intention.

Table 11. Summary of regression results on Prisma's satisfaction.

Outcome	**Predictor**	**β**	**t-value**
Satisfaction	Price level	.325***	3.447
	Assortment	.133	1.214
	Advertising	.065	.698
	Physical attributes	.146	1.128
	Service	.156	1.337
	Price sensitivity	.215*	2.492

+p = 0.10; *p = 0.05, **p = 0.01, ***p=0.000

Table 11 above presents the regression analysis results regarding Prisma. Here the R-Square (R^2) was .408 meaning that the model can explain approximately 41 % of the variance in price level perception. ANOVA results showed that independent variables statistically significantly predicted the dependent variable, $F(6, 88) = 9.430$, $p < .000$, $R^2 = .408$. In this metric the significance level was high $p < .000$, meaning that there is not a

high risk of the results being false or result of a chance. The VIF values were less than 10 and tolerance values are over .2 and this is often regarded as indicating that there is no multicollinearity. The results indicated that in this model the variable *price level* and *price sensitivity* can predict Prisma's satisfaction. Whereas the following variables *assortment, advertising, physical attributes* and *service* cannot predict consumers' satisfaction on Prisma as their relationship with satisfaction were nonsignificant.

Table 12. Summary of regression results on Lidl's satisfaction.

Outcome	**Predictor**	**β**	**t-value**
Satisfaction	Price level	.186*	1.990
	Assortment	.320*	2.806
	Advertising	-.178*	-1.981
	Service	..431***	4.419
	Price sensitivity	.180**	2.363

+p = 0.10; *p = 0.05, **p = 0.01, ***p=0.000

Next the regression analysis was conducted in order to investigate if Lidl's satisfaction can be predicted based on *price level, assortment, advertising, service and price sensitivity*. Here the *physical attributes* variable can not be included in the metrics because of the multicollinearity problem as explained in the previous price image formation analysis. Here the R-Square was .636, indicating that this model can explain approximately 64 % of the variance in price level perception. ANOVA results showed that independent variables statistically significantly predicted the dependent variable, $F(5, 81) = 21.273$, $p < .000$, $R^2 = .583$. Multicollinearity was not identified as the VIF values and tolerance values were acceptable. As can be seen from the table 12 above there was a significant relationship between each independent variable and the dependent variable satisfaction. This means that all variables *price level, assortment, advertising, service* and *price sensitivity* can predict Lidl's satisfaction.

5.3.1. Price level and price sensitivity in Prisma and Lidl

To summarize these two analyses, the hypothesis is accepted and image drivers like *price level, assortment, service* and *advertising* can have a significant relationship with satisfaction. In addition, consumer characteristic *price sensitivity* can have a significant relationship with satisfaction. When comparing the results of Prisma and Lidl it was found that there are different image drivers predicting the satisfaction.

Regarding Prisma the results showed that consumers' perception of price level and consumers price sensitivity had significant relationship between both stores satisfaction and store patronage intention. Prisma's **price level** had a significant and a positive impact on satisfaction ($\beta = .325$, $t = 3.447$, $p < .001$), also Prisma's **price sensitivity** had a significant and a positive impact on satisfaction ($\beta = .215$, $t = 2.492$, $p < .015$). Also regarding Lidl, consumers' satisfaction was linked to price-related factors like price image and price sensitivity. The relationship between **price level** variable and satisfaction variable was significant and positive ($\beta = .186$, $t = 1.990$, $p < .05$). There was also a significant and positive relationship between **price sensitivity** variable and satisfaction ($\beta = .180$, $t = 2.363$, $p < .021$).

Based on these results it can be concluded that consumers are satisfied on Prisma and Lidl also when they perceive that these stores have low price image. In addition, when consumers are price sensitive they are satisfied on Prisma and Lidl. These results argue that especially the consumers' satisfaction on Prisma is highly linked with price-related factors, either price image or consumers price sensitivity meaning that consumers have price-oriented shopping behaviour. As argued in the theory chapter low prices are creating satisfaction and based on these findings it could be suggested that it is also the key driver of consumers' satisfaction towards Prisma.

Regarding the store's functional attributes like *service*, *assortment* and *advertising* it can be concluded that these attributes are impacting on store satisfaction and store patronage intention but only in case of Lidl and not in Prisma. Although, Lidl's price level and consumer price sensitivity had significant relationship with satisfaction on Lidl, the beta values of the analysis showed that store attributes *assortment* and *service* had greater impact. Based on this, one could argue that even though Lidl's low prices have significant

impact on satisfaction it may have less impact that the assortment and service on the satisfaction and store patronage intention.

Furthermore, regarding Lidl, the impact was strongest between **service** variable and satisfaction variable and the relationship between the variables was positive and significant (β = .431, t = 4.419, p < .000). The second strongest was the positive relationship between **assortment** variable and satisfaction variable (β = .320, t = 2.806, p < .05). This indicates that when the positive perception of Lidl's service and assortment increases the satisfaction towards Lidl increases or other way around. Based on these results it can be suggested that the main reason behind consumers satisfaction on Lidl may not be the price level but its service and assortment.

Also the relationship between **advertising** and satisfaction was fairly significant but negative (β = -.178, t = -1.981, p < .051). This means that when the perception of Lidl's advertising increases the satisfaction decreases or other way around. This can not be explained based on the findings from the theory chapter but the finding is interesting especially since the relationship is negative. Therefore, the regression analysis was conducted again on item level to see which items had impact on satisfaction.

The item that measured how often consumer perceives to notice Lidl's advertising had a negative relationship with satisfaction, however, the relationship barely reached to the significant level (β = -.201, t = -1.917, p < .058). However, this argues that when the level of how often consumers sees Lidl's advertising increases, the satisfaction towards Lidl decreases. The item that measured if consumer perceives that Lidl's advertising is communicating especially about *quality* had significant and positive relationship (β = .604, t = 5.718, p < .000) with satisfaction. Whereas, the item that measured if the advertising is communicating especially about *prices* had no significant impact. Based on these findings one could suggest that possibly those consumers who see Lidl's ads often are not satisfied on Lidl and especially those consumers who perceive that Lidl communicates about quality are more satisfied on Lidl.

6. RESEARCH CONCLUSIONS AND DISCUSSION

Throughout the thesis we have gained a better understanding of consumers' perception of retail grocery stores. The main purpose of this thesis was to investigate the dynamics of price image formation and consumers' image perceptions in the context of grocery retailing. The empirical part of the research attempted to contribute especially on the lacking understanding of nonprice drivers role in forming a grocery retailer's price image. In addition, this study identified the stores' functional attributes as "image drivers" contributing on forming a store image and a store price image. Whereas, psychological store attributes were presented as elements of store personality. All in all, the consumers' perceptions of Prisma and Lidl were investigated empirically in order to gain practical knowledge on how Finnish consumers evaluate these two competing retail grocery stores. This chapter presents the final conclusions drawn from the theoretical and empirical part of the thesis. The main findings and managerial implications will be introduced. Finally the chapter presents the limitations of this study and avenues for future research.

6.1. Discussion of the research

Prior research has found that Finnish consumers have fairly low product specific price knowledge and they tend to overestimate the prices of groceries above the market price (Aalto-Setälä and Raijas 2003). Also because of the lacking price knowledge grocery stores are evaluated based on their price image (Ollila 2011:222). Scholars have suggested that Finnish consumers changed more to price orientated shopping when the first hard discounter Lidl entered the Finnish grocery market in 2002 (Rökman and Uusitalo 2007). Furthermore, the past few years the market leader S-Group has shaken the industry by lowering the prices with the initiative called "Halpuuttaminen" starting in Prisma stores. After one year of launching the "Halpuutus" -campaign the market share of S-Group has increased 1,3 %, whereas the hard discounter Lidl's market share has decreased 0,3 % during the same year (PTY 2016).

Scholars have found that consumers price sensitivity strengthens when there is a intensive price competition between the market rivals (Van Heerde et al. 2008). One could argue that

S-Group's strategic choice to lower the prices may have resulted that consumers' price sensitivity has increased and they are also more sensitive to store price image. However, as discovered in the theory chapters the actual prices are only one driver of price image and there are also other image drivers contributing on price image formation. Scholars have argued that these image drivers, nonprice cues and price-related cues, have even more impact on consumers than the actual price level. Has S-Group succeeded to lower the price image in Prisma and is Lidl still remaining its hard discounter image?

The results showed that there is a significant difference in consumers' perception of Prisma's and Lidl's price image. In addition, there was a significant difference in consumers' perception in several functional and psychological store attributes between the stores. This study strengthened some of the earlier findings about the relationship between store attributes and the price image. The empirical findings also support the notion that besides price-related drivers, which are directly informing about retailer's price level, also the nonprice drivers had a significant link with price image. As also argued by Hamilton and Chernev (2013) nonprice drivers are indirectly informing about the price level through retailers costs. The results showed that regarding Prisma there is a significant relationship between Prisma's physical attributes and price image. In addition, regarding Lidl there was a significant relationship between Lidl's assortment and price image. The table 13 below compiles the results of all hypotheses.

Table 13. The results of the empirical research and tested hypotheses.

H1 Consumers' perception of store attributes has an effect on consumers' satisfaction and store patronage intention.	Hypothesis is accepted.
H2 Consumers' perception of **s**tore attributes has an effect on how store price image is perceived.	Hypothesis is accepted.
a: Advertising has an effect on how store's price level is perceived.	Hypothesis is rejected.
b: Physical attributes has an effect on how store's price level is perceived.	Hypothesis is accepted.
c: Assortment has an effect on how store's price level is perceived.	Hypothesis is accepted.
d: Service has an effect on how store's price level is perceived.	Hypothesis is rejected.
H3 Consumer characteristics moderate the effect of price image on store satisfaction and store patronage intention.	Hypothesis is rejected.

6.2. Managerial implications

From the managerial point of view the study offered great insight about Finnish consumers' perceptions on retail grocery stores. One of the main goal was to investigate how consumers perceive the price image of Prisma and Lidl. Prior research has argued that prices are seen unfair when the difference is between *low price image stores* rather than high price image and low price image store. This underlines the importance of the finding that Prisma and Lidl has significant difference in the price image. (Hamilton and Chernev 2013.) Furthermore, as it was discussed before Prisma's actual price level was suggested to be lower than Lidl's actual price level around that time when the data was collected (Kauppalehti 2017). However, results of this study showed that Lidl had lower price image than Prisma. This notion supports the argument, made by Hamilton and Chernev (2013), that there can be a difference between the actual price level and price image. However, it would need a further investigation in order to verify this assumption. It can be concluded that both stores have established a low price image, however, Lidl is perceived as having lower price image.

The findings from the existing research underline that *low price image* has significant and positive impact on consumer behaviour such as store choice and purchase quantity. However, the desirable price image may not always be the low price image. It was also found that *high price image* has its benefits as consumers may evaluate prices more favourably than in low price image store. (Hamilton and Chernev 2013.) For instance, when consumers have the perception that store has high price image they change the reference price and find high prices to be more acceptable. This raises the question if the low price image is always worth of aiming for. Also for this reason, a retailer should not only manage prices and measure consumers' perception of price level but also investigate the outcomes of price image. Rather than focusing on achieving low price image a retailer should find an optimal price level which is in-line with a retailer's strategy and consumers price sensitivity. For instance, a retailer using EDLP pricing strategy uses different pricing tactics than a retailer using hi-lo pricing strategy, therefore, the price image is most likely resulting different.

Furthermore, a retailer needs to acknowledge that it can be even impossible for consumers to evaluate actual prices, especially, when there are great market variation between the market prices (Aalto-Setälä and Raijas 2003). In addition, promotions, discounts and

changes in the market price can confuse consumers about the normal price resulting that consumers' price knowledge become weaker (Hamilton and Chernev 2013). To draw a conclusion, a retailer should measure both the actual price level and the consumers' perception of price level (meaning the price image) and then observe the difference. It can be crucial for a retailer to acknowledge if consumers have more favorable or less favorable price image than the actual price level is. Furthermore, a retailer should observe how the difference between the actual price level and price image evolves over time, in addition, a retailer should reflect this on its sales and consumer satisfaction. By this way a retailer is able to find an optimal price level and price image in light of sales performance and consumer satisfaction.

As we discussed in the beginning of this thesis Prisma is considered as being a soft discounter whereas Lidl is identified as a hard discounter. Also the findings of this study argue that Lidl is perceived as having low price image and Prisma is perceived more positively on other attributes. According to Willems & Swinnen (2011) hard discounters have limited selection, store's are lacking service and have simple in-store fixture. However, one could argue that Lidl might be evolving from a hard discounter more to a soft discounter: Lidl has been enhancing the store environment (Yle 2016), in addition, it has introduced premium private labels in groceries such as *Deluxe* and extended its assortment on clothing and beauty products (e.g. *Esmara by Heidi Klum* and *Cien*). However, Lidl's selection is still dominated by private labels which is the main difference compared to a soft discounter. Prisma is perceived as a soft discounter as it is offering both private labels and wide selection of national brands, additionally, besides groceries also home, leisure and clothing products. However, one could argue that if Lidl is moving towards a soft discounter store type there will be greater competition between Prisma and Lidl in the future.

Findings of this study underline that in case of a discount grocery store it is important to communicate the reason why it is able to offer low prices. Researchers have found that consumers associate both positive and negative reasons why a store is able to offer low prices. Consumers may have a positive perception that low prices are a result of an efficient business model. However, consumers may also interpret that it is a result of offering poor quality products or it is operating unfairly with its suppliers or other stakeholders. (Zielke 2014.) These findings were also in line with the results of this study as it was found that

Prisma's price image had significant relationship with the perception that the store is operating efficiently (β = .354, t = 2.443, p < .017). In addition, regarding Lidl the price image had a significant relationship level with the perception of assortment (β = .520, t = 4.186, p <. 000). This is in line with Hamilton and Chernev's (2013) finding that consumers perceive price image by observing the nonprice cues, reflecting these cues on retailers cost and consequently on its price level.

The findings of this study suggest that when consumers have the perception that Prisma is running efficiently the price image is perceived low. Furhtermore, S-Group could enforce this perception for example through its communication and advertising and express that it is able to offer low prices because of the efficiency. In case of Lidl the link was also positive and the perception of Lidl's broad assortment and fresh and good quality products were linked with low price image. One could argue that this is not in line with prior findings as hard discounters are usually associated with limited selection and are lacking quality (Koistinen & Järvinen 2009; Willems & Swinnen 2011). As the results do not indicate the causality I found two possible explanations for this finding: One reason could be that consumers who perceive that Lidl has *broad and high quality assortment* change the reference price and evaluate the price level more favourably. Alternatively, consumers who have the perception that Lidl has *low price-level* have gained a positive perception that, for a discounter, Lidl has also a broad assortment and good price-quality ratio.

Furthermore, it can be argued that price image drivers differ between retailers. Therefore, a retailer should not blindly copy the tactics used by a competitor even if the competing retailer is succeeding after implementing those tactics. For instance, the results of this study are suggesting that if Lidl is able to manage its price image by changing consumers' perception of its assortment, Prisma may not have the same impact with the same efforts. Conversely, if Prisma is able to impact its price image by changing its physical attributes, Lidl may not have the same impact by copying Prisma. However, by observing competitors store attributes a retailer is able to predict the competitors possible changes in price image.

The empirical findings of this study demonstrated that low price image has a significant relationship with satisfaction and store patronage intention. This finding realised in both retail grocery stores; Prisma (β = .325, t = 3.447, p < .001) and Lidl (β = .186, t = 1.990, p < .05). In addition, the study indicated that there is a significant relationship between price sensitivity and satisfaction; when price sensitivity increases also the satisfaction for both

Prisma (β = .215, t = 2.492, p < .015) and Lidl increases (β = .180, t = 2.363, p < .021). This means that more price sensitive the consumers are (e.g. consumer especially look for bargains when shopping) the more satisfied they are on Prisma and Lidl. Furthermore, the results showed that *low price image* had the strongest impact on satisfaction in Prisma, whereas, *service* and *assortment* had the strongest impact on satisfaction regarding Lidl.

The finding that Lidl's satisfaction had a strong relationship with store's functional attributes like service, assortment and quality-based advertising is interesting. The finding shows that consumers' satisfaction on hard-discounters is not only generated by low prices. In fact, it was found that Lidl's service and assortment had stronger relationship with satisfaction than its low price level. As argued before also these findings suggest that Lidl might be evolving from a hard discounter closer to a soft discounter, as the results suggest that consumers who are the most satisfied on Lidl are appreciating also other factors than low prices.

Whereas, regarding the soft discounter Prisma the results showed that satisfaction had significant relationship only with low price image and consumers price sensitivity. Besides offering low prices Prisma's value proposition is to offer a pleasant and convenient shopping experience (Prisma 2018). However, these results argue that physical attributes (which partly measured the convenient shopping experience), additionally, assortment and service had nonsignificant link with Prisma's satisfaction. Based on these results it can be suggested that in order to attract consumers also in the future it is crucial that Prisma remains the perception of having low price level.

In addition, Prisma could still enhance its price image since it has not reached the same low price image as Lidl. This study suggests that this could be accomplished by enforcing the perception of store operating efficiently, as it was found to have a significant link with Prisma's price image. However, Prisma should also considerate how to create satisfaction also by providing something more unique than low price level in order to remain in the market leader position also in the future. One could argue that especially when there is a intensive price competition between the competitors, a retailer needs to differentiate also on other attributes than just a low price image.

Furthermore, retailers need to create a unique value proposition that is enabling it to differentiate from the competitors. As both stores Prisma and Lidl are discounter stores it

can be presumed that their core strategy is to offer low price to consumers. However, is it enough to stay ahead of competition especially in case of new competitors' entry? As it was discussed in the beginning of this thesis the e-commerce giant Amazon launching in Nordic market would expose Finnish grocery retailers to greater competition. Therefore, Finnish grocery retailers need to succeed both in online and brick-and-mortar grocery stores in order to stay ahead of competition.

As the results showed there are significant difference between Prisma and Lidl store attributes on a functional level and on a psychological level. However, both stores are ranked positively between numbers 5 and 6 which indicates that consumers are already satisfied on both stores. This is in line with Uusitalo (2001) findings when she interviewed people in Finland and found that grocery stores have already met customer's expectations on a functional level. In addition, one could argue that if consumers are already satisfied and grocery retailers are lacking differentiation consumers do not have a proper reason to be loyal to specific retailer. Even the retailers own loyalty programs (Like S-Group's 'S-etukortti' and K-Group's 'Plussa') may not work as a competitive edge as many Finnish consumers tend have loyalty cards for various grocery retailers. However, one could argue that the consumer understanding gained from the loyalty programs could offer great insight and competitive edge in case of the entry of new competitors.

All in all, in order to differentiate from the competitors a retailer needs to understand the reason why it exists and the value it is bringing to consumers now and in the future. From the discounters point of view rather than simply offering low prices a retailers' value proposition could be that it is enabling consumers to do cost-effective purchase decisions. By utilizing this perspective, the discounters' aim is not only to achieve low price level but also offer services that are enabling consumers to be cost-effective. For instance, with the use of loyalty programs and customer data the grocery retailers could offer ready-made shopping baskets for consumers based on their previous purchase and according to their announced budget. A retailer could even offer recipes and tailored shopping-baskets with the use of customer data and even specify the offering by taking account consumers special needs like allergies and dietary. In the long run this could also make consumers more loyal to a specific retailer, however, consumers it would reguire that consumers are willing to share their information.

Furthermore, one could argue that in brick-and-mortar stores a retailer needs to offer not only attractive prices but also attractive overall customer experience by exceeding customers expectations. For brick-and-mortar store the overall customer experience is crucial factor especially when the online grocery shopping becomes more popular. This could be accomplished for example by offering better service as the prior research has found that Finnish consumers would prefer to have more salespersons available also in hypermarkets.

6.3. Limitations and avenues for future research

There are naturally some limitations concerning the generalization of the results of this study. There are some statistical limitations as the regression analysis are made based on the correlations it means that there are associations among variables and it do not mean causation. In addition, there can be an external factor causing the relationship. Nonetheless, this study found significant relationship between the tested variables, therefore, it was possible to make future-oriented predictions and suggestions. Furthermore, the suggestions were made by reflecting the empirical results to the theoretical findings which also strengthens the reliability.

In addition, one could argue that investigating image as a phenomenon can be challenging since it can be difficult even for respondents to expose their perceptions and attitudes. One needs to remember that image perceptions are not stable and can be changing over time or depend on a situation. (Vehkalahti 2014: 12, 17.) However, this study offers metrics that can be used in order to repeat the analysis in the future. Another limitation is that the empirical research was conducted in Finland and collected in Southern Ostrobothnia region which may cause limitations when generalization the results. One should also acknowledge that the Finnish grocery trade has an exceptional oligopoly market form, therefore, the results may not be directly generalized on other cultures or foreign market.

In this research the price image formation was investigated by comparing two retail grocery stores that utilized EDLP pricing strategy. In the future research one could investigate the price image formation by comparing EDLP stores and hi-li stores. The factors that influence on the stability and the duration of the price image, store image and store

personality are also possible factors to study. Besides drivers of price image it would be important to study the process by which a store personality and store image are formed by consumers. One could argue that investigating psychological attributes of a store is important since also in price image formation consumers respond to the psychological perceptions of price rather than price itself.

Furthermore, as this research used quantitative research approach one could investigate the price image formation by using qualitative research and methods like observing or interviewing. One could utilize the findings of this research and further investigate how consumers form a price image while shopping in actual grocery store environment. Particularly in situations where the management aims to modify consumers' perceptions of price image in the store environment. All in all, the metrics and the survey questionnaire used in the empirical research can be replicated if one intends to investigate a similar phenomenon. In addition, a potential application of the study is the possibility of monitoring changes in store image, price image and store personality over time.

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APPENDICES

Appendix 1. The survey questionnaire (Prisma).

SEINÄJOEN PRISMAA KOSKEVA MIELIKUVA- JA ASIAKASTYYTYVÄISYYSTUTKIMUS

*Tämä kysely koostuu **kolmesta toisistaan erillisestä osiosta**. Ensimmäisessä osiossa pääset esittämään näkemyksiäsi Prisman (Hyllykallio) päivittäistavarakaupan hintatasosta, tuotevalikoimasta, mainonnasta, myymäläympäristöstä ja palvelusta. Toisessa osiossa voit ottaa kantaa siihen millaisia mielikuvia ja tyytytyväisyyskokemuksia liität Prismaan. Kolmannessa osiossa kuvaat puolestaan itseäsi kuluttajana. Lopuksi pyydämme antamaan muutamia taustatietoja itsestäsi ja kotitaloudestasi vastausten tilastollista käsittelyä varten.*

Vastaaminen kestää n. 15-20 minuuttia ja kaikki vastaukset käsitellään luottamuksellisesti. Kiitos ajastasi - Mielipiteesi on meille tärkeä!

I NÄKEMYKSESI PRISMASTA

1. **Miten näet Prisman päivittäistavaroiden hintatason?** Ole hyvä ja ota kantaa siihen, missä määrin olet samaa tai eri mieltä asteikolla 1 = täysin eri mieltä 7 = täysin samaa mieltä seuraavien väitteiden kanssa.

	1	2	3	4	5	6	7
Prismassa on yleensä halvat hinnat päivittäistavaroissa	☐	☐	☐	☐	☐	☐	☐
Prisman hintataso on korkea päivittäistavaroissa	☐	☐	☐	☐	☐	☐	☐
Prismassa myydään elintarvikkeita edullisesti	☐	☐	☐	☐	☐	☐	☐
Prismassa päivittäistavarat ovat edullisempia kuin muissa kaupoissa	☐	☐	☐	☐	☐	☐	☐
Prisma on kalliimpi kuin muut päivittäistavarakaupat	☐	☐	☐	☐	☐	☐	☐

2. **Miten näet Prisman päivittäistavaroiden tuotevalikoimat?** Ole hyvä ja ota kantaa siihen, missä määrin olet samaa tai eri mieltä asteikolla 1 = täysin eri mieltä 7 = täysin samaa mieltä seuraavien väitteiden kanssa.

	1	2	3	4	5	6	7
Prismassa on laajasti erilaisia tuotteita ja brändejä päivittäistavara-valikoimassa	☐	☐	☐	☐	☐	☐	☐
Prismalla on erittäin tunnettuja brändejä päivittäistavara-valikoimassa	☐	☐	☐	☐	☐	☐	☐
Prisman tarjoamat päivittäistavarat ovat laadukkaita ja tuoreita	☐	☐	☐	☐	☐	☐	☐
Prismassa ketjun omat merkit ovat laadukkaita	☐	☐	☐	☐	☐	☐	☐
Prismassa päivittäistavaratuotteet ovat usein loppuneet hyllystä	☐	☐	☐	☐	☐	☐	☐

3. **Miten näet Prisman päivittäistavaramainonnan?** Ole hyvä ja ota kantaa siihen, missä määrin olet samaa tai eri mieltä asteikolla 1 = täysin eri mieltä 7 = täysin samaa mieltä seuraavien väitteiden kanssa.

	1	2	3	4	5	6	7
Näen Prisman mainoksia usein	☐	☐	☐	☐	☐	☐	☐
Mielestäni Prisman mainonnassa viestitään erityisesti hinnoista	☐	☐	☐	☐	☐	☐	☐
Mielestäni Prisman mainonnassa viestitään erityisesti laadusta	☐	☐	☐	☐	☐	☐	☐

4. **Miten näet Prisman päivittäistavaroiden myymäläympäristön?** Ole hyvä ja ota kantaa siihen, missä määrin olet samaa tai eri mieltä asteikolla 1 = täysin eri mieltä 7 = täysin samaa mieltä seuraavien väitteiden kanssa.

	1	2	3	4	5	6	7
Prismassa asioidessani löydän helposti etsimäni tuoteryhmät	☐	☐	☐	☐	☐	☐	☐
Prismassa pystyn liikkumaan vaivattomasti	☐	☐	☐	☐	☐	☐	☐

	1	2	3	4	5	6	7
Prismalle tunnusomaista on toiminnallinen tehokkuus	☐	☐	☐	☐	☐	☐	☐
Prismassa on miellyttävä tunnelma	☐	☐	☐	☐	☐	☐	☐
Prismalle tunnusomaista on siisteys	☐	☐	☐	☐	☐	☐	☐
Prismassa tuotteet asetellaan hyllyille asianmukaisesti	☐	☐	☐	☐	☐	☐	☐

5. Miten näet Prisman päivittäistavaramyyntiin liittyvän palvelun? Ole hyvä ja ota kantaa siihen, missä määrin olet samaa tai eri mieltä asteikolla 1 = täysin eri mieltä 7 = täysin samaa mieltä seuraavien väitteiden kanssa.

	1	2	3	4	5	6	7
Prisma tarjoaa kokonaisvaltaisesti hyvää palvelua	☐	☐	☐	☐	☐	☐	☐
Prismassa on avuliasta henkilökuntaa	☐	☐	☐	☐	☐	☐	☐
Prismassa on osaavaa henkilökuntaa	☐	☐	☐	☐	☐	☐	☐

Prismassa on helppo saada myyjältä apua

1 2 3 4 5 6 7

☐ ☐ ☐ ☐ ☐ ☐ ☐

II MIELIKUVA- JA TYYTYVÄISYYSKOKEMUKSESI PRISMASTA

1. **Miten koet Prisman mielikuvallisesti?** Ole hyvä ja ota kantaa siihen, missä määrin olet samaa tai eri mieltä asteikolla 1 = täysin eri mieltä 7 = täysin samaa mieltä seuraavien väitteiden kanssa.

Koen Prisman lähestyttäväksi

1 2 3 4 5 6 7

☐ ☐ ☐ ☐ ☐ ☐ ☐

Koen Prisman tyylikkääksi

1 2 3 4 5 6 7

☐ ☐ ☐ ☐ ☐ ☐ ☐

Koen Prisman pinnalliseksi

1 2 3 4 5 6 7

☐ ☐ ☐ ☐ ☐ ☐ ☐

Koen Prisman luotettavaksi

1 2 3 4 5 6 7

☐ ☐ ☐ ☐ ☐ ☐ ☐

	1	2	3	4	5	6	7
Koen Prisman hyvämaineiseksi	☐	☐	☐	☐	☐	☐	☐

2. Kuinka tyytyväinen koet olevasi Prismaan? Ole hyvä ja ota kantaa siihen, missä määrin olet samaa tai eri mieltä asteikolla 1 = täysin eri mieltä 7 = täysin samaa mieltä seuraavien väitteiden kanssa.

	1	2	3	4	5	6	7
Olen tyytyväinen Prismaan	☐	☐	☐	☐	☐	☐	☐
Uskon, että Prismassa käyminen useammin on hyvä idea	☐	☐	☐	☐	☐	☐	☐
Uskon, että Prismassa käyminen useammin on hyvä valinta	☐	☐	☐	☐	☐	☐	☐
Suosittelen Prismaa	☐	☐	☐	☐	☐	☐	☐
Käyn Prismassa useammin lähitulevaisuudessa	☐	☐	☐	☐	☐	☐	☐

	1	2	3	4	5	6	7
Rohkaisen ystäviäni ja sukulaisiani käymään Prismassa	☐	☐	☐	☐	☐	☐	☐

III MILLAINEN KULUTTAJA OLET?

1. Kuinka yleensä painotat ruoan eri valintakriteerejä? Ole hyvä ja ota kantaa siihen, missä määrin olet samaa tai eri mieltä asteikolla 1 = täysin eri mieltä 7 = täysin samaa mieltä seuraavien väitteiden kanssa.

	1	2	3	4	5	6	7
1. **Vaivattomuus** (esim. tottumus, kätevyys, hyvä saatavuus) on minulle tärkeä ruoan valintakriteeri ostopäätöstä tehdessäni kaupassa	☐	☐	☐	☐	☐	☐	☐
2. **Edullisuus** (esim. halpuus, tarjoushinta, alennus) on minulle tärkeä ruoan valintakriteeri ostopäätöstä tehdessäni kaupassa	☐	☐	☐	☐	☐	☐	☐
3. **Vastuullisuus** (esim. alkuperä, luomu, tuotannon eettisyys) on minulle tärkeä ruoan valintakriteeri ostopäätöstä tehdessäni kaupassa	☐	☐	☐	☐	☐	☐	☐
4. **Imagosyyt** (esim. muihin vaikutuksen tekeminen) on minulle tärkeä ruoan valintakriteeri ostopäätöstä tehdessäni kaupassa	☐	☐	☐	☐	☐	☐	☐
5. **Terveellisyys** (esim. keveys, luonnollisuus, turvallisuus) on minulle tärkeä ruoan valintakriteeri ostopäätöstä tehdessäni kaupassa	☐	☐	☐	☐	☐	☐	☐
6. **Aistinvarainen laatu** (esim. maku, tuoreus, ulkonäkö) on minulle tärkeä ruoan valintakriteeri ostopäätöstä tehdessäni kaupassa	☐	☐	☐	☐	☐	☐	☐
7. **Mielialavaikutukset** (esim. piristyminen, palkitseminen) on minulle tärkeä ruoan valintakriteeri ostopäätöstä tehdessäni kaupassa	☐	☐	☐	☐	☐	☐	☐

2. Missä määrin tyypillisesti hyödynnät hintainformaatiota päivittäistavaraostoksia tehdessäsi? Ole hyvä ja ota kantaa siihen, missä määrin olet samaa tai eri mieltä asteikolla 1 = täysin eri mieltä 7 = täysin samaa mieltä seuraavien väitteiden kanssa.

	1	2	3	4	5	6	7
1. Ostaessani päivittäistavaratuotteita vertailen aina ensin hintoja eri brändien välillä.	☐	☐	☐	☐	☐	☐	☐

1. Vertailen hintoja hyötyäkseni erikoistarjouksista. ☐ ☐ ☐ ☐ ☐ ☐ ☐
2. Etsin alennustuotteita. ☐ ☐ ☐ ☐ ☐ ☐ ☐

3. Mitä asioita arvostat elämässäsi? Ota kantaa siihen, kuinka tärkeitä seuraavat arvot sinulle ovat elämääsi ohjaavina periaatteina. Käytä asteikkoa 1 = ei lainkaan tärkeä, 4 = en osaa sanoa, 7 = hyvin tärkeä

	1	2	3	4	5	6	7
1. PERINTEET (mm. perinnäistapojen kunnioitus, nöyryys, oma elämänosansa hyväksyminen, uskoon pitäytyminen, kohtuullisuus, maltillisuus)	☐	☐	☐	☐	☐	☐	☐
2. HYVÄNTAHTOISUUS (mm. auttavaisuus, rehellisyys, anteeksiantavaisuus, uskollisuus, luotettavuus, ystävyys)	☐	☐	☐	☐	☐	☐	☐
3. MIELIHYVÄ (mm. mielihalujen tyydyttäminen, itsensä hemmottelu, elämästä nauttiminen)	☐	☐	☐	☐	☐	☐	☐
4. VIRIKKEISYYS (mm. seikkailut, riskien otto, monipuolinen ja jännittävä elämä)	☐	☐	☐	☐	☐	☐	☐
5. SUORIUTUMINEN (mm. menestys, kyvykkyys, kunniahimo, työteliäisyys, tavoitteiden saavuttaminen, vaikutusvalta ihmisiin ja tapahtumiin)	☐	☐	☐	☐	☐	☐	☐
6. UNIVERSALISMI (mm. laajakatseisuus, luonnon ja taiteiden kauneus, sosiaalinen oikeudenmukaisuus, maailmanrauha, tasa-arvo, kypsä elämänymmärrys, luonnonsuojelu)	☐	☐	☐	☐	☐	☐	☐
7. ITSEOHJAUTUVUUS (mm. luovuus, vapaus, uteliaisuus, riippumattomuus, omien tavoitteiden valitseminen)	☐	☐	☐	☐	☐	☐	☐
8. VALTA (mm. muiden hallitseminen, arvovalta, yhteiskunnallinen valta, varakkuus)	☐	☐	☐	☐	☐	☐	☐
9. YHDENMUKAISUUS (mm. tottelevaisuus, vanhempien ihmisten kunnioittaminen, itsekuri, kohteliaisuus)	☐	☐	☐	☐	☐	☐	☐
10. TURVALLISUUS (mm. kansallinen turvallisuus, perheen turvallisuus, yhteiskunnallinen järjestys, siisteys, palvelusten vastavuoroisuus)	☐	☐	☐	☐	☐	☐	☐

TAUSTATIETOSI

Sukupuoli

Mies ☐
Nainen ☐

Ikä **kirjoita vuosina (esim. 35 vuotta)*

☐ **vuotta**

Asuinkunta

☐
Seinäjoki ☐
Lapua ☐
Ilmajoki

Ammatti

Työntekijä ☐
Toimi-/virkahenkilö ☐
Johtava asema/itsenäinen yrittäjä ☐
Eläkeläinen ☐
Opiskelija ☐
Kotiäiti/-isä ☐
Maanviljelijäväestö ☐
Muu ☐

Onko taloudessa lapsia?

Ei ole lapsia ☐
Kyllä, nuorin alle 7 vuotta ☐
Kyllä, nuorin 7-17 vuotta ☐

Perhe

- 1 henkeä ☐
- 2 henkeä ☐
- 3 henkeä ☐
- 4 henkeä ☐
- 5+ henkeä ☐

Päivittäistavarakauppa-ostot/kk

- 200 euroa tai vähemmän ☐
- 200 – 300 euroa ☐
- 301 – 400 euroa ☐
- 401 – 500 euroa ☐
- Yli 500 euroa ☐
- En halua vastata

Taloutesi yhteenlasketut bruttotulot kuukaudessa (ennen veroja)

- Alle 1 000 euroa ☐
- 1 000 – 2 500 euroa ☐
- 2 501 – 4 000 euroa ☐
- 4 001 – 5 500 euroa ☐
- 5 501 – 7 000 euroa ☐
- 7 001 – 8 500 euroa ☐
- Yli 8 500 euroa ☐
- En halua vastata

Käytössä olevat etukortit

- K-kauppojen Plussa-kortti ☐
- EEPEE:n/S-ryhmän S-etukortti ☐
- Pins kanta-asiakaskortti ☐
- Ei mitään edellä mainituista ☐
- En osaa sanoa ☐

Ruokaostosten kantaostopaikka

- ☐ S-market
- ☐ K-supermarket
- ☐ Prisma
- ☐ Citymarket
- ☐ Lidl
- ☐ K-market
- ☐ Halpa-Halli
- ☐ Minimani
- ☐ Sale
- ☐ Veljekset Keskinen
- ☐ Jokin muu
- ☐ En osaa sanoa

Kiitos kaikista vastauksistasi, mielipiteesi on meille tärkeä! Anna palautetta tästä tutkimuksesta ☺
