AN ANALYSIS OF CUSTOMER PERCEPTIONS: FACTORY OUTLET MALLS VERSUS TRADITIONAL DEPARTMENT STORES

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Factory outlet malls and their stores represent a challenge to the status quo enjoyed by traditional mall retailers and brand managers. This challenge is based not only on a competition for the customer's buying dollar, but also for the manufacturer's brand position. Based upon this dilemma, research was conducted to compare consumers' perceptions regarding four critical determinants of a retailer's total product offering: product, physical, price, and service characteristics of two forms of retailing, traditional department stores and factory outlet stores. The research provides the results of these comparisons and suggests implications for managers of both outlet stores and traditional department stores.

INTRODUCTION

Consumer acceptance of retail channel alternatives, such as the factory outlet mall, has been worthy of notice by retail and brand managers alike. This acceptance is witnessed through a growth rate in outlet malls of between 15 and 17 percent from 1987 to 1995 and a still impressive growth rate of around 7 percent during the 1996 to 2000 period (*Building Design* 1997). The large number of consumers (55 million) who are willing to travel around 200 miles, round trip, tend to support the success of the outlet mall (*Consumer Report* 1998). These growth rates have resulted in just over 300 new outlet malls with sales of approximately $12 billion (Binole 1998) with approximately 70 percent or $8.3 billion in sales being in the apparel or accessory categories (Schneiderman 1998).

This increase in alternative shopping choices clearly represents a threat to the more traditional retail malls, as outlet stores, which are generally owned and operated by the manufacturer, have the opportunity to challenge the more traditional stores since they directly control such characteristics as price, product assortment, product quality, and the level of service that is offered within the store. This level of control can be seen strategically, as brand managers choosing to utilize an outlet store format have the option of being able to reduce the price of "first quality" products making them more attractive to consumers, while holding the traditional retail establishment to a "manufacturer suggested retail price" which is at a higher pricing point than that of the factory outlet. Further, selling "seconds", overruns, or last season's styles in outlet stores, which likely have lower levels of overhead costs, allows the outlet manager the opportunity to capture a more price sensitive market which may well be growing as a result of the present downturn in the economy.

Given this threat to the traditional retail outlet, this study is designed to conduct a comparative analysis of shoppers' attitudes regarding specific attributes of high-end outlet stores and prestige department stores. The specific attributes compared will focus on the

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overall product offering, the quality of the products sold, the prices offered, and the physical attributes of the retail store.

LITERATURE REVIEW

Successful manufacturers and retailers have been able to use various marketing tools such as pricing, advertising, layout, merchandising, location, and personnel to create images for their products/stores that the consumer views as being desirable. As Jacoby and Mazursky (1984) note, unfavorable images tend to reduce both store patronage and purchase behavior while favorable images positively impact buyer behavior. From the retailer's perspective, one of the more critical elements in the creation of this favorable image is the width and depth of the product lines which the firm opts to sell, as well as the image of the brand names represented within those product lines. It is also clear that from the manufacturer's point of view, it is unacceptable for high end products to be carried in discount stores, as the types of firms that are allowed to carry their products affects the consumer's overall perceptions of the manufacturer's brands and product lines. Given that store image and product or brand image appear to be closely related, it is vitally important for a marketing strategist to understand the implications of moving to new forms of distribution, such as the factory outlet mall. The following literature will review brand image research, store image research, and research that is emerging which deals with manufacturers' outlet malls.

Brand Image Research

A number of researchers have sought to determine the appropriate criteria which should be used to enhance consumer perceptions of brand image. Cohen and Jones (1978) offered three basic criteria in the consideration of brand image enhancement which included the following: 1) manufacturers should sell to retailers who were already successful (as determined by average sales per square foot), 2) manufacturers should select only retailers who share the same image and goals as those of the manufacturers, and 3) the manufacturer should confer with the retailer to determine which types of products are most likely to meet both the retailer's and the manufacturer's needs. By using these criteria, Cohen and Jones concluded that by enhancing both the images of the retailer and the manufacturer, it would be easier to increase sales and market share in a saturated retail environment. Jacoby and Mazursky (1984) conducted research which linked brand image with retailer image. The findings of this study indicate a retailer who is seen as holding a relatively low image could improve its overall image by including products which held more favorable images. Conversely, retailers who hold very high images can damage their images by associating with brands which have less positive images. Interestingly, they also found that manufacturer's brands holding a positive image would be damaged if the brand was associated with a retailer holding a poor image. However, they also found that brands holding lower images would do little or nothing to improve the overall brand image by being associated with retailers who possess more positive images.

Dawar (1998) indicates brand signaling is used by a firm when it uses signals such as price, warranties, advertising, and brand names to convey levels of quality to the consumer. The consumer uses signaling theory to infer product quality as well as other information that may be available to them. Dawar further points out brand signaling is based upon two factors: 1) previous investments by the firm to secure a market position, and 2) the prior experience the consumer has had with the brand in question. This latter condition was found to suggest that when a consumer has had a prior experience with the brand which confirms the signal the firm is giving, there is an increased likelihood future signals will have greater credibility with the consumer. However, if prior experience does not confirm the signal, there is the likelihood that future signals from the firm will be met with scepticism. Rao, Qu, and Ruekert (1999) take brand signaling one step further by suggesting if a company is unable to find appropriate signals on its own, it is possible for the company to align itself with a credible ally whose signals may carry over to the firm's products. They further suggest it may be effective for one brand to tie itself to another, thereby taking advantage of that brand's reputation.

Indeed, Yoo, Donthu, and Lee (2000) found that management may engage in either brand-building activities or brand-harming activities. Brand-building activities could include such things as higher advertising expenditures, higher price points, distribution through retailers with good store images, and higher sales volume. Brand-harming activities could include activities such as frequent price promotions, lower promotion expenditures, and distribution through stores with lower perceived images. This study makes it very clear that store image is a determining factor in the perception a consumer has of a given brand name product and that distribution must be taken into consideration in the formulation of any marketing strategy.

Based upon the previous literature, it is clear brand signaling is used by sellers and buyers alike and the signals used by the seller must be appropriate for the brand as they will affect the overall image of the product. Following this line of thought, a consumer who wishes to purchase a high-quality brand name product must decide if a product sold in a manufacturer's outlet mall could still be considered a high-quality product based upon the type of distribution outlet being used or if the type of outlet being used signals the product is of inferior quality or value. Therefore, the first hypothesis to be tested in this study is stated as:

H_1: The product image of those products sold in factory outlet malls is less than those products which are sold in traditional retail malls.

Store Image Research

Store image research can also be traced back to the 1950s with the pioneering research of Martineau (1958) who found that a store's personality or image is influenced by the following: 1) the importance of advertising in developing image, 2) the role price reductions play in determining store patronage, and 3) the importance consumers place on finding a retail store whose image is congruent with their own self-images. He noted that it is imperative for a retail store to develop a clear and concise image or the store will become an *alternative* store in the consumer's mind. Martineau also concluded, particularly in the case of the "upper-status" shopper, that there is a symbolic meaning that comes from shopping at a particular store which must reflect the individual's perceived status and lifestyle. While it is obvious there are many factors which might interact to define a store's image, Martineau (1958) found that it is the retailer's sales personnel that are most important in determining a store's image.

Later research conducted by Lindquist (1974-75) revealed nine specific attributes which contributed to the formation of store image. These nine attributes and their subsets are as follows: 1) merchandise (assortment, quality, and selection), 2) service, (salesperson, returns, self-serve, delivery, and credit policy), 3) clientele (social class, self-image, congruency, and store personnel), 4) physical facilities (elevators, lighting, air conditioning, and washrooms), 5) convenience (location, and parking), 6) promotion (sales promotion, advertising, displays, and trading stamps), 7) store atmosphere (warmth, acceptance or feeling), 8) institutional factors (conservative or modern, and reputation), and 9) post-transaction satisfaction (return and adjustment policies). Based upon the examination of these nine attributes, Lindquist determined that those items concerned with merchandising (assortment, quality, and selection) were the most important elements in the determination of store image. It is therefore simple to make the assumption that the assortment of brands sold in a given store will influence the store's image. Oxenfeldt (1974-75) also conducted research to determine the root causes of store image and reported there are three basic areas that must be considered in the formulation of store image. These areas are as follows: 1) tangible factors such as assortment, credit, sales help, speedy checkout, and easy return; 2) intangible factors including friendliness, familiarity, trust, helpfulness, and ego-gratification; and 3) the fantasies one experiences when shopping. He concluded consumers not only used factually based opinions about a particular store but also tend to have a "feeling" about the store in question.

It would appear, based upon previous research, that there is a fair amount of confusion concerning the number of variables that are in play which lead to the consumer's perceived image of a particular retail outlet. For example, Zimmer and Golden (1988) found that while attitude-specific descriptors represent part of the image a consumer holds, that image is also described in terms of: one's overall impression, prototypic stores, products carried, shopping behavior of the consumer, and store labels. Keaveney and Hunt (1992) suggest this "piece-meal" processing could be replaced with a category-based processing system which allows the consumer to determine if a store is a "discount" store or a "department" store. They argue when a consumer enters a new store for the first time, customers will process what is perceived and then 1) fit the store into an existing category of store with which they are familiar, 2) make some modification to the existing store category, or 3) develop a new category for the store. It is suggested that this type of category processing requires that a retailer entering a new market must be aware of how the store is categorized by the consumer and then determine if this categorization is correct or if it needs to be changed through some form of differentiated strategy. This perception may well determine if the consumer sees the products which this store offers as being "first" quality products or "second" quality products.

Baker and Grewal (1994) also report that the store's environment plays a major role in providing informational cues or signals (thick carpeting, low-level lighting, and muted colors) to consumers about the type of merchandise and service they should expect, and that merchandise quality and service quality are key variables in influencing store image. Their research indicated both ambient and social signals within the store environment provide the consumer with cues resulting in a determination of overall quality. In an attempt to more narrowly focus the discussion of store image, Manolis and Keep (1994) put forth a model which suggests the myriad of characteristics previously examined could be reduced to three underlying characteristics which form the basis of store image in the consumer's mind. These three characteristics were described as being: 1) general store attributes, 2) appearance, and 3) salesperson/service. It was further suggested this model could be used as a measure of store image in a variety of retail settings.

Therefore, the second and third hypothesis to be tested in this study are stated as:

- **H_2:** The physical characteristics of the store component will be lower for factory outlet mall stores than for traditional department stores.

- **H_3:** The store service characteristics of the store component will be lower for factory outlet malls than for traditional department stores.

Manufacturers' Outlet Mall Research

It is clear mall managers, who are responsible for formulating strategic business plans, must better understand consumers in terms of what they are expecting during their shopping trips. This is particularly true in terms of recognizing the perceptions consumers hold of both brand names and store names and how these perceptions may translate into sales dollars as consumers move from shopping exclusively at traditional retail malls to shopping at factory outlet malls. For example, for particularly well known brand names, such as Polo or Coach, is there a potential threat to product brand image resulting from discount pricing associated with factory outlet distribution? Dodds (1991) reported when store name or brand name is positive (as would be the case with Polo or Coach), functional, psychological, and social risk can be increased by price levels that are too low, and these risks will decline as price is increased, but the risks will increase again if the price is increased to higher levels. This would seem to imply that managers of well known brand names must take care not to price their outlet products too low. Instead, managers should find a lower price point which is seen as being appropriate for an "image" product, but which also provides the consumer with the perception of a "deal."

Further, the risk of pricing a product too low, and thereby capturing too large a market through those lower prices, also exists. Hellofs and Jacobson (1999) concluded, with the exception of premium priced products, large gains in market share tend to lead to decreases in perceived quality. In the case of factory outlet malls, it would seem that gaining a larger market share through price reductions, which are aimed at capturing the "mass" market, may very well lead to a reduction in the overall perceived quality of that brand name by the more "upscale" market previously targeted. If "everyone" can now afford to buy the product it may not be perceived as being as desirable to the market segment looking for more exclusive products.

It may be a mistake to assume that consumers would be willing to accept factory rejects or seconds simply because they are priced lower than the normal retail outlet. Cobb-Walgren, Ruble and Donthu (1995) point out that for a manufacturer, brand equity is what provides the product with a differential advantage which serves to provide a higher volume of sales as well as higher profit margins. It is also noted that from a trade perspective, brand equity contributes to the image of the retail outlet selling the product and helps insure higher amounts of store traffic. Jolson and Spath (1973) found that from a store patronage perspective, just over 91 percent of respondents reported the price/value relationship as being one of the most important variables (ranked from first to fifth) for continued patronage, followed closely by store specialization, quality of merchandise and sales clerk service. They further reported that many of the retailers used in this study were only moderately aware of the factors motivating buying activity. Dhruv, Krishnan, Baker, and Borin (1998) also found the quality of the merchandise/brands sold and the pricing structure are particularly important to the consumer. Additionally, they reported that consumers may use brand name as a cue in forming a perception of the product's quality.

If consumers do tend to use both price and brand name as indicators of a product's quality, it may be a mistake to assume the manufacturer of a well-recognized brand name would be willing to harm that brand name by selling low quality seconds at low prices when large amounts of capital have been expended to build an image of prestige and quality around that brand name. In fact, it would seem that for a manufacturer to use factory outlet malls as part of their overall distribution strategy it would need assurances that the products sold through these outlets were of a high enough quality not to damage the brand equity that had been built through the use of other strategic resources. However, research does exist which leads to the conclusion that the perception of product quality may not be as heavily associated with price as many believe. Gerstner (1985) reported the price/quality relationship for many products is weak and price is therefore not always an indicator of higher quality. Gerstner further reports quality/price relationships are product specific with frequently purchased products having weaker relationships than those products purchased less frequently. Given these findings, it may be manufacturers who offer lower quality products at lower price points are at risk of damaging their brand images, while those manufacturers who maintain higher perceived levels of quality but offer that quality at lower price points than their normal products, may not be at risk of damaging the overall image of their products.

Interestingly, research does indicate that a majority of consumers who shop at factory outlet malls find the quality of merchandise to be comparable to those products bought through traditional department stores, discount stores, and off-price stores. In fact, in a recent study, 86 percent of the respondents rated factory outlets high for providing "value for the money" as compared to 48 percent for department stores (Schneiderman 1998). Further, the satisfaction level of factory outlet shoppers also appears to be quite high. Based on a 5 point scale, 87 percent of the respondents reported satisfaction ratings of either 4 or 5 with the highest ratings being awarded to quality of merchandise, value for money, and availability of desired brand/manufacturers

(Schneiderman 1998). A study conducted by *Consumer Reports* (1998) found consumers reported being either "completely satisfied" or "very satisfied" on more than 70 percent of their visits to factory outlet shopping centers. This feeling of satisfaction seems to be backed up by the results of the *Consumer Reports* study which notes "consumers can feel reasonably confident of getting good merchandise at a good price." Based on this literature, the fourth hypothesis to be tested in this study will be:

H_4: The price characteristics of factory outlet stores will be perceived as being significantly lower than traditional mall stores.

Several conclusions can be drawn from the literature. First, factory outlet malls do draw consumers in large numbers and should therefore be considered as an alternative in a manufacturer's overall distribution strategy. Second, consumers using factory outlet malls are seemingly satisfied with the perceived quality/price relationships offered at outlet malls. Third, the perceived quality of the product, along with the pricing structure and service provided by employees are cues used by consumers in assessing overall brand image. Providing consumers with low quality "knock offs" or seconds, even at low price points, could serve to damage the product's brand equity. Indeed, as Alpert, Wilson, and Elliott (1993) suggest, the attempt to use *price signaling* (setting a price artificially high to suggest a higher level of quality than actually exists) may not be the best long run approach to the situation. They suggest marketers must be more attuned to *quality signaling* (using price, promotion, and place focus), or a premium focus (using a complete product, price, promotion, and place approach), when consumers use indicators other than price alone to determine the quality of a product. A fourth conclusion is based on the literature which tends to indicate that the brand equity, which has been built over the years by these "image" designers and manufacturers, may be placed in jeopardy by the desire to sell overruns, outdated styles, or irregulars to the public by using price reductions through their own factory outlets, rather than settling for the traditional 10 cents on the dollar received when dumping these products to independent outlet distributors.

In the case of "image" manufacturers, it would seem that the more premium focus would be the appropriate approach to ensure long term survival of the brand name. This would include making sure consumers receive high quality products, as well as assuring high levels of customer service from store employees. While this approach may be less lucrative in the short run, it would tend to maintain the overall brand image and brand equity which has been built over the years. Based upon this reasoning, a consumer could then decide that a store located in a manufacturer's outlet mall would be considered a typical retail store rather than a type of discount store.

These conclusions may lead to three strategic implications for the brand managers. First, brand managers may decide to continue with their current practices of "profitably" selling their "high image" brands using methods of distribution (i.e., outlet malls) that approximate the perceived levels of service, value, and quality provided by their "non-image" counterparts. In this circumstance, brand managers should recognize the corresponding risk to their brand's equity and determine if the short-term returns offset the long-term cost of re-building the brand's equity. Second, the "image" firms could abandon the strategy of selling their brands through discounters such as outlet malls. This choice would be made with the realization that while short-term losses might occur, these losses could be more than offset in the long term by the reduction in expenditures required to maintain and/or rebuild the brand's equity and image.

The third potential strategic alternative involves a compromise between the previous two strategies. This may be accomplished by recognizing a compromise solution which shares many of the advantages and disadvantages of the other alternatives. This compromise alternative entails ensuring that the levels of service (perhaps by adding more sales staff to handle the large numbers of shoppers in an outlet mall), the levels of perceived value (by assuring that any irregular item is clearly marked as such and that all other products are perceived as being first quality), the levels of the store's physical characteristics (perhaps by certifying that both the factory outlet mall and its store are perceived as being clear, bright, aesthetically pleasing), and the levels of the perceived price characteristics (with discounts being large enough to cause the consumer to feel they are getting a "deal" on the merchandise) are established in such a way that the customer does not perceive the factory outlet store as a "traditional" discount store. This alternative would enable the image brand to better maintain its brand image and equity by investing in the offering of higher levels of service and value. The compromise strategy would then allow the "image" firm to sell its products through the highly profitable outlet stores, albeit at a somewhat lower profit margin, without adversely affecting the brand's overall image.

The objective of this study is to help provide directions to brand managers and manufacturers as they attempt to determine the proper distribution strategies. While the results may not provide an individual manufacturer with a definitive answer to its specific situation, the results should provide strategic direction and insight into this critical decision. Given the long-term implications of a firm's strategic choices in channel selection decisions, it would seem reasonable to assume that information regarding the relationship between brand equity and the distributor's image would be invaluable. In addition, studies of the comparative characteristics and perceptions of the two alternative vendors for the same (or strikingly similar) product have not been investigated.

METHODOLOGY

While many techniques are available for determining the perceptions consumers hold for different concepts, the authors have chosen the semantic differential technique developed by Osgood (1957) for use in this study. The semantic differential technique was originally designed to use Pairs of polar adjectives separated by a seven-point interval scale. The respondent was asked to select the point which best represented their point of view. Zevin and Corbin (1998) point out that the semantic differential technique uses bipolar scales which are usually divided into seven segments with a mid-point representing a neutral position. They further suggest that this technique is easy to understand, administer to respondents of a wide range of educational attainment, score, and can be used to identify both underlying dimensions and patterns of perceptions.

This technique was chosen as it has been used in a wide variety of studies examining varying perceptions including retail patronage. In early studies, Kelly and Stephenson (1967) reported that the semantic differential technique would be appropriate for use in determining consumer perceptions prior to opening a store, by a newly opened store, and by more mature stores. They believed that this technique could be used prior to a store's opening to determine consumer expectations, as well as determining if existing stores were meeting these expectations. For newly opened stores, information could be obtained in terms of how well information was being communicated to the consumer and what types of attitudes were being formed about the store in question. More mature stores could use this technique to determine if consumers' attitudes and expectations were changing over time. May (1971) also used this technique in designing a scale for use in evaluating the image of a department store. This scale used polar descriptors to measure characteristics such as merchandise, price, service, convenience, atmosphere, advertising, and general characteristics. Dickson and Albaum (1977) also used the semantic differential technique to identify characteristics of retail store image. They found that this technique provided a .91 test-retest reliability and a Spearman rank order reliability coefficient of .88. The semantic differential technique has also been used and supported by Zimmer and Golden (1988) and Manolis et al. (1994). Based upon this information, the semantic differential technique will be used in this study using a combination of bipolar adjectives and phases along with a five point rating scale as recommended by Garland (1990).

The data used in this study were collected using intercept interviews at a sixty-three store factory outlet mall in the Mid-West. The sixty-three stores located in this factory outlet mall tend to represent relatively high end products such as Polo, Coach, Nautica, and Tommy Hilfiger. The questionnaire was designed, based upon the previously mentioned studies, to determine the respondents' perceptions of value received, level of service received, physical characteristics, and the quality of the products purchased at both factory outlet malls and traditional retail malls. The questionnaire was pretested for clarity and relevance by surveying thirty students enrolled in graduate marketing classes. Based on the students' remarks, the survey was refined and given to a group of fifteen retailers. Following the retailers' determination that the survey instrument was clear and understandable, graduate business students were trained in the administration of the survey. To ensure the representativeness of the sample, the data were collected at alternative times during weekends prior to the Christmas shopping season. This time-frame was selected in an attempt to minimize any bias that might arise if an over-abundance of "Christmas Shoppers" were included in the sampling frame. Additionally, the interviewers were instructed to select every seventh person entering the mall's common area in order to reduce potential selection biases. A total of 206 usable surveys were completed.

As shown in Table 1, the majority of the respondents were less than 46 years of age (68 percent) and female (67 percent). Additionally, almost one half of the respondents had completed at least their college degrees and this educational attainment is reflected by their household income levels. Approximately 48 percent of the respondents had household incomes exceeding $50,000. The results also indicated that the majority of the study's participants had traveled in excess of 100 miles to patronize the shops at the outlet mall where the surveys were conducted.

RESULTS

As mentioned previously, the scales used in the analysis were based on established measures of customer perceptions of various aspects of the retailer's characteristics and had been used in other research regarding consumer perceptions of retailers. To determine whether the scales were suitable for the present study, the data were factor analyzed. As shown in Table 2, the factor analysis yielded a four factor solution for the department store and outlet store variables that tended to conform to the *a priori* scales used. Regarding the loadings in Table 2, loadings on factor one coincided with the Physical Characteristics of the retail store scale. The factor analysis indicated that, with one exception, all of the variables had loadings in excess of .50 on this particular scale. The variable, "not crowded", did not load heavily (> .40) on any of the four factor solutions (Hair et al. 1987). Further analysis of the reliability of this scale continued with the calculations of Cronbach's Alpha (Nunnally 1978). The calculations regarding the alpha coefficient indicated the deletion of the variable "not crowded" would increase the level of the alpha coefficient to .79 for the department stores and .87 for the outlet stores, well above Nunnally's (1978) .60 minimum level. Based on these considerations, the variable "not crowded" was excluded for the department store and the outlet store Physical Characteristics Scales.

Similar results occurred when the dimensions of the scale relating to the Price Characteristics of the retailer were analyzed. As shown in the table, the factor loadings on the fourth factor were each approximately .40 or greater. This indicated that each of the dimensions of this scale might be relevant. However, when the alpha coefficients were calculated for these scales (Price Characteristics of the department store/outlet store) it was discovered the deletion of the variable "reasonable price" would more than double the coefficient alpha to .47 for the department store scale and would increase the outlet store scale alpha value to .72.

The results pertaining to the Product Characteristics scales for the department stores and outlet stores showed consistency with expectations. However, as indicated in Table 2, the variable "limited selection" failed to reach the .40 level on either scale. Subsequent analysis of the alpha coefficients for these scales indicated that the alpha coefficients would increase to .62 and .77 for the department and outlet stores with the deletion of this item from the Product Characteristics scales.

TABLE 1
Characteristics of Respondents

Age	Number	Percent
< 25	44	25%
25-35	41	23%
36-45	35	20%
46-55	34	19%
56-65	20	11%
> 65	4	2%
Gender		
Female	119	67%
Male	58	33%
Education		
High School Diploma	22	12%
Some College	59	33%
College Degree	55	31%
Masters Degree	32	18%
Other	10	6%
Household Income		
Less than $20,000	25	15%
$20,001-30,000	25	15%
$30,001-40,000	16	10%
$40,001-50,000	20	12%
$50,001-60,000	20	12%
$60,001-80,000	24	14%
Over 80,000	37	22%
Distance Traveled		
0-25	39	22%
26-50	31	18%
51-75	8	5%
76-100	8	5%
101-200	32	18%
201-300	36	20%
301-400	7	4%
Greater than 400 miles	16	9%

The results pertaining to the Service Characteristics of the department and outlet stores scales also indicated necessary modifications. As shown in Table 2, the factor loadings for this scale were high for Factor 2. However, two of the variables failed meet the .40 loading level, these variables were "no exchanges" and "high pressure salespeople". Analysis of the alpha coefficients of the Service Characteristics scales indicated that the deletion of these variables would increase the alpha coefficient levels for the department stores to .83 and the Outlet stores to .88. The scales and their factor loadings are shown in Table 2.

To determine whether demographic characteristics were related to the comparative ratings of outlet stores and department stores, the mean ratings were compared based on the respondents' demographic characteristics (to facilitate comparisons, some categories were regrouped). Table 3 provides the results of the comparisons (included in this table are the scale means and alpha coefficients). Analysis of variance was used (except in the case of gender in which a t-test was used) to determine whether significant differences existed in the responses. As shown in the table, only the category "distance traveled" had mean differences in ratings which were significantly different. As can be seen from the table, the respondents who traveled the greatest distance (> 200 miles) tended to rate the outlet stores more positively in terms of their prices (lower than those living closer) and in terms of their physical characteristics (more positive ratings than those living closer).

Based on the assumptions that the scales provide accurate and valid measures of the Physical, Price, Product, and Service Characteristics of department and outlet stores, the results were compared. Table 4 provides results of the comparisons of the mean ratings on both the overall scales (modified as a result of the earlier analyses) and the individual scale items included in the *a priori* scales. As shown in the table, the data seem to generally confirm the initial hypotheses of the analysis. In the case of physical characteristics, the respondents rated the department store's physical characteristics significantly higher than the physical characteristics of the outlet store. As shown in the table, each of the scale's dimensions is rated as significantly more positive as it pertains

TABLE 2
Factor Analysis Results

	Physical Characteristics F1	Service Characteristics F2	Product Characteristics F3	Price Characteristics F4
Department Store/Physical				
Attractiveness	**.52**	.02	.12	.11
Not Crowded (D)	**.33**	.10	.04	.12
Clean	**.84**	.04	.02	.07
Neat	**.90**	.04	.02	.04
Bright	**.81**	.00	.08	.02
Department Store/Price				
High Prices	.08	.01	.10	**.78**
*Reasonable Price (D)	.03	.11	.21	**.43**
Small Reductions	.06	.05	.21	**.41**
Department Store/Product				
High Quality	.20	.14	**.50**	.01
*Limited Selection (D)	.10	.06	**.02**	.17
Newest Styles	.08	.11	**.83**	.07
Fully Stocked	.03	.01	**.77**	.05
Department Store/Service				
Friendly	.00	**.83**	.08	.04
Helpful	.05	**.88**	.05	.02
Knowledgeable	.07	**.70**	.06	.02
*No Exchanges (D)	.01	**.03**	.01	.01
*High Pressure (D)	.04	**.06**	.08	.31
Enough Clerks	.15	**.81**	.10	.02
Outlet Store/Physical				
Attractiveness	**.80**	.01	.09	.02
Not Crowded (D)	**.50**	.14	.17	.00
Clean	**.91**	.05	.07	.00
Neat	**.81**	.01	.07	.00
Bright	**.71**	.25	.20	.19
Outlet Store/Price				
High Prices	.04	.17	.12	**.85**
*Reasonable Price (D)	.01	.01	.04	**.38**
Small Reductions	.05	.15	.10	**.89**
Outlet Store/Product				
High Quality	.42	.07	**.38**	.-5
*Limited Selection (D)	.08	.20	**.26**	.34
Newest Styles	.09	.07	**.76**	.04
Fully Stocked	.00	.08	**.86**	.06
Outlet Store/Service				
Friendly	.03	**.90**	.00	.03
Helpful	.01	**.86**	.07	.03
Knowledgeable	.04	**.84**	.07	.00
*No Exchanges (D)	.26	**.19**	.02	.16
*High Pressure (D)	.05	**.15**	.36	.23
Enough Clerks	.14	**.55**	.27	.01
Variance Explained (%)	4.1 (36%)	3.3 (29%)	2.0 (17%)	1.2 (10%)

*Reverse scored
(D) Deleted variable

TABLE 3
Demographic Characteristics and Store Ratings

		Department Store Physical Charact-erisctics	**Outlet Store Physical Charact-eristics**	**Department Store Price Charact-eristics**	**Outlet Store Price Charact-eristics**	**Department Store Product Charact-eristics**	**Outlet Store Product Charact-eristics**	**Department Store Service Charact-eristics**	**Outlet Store Service Charact-eristics**
Age:									
< 25	(44)	7.9 (2.4)	8.8 (3.6)	7.8 (1.9)	10.1 (2.1)	6.1 (2.0)	7.7 (2.7)	11.6 (2.4)	12.2 (3.1)
25-35	(41)	7.8 (2.7)	9.2 (2.8)	7.1 (1.5)	10.8 (2.3)	5.8 (1.8)	8.3 (2.4)	12.6 (4.1)	13.1 (3.4)
36-45	(35)	7.9 (2.9)	9.3 (3.8	8.2 (1.8)	9.7 (2.5)	5.8 (2.4)	7.5 (3.1)	12.9 (3.6)	13.0 (3.7)
46-55	(34)	7.1 (2.2)	8.1 (3.3)	7.9 (2.4)	10.4 (2.6)	4.6 (1.1)	6.9 (2.3)	12.6 (2.8)	11.3 (4.0)
> 55	(24)	6.4 (2.4)	7.2 (2.9)	8.0 (1.5)	10.0 (2.1)	5.5 (2.6)	6.9 (2.6)	11.3 (3.6)	12. 2 (4.8)
Gender:									
Female	(119)	7.7 (2.6)	7.7 (2.0)	7.7 (2.0)	10.3 (2.4)	5.4 (1.9)	7.5 (2.7)	12.2 (3.1)	12.5 (3.7)
Male	(58)	7.2 (2.5)	7.9 (1.6)	7.9 (1.6)	10.1 (2.3)	6.0 (2.3)	7.5 (2.7)	12.2 (3.7)	12.2 (4.0)
Education:									
Other	(10)	7.1 (2.0)	8.1 (1.9)	8.1 (1.9)	11.2 (2.5)	5.5 (2.4)	6.7 (2.2)	12.5 (3.7)	13.6 (5.1)
High School	(22)	6.9 (2.3)	8.2 (2.2)	8.2 (2.2)	10.4 (2.3)	6.0 (2.3)	7.0 (3.1)	11.9 (3.3)	10.8 (.38)
Some College	(59)	7.6 (2.5)	7.8 (1.8)	7.8 (1.8)	9.8 (2.1)	5.6 (2.3)	6.9 (2.4)	12.7 (3.1)	12.2 (4.0
College/Masters	(87)	7.7 (2.7)	7.5 (1.9)	7.5 (1.9)	10.4 (2.4)	5.5 (1.8)	8.1 (2.7)	12.0 (3.4)	12.6 (3.3)
Household Income:									
< $20,000	(25)	8.3 (2.5)	7.2 (2.1)	7.2 (2.1)	10.4 (1.9)	5.8 (1.8)	8.0 (2.7)	11.5 (2.4)	12.8 (3.3)
$20,001-30,000	(25)	7.4 (2.2)	8.0 (2.0)	8.0 (2.0)	10.1 (2.4)	6.0 (2.5)	6.4 (2.3)	11.7 (3.2)	11.1 (2.7)
$30,001-50,000	(36)	7.4 (2.7)	7.7 (1.7)	7.7 (1.7)	10.3 (2.7)	5.5 (1.9)	6.9 (2.6)	12.5 (3.8)	12.0 (3.9)
$50,001-80,000	(44)	7.2 (2.6)	7.9 (1.8)	7.9 (1.8)	9.7 (2.4)	5.7 (2.1)	8.4 (2.7)	12.5 (3.3)	13.4 (4.1)
> $80,000	(37)	7.8 (2.9)	7.9 (1.9)	7.9 (1.9)	11.1 (2.0)	5.4 (2.0)	7.6 (2.6)	12.2 (3.5)	11.9 (3.6)
Distance:									
0-25	(39)	7.7 (2.4)	7.5 (1.7)	7.5 (1.7)	ab 10.6 (2.5)	5.5 (1.4)	7.6 (2.7)	12.0 (3.2)	12.2 (3.2)
26-50	(31)	7.5 (2.4)	7.2 (2.3)	7.2 (2.3)	a 10.8 (2.3)	5.3 (1.9)	8.6 (2.6)	12.6 (31.)	12.5 (3.1)
51-200	(48)	7.9 (2.6)	7.9 (1.7)	7.9 (1.7)	ab 10.3 (2.2)	6.1 (2.1)	7.3 (2.6)	12.6 (3.7)	12.3 (3.6)
> 200	(59)	7.0 (2.7)	8.2 (1.8)	8.2 (1.8)	b 9.5 (2.3)	5.4 (2.3)	7.0 (2.7)	11.8 (3.2)	12.6 (4.6)
Mean	(sd)	7.5 (2.5)	7.7 (1.9)	7.7 (1.9)	10.2 (2.3)	5.6 (2.0)	7.5 (2.7)	12.2 (3.3)	12.3 (3.8)

to department stores (with the exception of "crowded," the deleted variable). Thus, as anticipated, the respondents felt the physical environment offered by department stores was significantly more attractive than that offered by outlet stores.

Also consistent with the hypotheses were the results as they pertained to the price perceptions of the participants. The respondents felt that department store prices were significantly higher than were outlet store prices. A review of the scale items shows that each of the *a priori* scale's items support the proposition that department store pricing leads to less positive (e.g., higher) prices than outlet store pricing (including the deleted item "reasonable prices").

The third hypothesis held that the respondents would rate the Product Characteristics of the department store higher than those of the outlet store. Again, this hypothesis is supported as the results indicate department stores' Product Characteristics are significantly higher than outlet stores'. Individual item (including the deleted item "limited selection") analysis indicates that each of the items rate significantly better for the department store than for the outlet store.

The findings, as they relate to the Service Characteristics scale, were not consistent with the hypothesis. In this case, no significant differences were found with regard to the Service Characteristics of department stores compared to outlet stores. An analysis of the individual items shows that department stores and outlet stores were rated as not being significantly different in terms of being "friendly", "helpful", "knowledgeable", and "having enough clerks". Department stores were rated as being significantly more likely to "provide exchanges" (an item that was deleted from the Service Scale). Outlet store salespeople were rated as being significantly less "high pressure" (an item that was deleted from the Service Scale) than were department store salespeople.

TABLE 4
Comparison of Outlet and Department Store Characteristics

Characteristic	Department Store	Outlet Store	Difference	+ - value	(p)
Physical Characteristics Scale:	7.5 (2.5)	8.7 (3.5)	1.2 (.3)	4.3	<.0001
Attractiveness	1.8 (.6)	2.1 (1.0)3.0	.3 (.1)	4.2	<.0001
Crowded (D)	2.9 (1.3)	(1.2)	.1 (.1)	1.2	.22
Cleanliness	1.8 (.8)	2.1 (1.0)	.3 (.1)	4.1	<.0001
Neat	2.0 (.10)	2.3 (1.2)	.3 (.1)	3.2	.002
Bright	1.9 (.9)	2.1 (.9)	.2 (.1)	1.9	.056
Price Characteristics Scale:	7.7 (1.9)	10.2 (2.3)	2.5 (.2)	12.3	<.0001
High Prices	1.9 (.9)	3.3 (1.1)	1.4 (.1)	14.9	<.0001
*Reasonable Prices (D)	2.6 (1.0)	2.4 (1.0)	.2 (.1)	2.3	<.02
Small Markdowns	2.4 (1.1)	3.2 (1.2)	.9 (.1)	7.6	<.0001
Product Characteristics Scale:	5.6 (2.0)	7.5 (2.7)	1.9 (.2)	8.7	<.0001
High Quality	1.9 (.7)	2.2 (.9)	.3 (.1)	4.0	<.0001
*Limited Selection (D)	3.0 (1.2)	2.6 (1.2)	.4 (.1)	3.6	.0004
Newest Styles	1.7 (10)	2.6 (1.1)	.9 (.1)	8.8	<.0001
Fully Stocked	2.0 (1.0)	2.7 (1.2)	.7 (.1)	6.8	<.0001
Service Characteristics Scale:	12.2 (3.3)	12.3 (3.8)	.1 (.3)	0.2	.82
Friendly	2.1 (1.0)	2.1 (1.0)	.1 (.1)	0.8	.43
Helpful	2.2 (1.0)	2.1 (1.0)	.2 (.1)	1.8	.07
Knowledgeable	2.2 (.9)	2.2 (1.0)	.1 (.1)	1.1	.28
*No Exchanges (D)	2.6 (1.1)	3.1 (1.1)	.4 (.1)	3.9	.0001
*High Pressure (D)	3.0 (1.1)	2.3 (1.0)	.7 (.1)	7.7	<.0001
Enough Clerks	2.9 (1.1)	2.7 (1.2)	.2 (.1)	1.8	.08

(D) Deleted
(*) Reversed in Scale

DISCUSSION

The findings with regard to demographic differences that existed in terms of the respondents' perceptions of the characteristics of outlet stores and department stores provide insight. The fact that ratings did not differ in terms of age, education, gender, and income implies people perceive the characteristics similarly regardless of their demographic traits. Consequently, the characteristics of the respondents do not generally influence the ways in which the store categories in question are perceived. Thus, the relative positions held by department stores and outlet stores are based not on "who" the shoppers are, but on the cues assessed by the respondents. However, the finding that those residing a greater distance from the outlet store provide more positive ratings in terms of the store's price and physical characteristics may imply that this market may be more susceptible to the marketing efforts of the factory outlet mall. This finding might also reinforce the notion that "familiarity breeds contempt." Perhaps not to the literal degree implied, but that as one moves closer to the factory outlet stores their ratings suffer as compared with those residing greater distances away from these stores, suggesting that familiarity may relate to lower ratings. Thus, the uniqueness of the outlet stores may be important in their marketing efforts and may lead to the implication to maintain a marketing edge outlet stores may be well-advised to be innovative in terms of their "total offerings." This suggests that without innovativeness, by both department stores and outlet stores, these retailers may lose some of their competitive edge.

While many of this study's findings may have been reasonably anticipated, this research provides additional validation that shoppers, in general, perceive that department stores offer nicer physical facilities and better product mixes than can be found in outlet stores. This conclusion is based on the findings that show that department stores were rated as being significantly more attractive, cleaner, neater, and brighter than were outlet stores. The implications of this finding may be interpreted in one of two ways. First, it may indicate that to attract more customers and to improve their competitive positions, outlet stores may select a strategy of upgrading their physical facilities. Such a strategy would be consistent with the literature which suggests that the brand's image might be "maintained" if the retail distributor is not perceived as being a discounter in the traditional sense. However, this strategy is risky, as upgrades may necessitate price increases, thus reducing the outlet store's key competitive advantage. The second strategy implied may prove to be more viable. This strategy is one that department stores might evaluate, and consists of strategies of maintaining or enhancing their positions with regard to their physical facilities. Such a strategy would allow department stores to maintain their competitive positions, perhaps increasing the distinction between themselves and their outlet store competitors.

Regarding the comparative ratings of the two store categories' product characteristics, it was anticipated that department stores would be perceived more positively. The fact that department stores are perceived as being significantly better stocked, with greater selections, with newer styles, and as having higher quality products implies a potential competitive position that might be exploited by department stores. Thus, department store retailers may discover that their perceived product characteristic's advantage may provide a worthwhile characteristic to be exploited in their competitive marketing strategies. Conversely, factory outlet stores might evaluate their ratings on this scale and engage in either a strategy of upgrading their product mixes or one of improving perceptions of customers regarding their merchandising strategies. These actions may be necessary to help the factory outlet store differentiate itself from other discounters and to facilitate the maintenance of the images of the manufacturers' brands.

Another conclusion that may be drawn from the study is based on the findings pertaining to price differences. It seems obvious that department stores, by their very nature, would be perceived as having higher prices when compared with outlet stores. Indeed, as noted earlier, Schneiderman (1998) found that respondents rated factory outlets as providing greater value for their money than did department stores. However, it is noteworthy that differences in price perceptions are significant and support the perception regarding the higher prices charged by department stores. Perhaps one of the key issues in this particular area concerns the item pertaining to the "reasonableness" of the prices. While it was anticipated that prices would be perceived as being higher at department stores and their mark downs perceived as being smaller, the finding regarding the "reasonableness" of prices may be an issue that deserves more evaluation. The implication is that the respondents in this research did not perceive department store prices as being reasonable. This finding might indicate that the perceived value received at department stores is significantly less than the value received from outlet stores. If this position is true, then department stores may be facing significant challenges as they encounter more and more competition from other forms of retailing. It may also imply that department stores should be assessing their value positions with customers to determine whether there exists a means by which they can increase their target market's perceptions of value with regard to their offerings.

As stated earlier, it was anticipated that while department stores would be perceived as being rated inferior to outlet stores on the price dimensions, the department stores' price deficits would be compensated for by their advantages in ratings pertaining to the stores' physical, product, and service characteristics. Yet, this expectation was not supported with regard to the service characteristics measure. The finding that no significant difference exists between outlet and department stores on the services dimension implies that department stores are failing to realize what should arguably be their *most significant* competitive advantage. Shoppers may be able to rationalize spending more money (paying higher prices) if they perceive that they are receiving more in the areas of physical characteristics, product characteristics, and service characteristics as a result. However, these findings indicate that department stores need to enhance their service characteristics to improve their competitive positions. The challenge facing department stores rises when one analyzes the individual scale items. Respondents felt that no differences existed in terms of the "friendliness" or the "level of knowledge" of the two store categories' service personnel. Additionally, moderately significant ($p < .10$) differences exist in the favor of the outlet stores in terms of the "adequacy of the number of clerks" and the "helpfulness of clerks." Finally, the fact that the respondents felt that department store clerks engaged in significantly more "high pressure selling" results in a bleak outlook for department stores regarding their service characteristics. One conclusion that may be reached regarding department store service is that the buyer perceives that he/she is likely to experience higher pressure sales tactics from fewer clerks, who are less helpful, from department store personnel who are no more knowledgeable and no more friendly than their outlet store counterparts. The result then is that the buyer perceives that he/she is, in essence, paying a higher price for what essentially amounts to the same (or perhaps lower) level of service. This then implies either a serious challenge to department stores regarding their need to elevate perceptions of their service in order to maintain and/or improve their competitive positions or an opportunity for outlet stores to exploit. Outlet stores might exploit this situation by engaging in one of three actions. Consistent with the previously discussed suggestions regarding the maintenance of the manufacturer's brand image, the factory outlet store may decide to maintain and/or improve its service. This strategy would help ensure that the factory outlet store is not perceived as a traditional discount store and the negative affects on the brand's image would be reduced. Second, outlet stores could reduce their services offered and use these reductions in service expenditures to increase their profit margins, or to invest in improving their products or in improving their physical characteristics. Alternatively, outlet stores could reduce their services and thus reduce their prices and increase their competitive advantages on the price dimension. By using any of these strategies, the outlet stores may be able to effectively counter any competitive advantages department stores might possess.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

A limitation of this study may be that the data were collected from one outlet mall located in the mid-west. Given the significant differences found between factory outlets and traditional retail outlets, the authors recommend that future research be conducted in the following areas. First, it may prove beneficial to examine the perceptions of outlet mall shoppers in a variety of locations to determine if the reported perceptions tend to be influenced in some fashion by the geographic location of the outlet mall. Secondly, it would be beneficial to compare a sample of shoppers from both traditional retail malls and factory outlet malls to determine if those shopping in the factory outlet malls are more positively predisposed toward outlet stores.

However, regardless of the direction of future research, these findings provide insight into competitive alternatives available to traditional department store retailers and outlet mall stores. These initial insights provide support for some widely held perceptions, but also counter some preconceptions. Thus these findings provide a foundation for future research endeavors.

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