THE ROLE OF STORE TRUST AND SATISFACTION IN CREATING PREMIUM PRICES

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It is not enough for retailers to generate perceptions of merchandise value in order to elicit consumers' willingness to pay higher prices. In addition to value perceptions, managers must create store trust which serves to authenticate these perceptions. Without accompanying notions of trust in a store, consumers may not have sufficient confidence in their value perceptions to warrant paying higher prices. Results from two studies reported in this paper indicate that, in addition to store affect and perceived store differentiation, store trust (but not satisfaction) convincingly mediates the effect of store merchandise perceptions on consumers' willingness to pay a higher price.

INTRODUCTION

Distinctiveness and consistency have often been found to be facilitating aspects of important marketing outcomes (Litchtenstein and Bearden, 1989; Heckler and Childers, 1992; Homburg, Koschate, and Hoyer, 2006; White and Argo, 2011). For instance, it has been proposed that a brand's perceived value (quality that is *consistent* with price, cf. Ziethaml, 1988) and its distinctiveness are related to willingness to pay a price premium for the brand which in turn indicates commitment to the brand (Netemeyer et al. 2004). However, it is unclear *why* consumers will be willing to pay more when they are already enjoying a "good deal" in terms of value. Similarly, why should someone pay more just because a brand is different? In fact, one would expect exactly the opposite, namely that consumers would not want to reduce the monetary value of the deal by paying more. Further, they would not want to pay more for what could be a risky undertaking into a different and unknown situation.

The literature on willingness to pay (e.g. Argo, Dahl, and Morales, 2006; Chen, Ng, and Rao, 2005; Homburg, Koschate, and Hoyer, 2005; Nunes and Boatwright, 2004; Okada, 2005; Simonson and Drolet, 2004) is related but limited in our pursuit of understanding the determinants of what creates a willingness to pay a *higher* price over any particular price. Willingness to pay may not necessarily lead to premium prices over competitors in the marketplace. However, willingness to pay a higher price (WTPHP) over competitors is a stated intention which has clear implications for obtaining a premium price in the marketplace. WTPHP as a stated intent shows a preference for a brand or store over competitors; it is not the same thing as willingness to pay which is usually measured in dollars (e.g. Argo, Dahl, and Morales, 2006) without entailing any comparisons with competition. Also, willingness to pay has sometimes been taken to be synonymous with the notion of perceived value (Bolton and Lemon, 1999; Winer, 2005). On the other hand, according to Monroe (2003), willingness to pay a higher price (WTPHP) than any particular price represents the surplus that arises from perceived value which itself is derived from notions of perceived quality and actual price paid. Thus, when perceived quality is considered to be greater than the actual price paid, a surplus (perceived value) is generated in the consumer's mind and results in WTPHP as long as the surplus exists.

We formulate that the construct of trust explains why one is willing to pay a premium price, as well as why one would take the risk of paying more for something that reduces one's monetary gain in a purchase situation. Recent research has shown trust's impact on a number of key marketing outcomes (Norberg, Maehle, and Korneliussen, 2011; Orth, Bouzdine-Chameeva, and Brand, 2013). In the present research, we surmise that the value which customers perceive from the retailer's balanced price-quality offerings will lead to greater trust

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for the retailer. As a result of the ensuing confidence in the retailer, the customer will pay what the retailer suggests, even if it is at a higher price point. To our knowledge, no other study has examined the role of trust as a mediator in the relationship of consumers' perceptions of merchandise value in a store and consumers' willingness to pay higher prices at one store over other stores. Thus, trust needs to be seriously studied and understood in the context of retailing.

We propose, first, that value that is considered to be a good deal (consistent in terms of quality and price) leads to WTPHP indirectly via perceived trust; in other words, good value leads to trust and people are willing to pay more to a trusted provider i.e., the effect of perceived merchandise value on WTPHP is mediated by trust. Second, that the effect of perceived merchandise value on perceived store differentiation is mediated by positive store affect and, third, that perceived store differentiation, in turn, mediates the effect of positive store affect on WTPHP. Additionally, our model takes into account prior work on the relationship between value and customer satisfaction. However, we expect that satisfaction will not mediate the value-WTPHP relationship.

LITERATURE REVIEW

The marketing literature has viewed perceived value as a function of both quality and price (Dodds, Monroe, and Grewal, 1991; Johnson, Herrmann, and Huber, 2006; Lichtenstein, Netemeyer, and Burton, 1990; Zeithaml, 1988). Thus, value is based on the extent of the "deal" that the consumer is getting (Thaler, 1985). While such a deal may constitute various configurations of quality and price, high quality and low price are two basic value strategies that firms employ (Grewal, Monroe, and Krishnan, 1998). Further, Zeithaml (1988) defines perceived value as "the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given" (p. 14). This is a "give-get" conceptualization of perceived value that incorporates all the benefits and costs of obtaining a product into a ratio of what may be described as overall quality and overall sacrifice (see also Gale, 1994). Related to this definition is that of Dodds, Monroe, and Grewal (1991) and Suri and Monroe (2003) – "a cognitive tradeoff between perceived quality and sacrifice" (p. 316).

In sum, the literature on perceived value has usually viewed perceived value as the fairness of the "deal" i.e. good value is achieved when there is a suitable match between quality and price. Accordingly, we define the perceived merchandise value of a store (PMV) as the consumer's perception of the fairness of a store's merchandise arising out of the consistency between its prices and merchandise quality. This is in keeping with the "give up – get back" notion of perceived value in the marketing literature (Johnson, Herrmann, and Huber, 2006; Zeithaml, 1988) while also akin to the concept of payment equity or "fairness" described by Bolton and Lemon (1999).

Our first hypothesis (H1 below) is based on the existing literature in marketing. We define trust as a willingness to rely on the exchange partner (Chaudhuri and Holbrook, 2001; Moorman, Deshpandé, and Zaltman, 1993). Since our definition of perceived merchandise value deals with fairness and consistency, we predict that it leads to store trust since fairness and trust have been associated together and fairness has been found to lead to trust (Ramaswami and Singh, 2003; Wech, 2002; Korsgaard, Schweiger, and Sapienza, 1995). Further, there is a concern in the literature that trust may sometimes be a negative force in exchange relationships (Athuane-Gima, 2005). For instance, in the context of retailing, consumers' willingness to rely on a store (store trust) could well produce consumer inefficiencies such as contributing to a willingness to pay higher prices at that store over other stores. In fact, previous research supports the notion that trust leads to higher price tolerance (Delgado-Ballester and Munuera-Aleman, 2001).

Thus, we posit that trust will mediate the direct relationship of perceived merchandise value and WTPHP. This is not an obvious conclusion since the economics literature would lead us to believe that a direct relationship between perceived value and WTPHP is sacrosanct. For instance, Tellis and Gaeth (1990) propose that this direct route is the economic or "best value" alternative. This is also in keeping with

classical economics theory on marginal utility which proposes that consumers, under uncertainty, will select a consumption bundle that maximizes their expected utility or well-being, subject to budgetary constraints (Baumol, 1977).

We chose trust as the appropriate evaluation (instead of satisfaction, etc.), because merchandise value is concerned with the fairness of quality and price, and trust is the normal outcome from perceptions of fairness as described above. However, in this study we also test (reported later in the Results section) if satisfaction mediates the effect of perceived value on WTPHP. We expect that greater perceived value will indeed lead to greater satisfaction but that satisfaction will not lead to a willingness to pay a higher price. This is because satisfaction, unlike trust, is not necessarily indicative of a willingness to sacrifice resources (i.e., WTPHP) to maintain a valued relationship. Trust indicates an alignment of mutually beneficial goals, and it is a stronger motivational state than satisfaction (Johnson and Selnes, 2004). Further, previous research has shown that although satisfaction is directly related to purchase intent (Bolton, 1998), it may not be directly related to willingness to pay a higher price and in fact may be routed through trust and other relational constructs (Chaudhuri and Ray, 2003). Satisfaction may be considered to be a lower order relational construct as compared to trust (Johnson and Selnes, 2004). Thus:

H_1: Store trust will mediate the effect of perceived merchandize value on WTPHP.

In the present study, we use a theoretical framework based on Mandler's (1982) theory of value from social psychology. According to Mandler, stimuli that are congruous with our expectations are positively evaluated but do not result in intense affect. Thus, when expectations are fulfilled (as when there is perceived value in the form of consistency and fairness between high quality and *high* price) the outcome is congruent with expectations and there is positive evaluation (trust, in our case) but low levels of affect. On the other hand, stimuli that are somewhat incongruous are stronger in affect intensity. When expectations are positively or negatively disconfirmed, the result is high levels of affect and positive or negative evaluation. Therefore, consumers who encounter the unexpected should feel more affect than those who get what they expect.

According to Wood and Moreau (2006) as well, disconfirmation of expectations leads to emotion (or specific affects in our case) and subsequent positive evaluation (positive store differentiation in our case). Whereas Wood and Moreau (2006) use the term emotion to refer to global feelings that are either positively or negatively valenced, we use the term affect to refer to a specific and qualitatively different feeling such as happiness or joy. When, for instance, consumers encounter perceived value in the form of an inconsistency such as high quality and a *low* price, they will still consider it good perceived value ("*very* fair"). The difference is that this instance will lead to affect (a specific feeling of happiness) whereas, in contrast, the scenario of good perceived value in terms of high quality and high price will lead to trust (a willingness to rely) and a willingness to sacrifice resources (WTPHP) to maintain a trusted relationship. This view is also informed by the recent literature on dual-process theory effects (Badrinarayanan, Sierra, and Taute, 2014; Taute, Peterson, and Sierra, 2014), which enumerate the differential and collaborative effects of emotional and cognitive factors on brand outcomes.

Perceived store differentiation is the consumer's evaluation of the level of interestingness of a store based on how it differs from other stores. It is the customer's realization that the value proposition of a store is unique. However, according to Mandler (1982), something does not have to be interesting in order for it to be valuable. For instance, merchandise quality's consistency with its price could be valuable but not particularly interesting because it is expected and, thus, not different. As a result, one's perception of store differentiation could come from something other than merchandise value. For example, perceived store differentiation could be the result of factors such as store atmosphere, advertising, etc. At the same time, Mandler (1982) indicates that something of value *could* raise the level of interest in the object if it is associated with positive affect. Thus, what makes something valuable into

something interesting is the level of affect associated with it. Hence,

H_2: Store affect will mediate the effect of perceived merchandise value on perceived store differentiation.

In contrast to perceived value being epitomized as some ratio of price to quality, Holbrook (1999) defines value as the relationship (affective or otherwise) of a particular consumer to a particular object (brand, store) in a particular context or situation that is *relative* to other situations or contexts. Thus, affect alone, in most cases, is not a sufficient condition for a willingness to sacrifice resources and pay a higher price (WTPHP) since this would, in fact, reduce the nature of the deal and the ensuing affect. However, if the affect leads to a favorable evaluation of the store's level of positive differentiation *relative* to other stores, then that level of uniqueness could inspire a desire to maintain an important and irreplaceable relationship by sacrificing resources.

According to Mandler (1975) as well, something is interesting because it is different from others but what makes something interesting into something good, worthy and "valuable" (worthy of a higher price, as different from "merchandise value") is the set of positive affective sensations generated by a person or object. Thus, affect, in concert with interestingness, gets higher prices by producing a willingness to sacrifice resources to obtain something that is worthy of a higher price than paid for at other stores.

H_3: Perceived store differentiation will mediate the effect of store affect on WTPHP.

Control Variable

Consumers may be willing to pay a higher price for stores that are perceived to be more accessible to them (as opposed to stores that are perceived to be less accessible) since such stores will save time and reduce the costs of search. For instance, it has been shown that consumers' cognitive maps of retail locations correlate with preference and behavior (MacKay and Olshavsky, 1975). Accordingly we include the construct of perceived accessibility in the model as an exogenous control variable that affects WTPHP. The retail literature discusses different types of convenience (Berry, Seiders, and Grewal, 2002; Seiders, Voss, Grewal, and Godfrey, 2005), but for the sake of parsimony in model specification we focus on only one type of convenience - perceived accessibility of the store defined as the consumer's subjective perception of the locational convenience of the store and its perceived ease of use. A perception of easy accessibility may lead to "one-stop" shopping and a willingness to pay a higher price for that privilege. However, this relationship, if any, is not of theoretical interest to our study and, accordingly, we present no hypotheses for this effect.

STUDY ONE

Method

We chose grocery stores as the retail context in which to collect customer data. We felt that the large product assortments, combined with a variety of prices (both within and across product categories) available in such stores would provide ample opportunities to measure the various model constructs, but especially customers' perceived merchandise value and their willingness to pay higher prices. We collected data from two different establishments in the northeastern U.S.A.

Store A, a "traditional" grocery store, is part of a regional chain that offers perishable and nonperishable food items, household cleaners, personal health and hygiene products, as well as a full selection of meat and dairy products and baked goods. This retailer follows traditional grocery store merchandising and layout patterns, namely long aisles filled with a variety of brand-name products. In contrast to the more traditional fare offered in Store A, Store B can best be classified as a "specialty" grocer, because it stocks limited amounts of higher priced items that customers often perceive as being of a higher quality. It is not uncommon for the merchandise in Store B to be labeled as "organic" or "all-natural," or for these items to be imported from an exotic locale. Since this store has only one location in the area, it relies on its reputation for providing high quality and unique items to generate demand in the market.

Measures

We further developed and/or modified measures for our constructs of interest largely from items utilized in prior marketing research studies. Table 1 identifies these constructs with their corresponding item measures. We used a three-item measure developed by Dodds et al. (1991) to capture the PMV construct (a= .89). For WTPHP, we adapted measures from Chaudhuri and Holbrook's (2001) work on brand loyalty (r= .80). We took the perspective that trust also constitutes confidence in something (Crosby, Evans, and Cowles, 1990; Garbarino and Johnson, 1999) and then developed items to measure both facets of the construct (r= .83). For satisfaction, we adapted measures from Oliver's (1997) consumption satisfaction index (a= .87). We used Richin's (1997) "consumption emotions set" to develop items for the store affect construct (a= .87), and we modified two measures of uniqueness employed by Netemeyer et al. (2004) in their work on brand equity and added a third measure, focusing specifically on the store providing unique "benefits" to capture perceived store differentiation (a= .80). Finally, with regard to perceived accessibility, we adapted items from the "access convenience" construct found in Seiders et al. (2005) research on customer satisfaction in retail settings (r= .85). All items for each construct were measured on 7-point scales, where 1= "completely disagree" and 7= "completely agree."

Procedure and Sample Characteristics

We obtained permission from each store's owner to allow a research assistant, trained in administering questionnaires, to remain in the store's parking lot and to approach customers as they left the store and headed to their cars. Two assistants facilitated the data collection; however, only one assistant was ever on site at each store at any given time. After identifying himself and determining whether the customer would be interested in participating, the assistant administered a brief (5-7 minute) questionnaire. Willing respondents were handed a card containing a 7-point scale, which they referred to as the assistant read each question and noted their responses. The research assistant did repeat questions when necessary; however, he was instructed not to provide personal opinions to customers who were unsure of how to interpret a particular question. After the respondent answered all the questions, the assistant thanked him/her for his/her time and moved on to the next customer. To mitigate common method bias (as well as monotony for the research assistant), the survey questions were asked in reserve order each time the assistant engaged a new respondent. To further diagnose CMV, we used a procedure on the resultant dataset involving chi-square difference tests (Podsakoff, MacKenzie, Lee and Podsakoff, 2003). Under this procedure, if method variance exists, "simpler" models should fit the data as well as more complex ones (Iverson and Maguire, 2000; Korsgaard and Roberson, 1995; Mossholder, Bennett, Kemery and Wesolowski, 1998). The results show that model fit increases significantly with complexity- i.e., the addition of more constructs. Although this procedure does not eliminate CMV, it shows that inter-item correlations are not the result of method bias exclusively.

In order to collect a total of 300 completed questionnaires from both of the locations (150 each), the research assistants approached a total of 1986 customers, for a response rate of 30.2 percent. Given the need for a sizable number of responses from both locations, coupled with the irregular nature of customers exiting these retail establishments, convenience sampling was employed.

To insure that a difference exists between Stores A and B with regard to retail price, we identified ten items (a variety of both fresh and packaged goods, as well as some brand name items) and noted their retail prices at both stores. We then analyzed the data using a K-means cluster analysis in SPSS. The results show that Store B, the grocer with "exotic" fare has higher retail prices than Store A, the traditional chain grocer.

Regarding gender, more women than men participated, with the specific percentages by store as follows: Store A- 72 percent female, Store B- 67 percent female. With regard to respondents' ages, the majority of respondents were between 36-45 years of age in Store A (39 percent). In Store B, the majority of

TABLE 1:
Studies 1 and 2: Measurement Results

Constructs	Items	Lambda Loadings		Composite Reliability		Measure of Association	
		Study 1	Study 2	Study 1	Study 2	Study 1	Study 2
Perceived Merchandise Value				.90	.84	.89	.84
	Overall, the merchandise in this store is at a fair price.	.88	.79				
	The merchandise in this store is a good value.	.89	.80				
	The merchandise in this store is economical.	.82	.81				
Trust				.81	.82	.83	.81
	I trust this store.	.81	.82				
	I have faith in this store.	.83	.84				
Satisfaction				.83	.85	.87	.85
	I am satisfied with my decision to shop at this store.	.76	.77				
	My choice to shop at this store is a wise one.	.78	.85				
	I am sure it was the right thing to shop at this store.	.81	.81				
Store Affect				.84	.90	.87	.90
	I feel good when I shop at this store.	.83	.87				
	I enjoy my visits to this store.	.83	.88				
	This store puts me in a good mood.	.75	.85				
Perceived Store Differentiation				.76	.80	.80	.80
	This store is different from other stores in a positive way.	.75	.79				
	This store is unique in a good way.	.72	.80				
	This store offers a benefit that no other store offers.	.67	.69				
Willingness to Pay Higher Price				.75	.87	.80	.87
	I would be willing to pay a higher price at this store over other similar stores.	.75	.87				
	I prefer to shop at this store, even if another store advertises a lower price.	.81	.88				
Perceived Accessibility				.84	.88	.85	.88
	This store is conveniently located.	.77	.82				
	This store is accessible.	.92	.95				

Notes: We measured all items on 7-point scales, where 1= *completely disagree* and 7= *completely agree*. We report Cronbach alpha for Perceived Merchandise Value, Satisfaction, Store Affect and Perceived Uniqueness. We report the Pearson correlation coefficient for Willingness to Pay Higher Price, Trust and Perceived Accessibility.

respondents were in the "55 and up" category (50 percent).

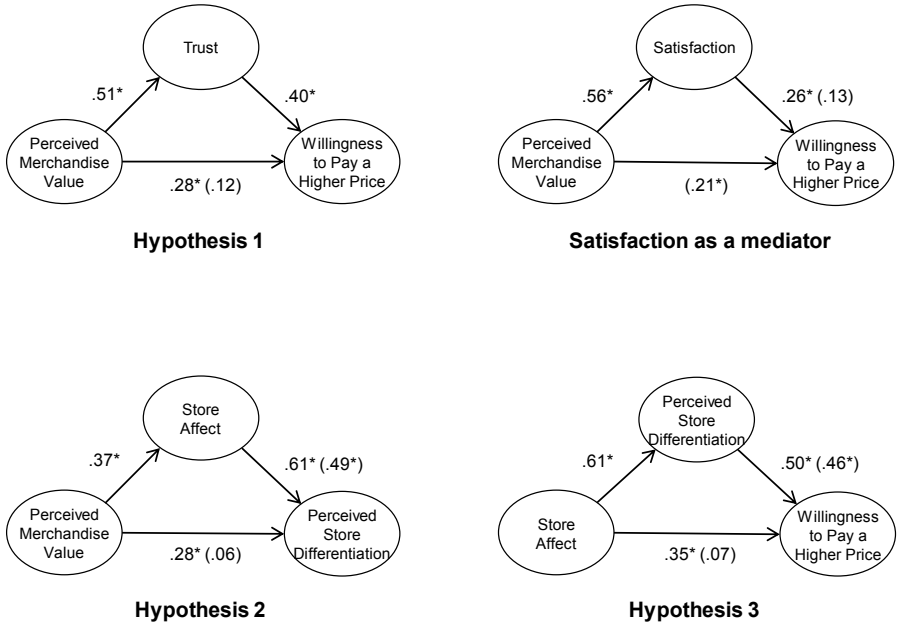
Results

We conducted formal tests of mediation to test H_1 – H_3 using regression analysis as per the four steps recommended by Baron and Kenny (1986). We controlled for perceived accessibility in all four steps by including it in all the regression estimates. Figure 1 provides a summary of the regression results for all three hypotheses of interest, as well as the test of satisfaction as a mediator in the PMV-WTPHP relationship.

For H_1, we found in the first step that the effect of perceived value on WTPHP was positive and significant (β= .284; p<.01). In the second step, we found that the effect of PMV on trust (mediator) was positive and significant (β= .511; p<.01). In the third step, we found that the effect of trust (mediator) on WTPHP was positive and significant (β= .395; p<.01). In the fourth step, we once again examined the effect of PMV on WTPHP, but this time we introduced trust into the equation as well. We found that when trust was in the equation, the effect of PMV on WTPHP diminished (β=.117; p>.05) and became non-significant. *Thus, H_1 was fully supported in this analysis.* Forty five percent of the variance in WTPHP was explained by PMV, store trust and accessibility.

We also tested satisfaction to see if it was a better mediator of WTPHP than trust. When we regressed WTPHP on satisfaction we found that satisfaction (mediator) was significantly related

FIGURE 1:
Study 1: H_1-H_3 Results



The figures above present the stepwise regression results, per Baron and Kenny (1986), for each hypothesis in Study 1 (as well as for the satisfaction construct).
The coefficients in parentheses are obtained when the independent variable and the mediator are regressed simultaneously on the dependent measure.
*p<.01.

to WTPHP (β= .261; p<.01). We also found that perceived value was significantly related to satisfaction (β= .557; p<.01). However, when both PMV and satisfaction were in the model with WTPHP as the dependent variable, only the effect of PMV was significant (β= .211; p<.01). The effect of satisfaction reduced in size and became non-significant (β= .132; p.>05). *Thus, satisfaction did not mediate the effect of PMV on WTPHP*. Further, we tested the effect of quadratic and cubic forms of satisfaction and found no evidence that any of these forms mediated the effect of PMV on WTPHP.

For H_2, we found in the first step that the effect of PMV on perceived store differentiation was positive and significant (β= .279; p<.01). In the second step, we found that the effect of PMV on store affect (mediator) was positive and significant (β= .368; p<.01). In the third step, we found that the effect of store affect (mediator) on perceived store differentiation was positive and significant (β= .611; p<.01). In the fourth step, we once again examined the effect of PMV on perceived store differentiation but this time we introduced store affect into the equation as well. We found that when store affect was in the equation, the effect of PMV on perceived store differentiation substantially diminished (β= .064; p>.05) and became non-significant. However, the effect of store affect on perceived store differentiation remained strong and significant (β=.485; p<.01). *Thus, H_2 was fully supported in this analysis.* Sixty four percent of the variance in perceived store differentiation was explained by accessibility, PMV and store affect.

For H_3, we found in the first step that the effect of store affect on WTPHP was positive and significant (β= .354; p<.01). In the second step, we found that the effect of store affect on perceived store differentiation (mediator) was positive and significant (β= .611; p<.01). In the third step, we found that the effect of perceived store differentiation (mediator) on WTPHP was positive and significant (β= .50; p<.01). In the fourth step, we once again examined the effect of store affect on WTPHP but this time we introduced perceived store differentiation into the equation as well. We found that when perceived store differentiation was in the equation, the effect of store affect on WTPHP substantially diminished (β=.074; p>.05) and became non-significant. However, the effect of perceived store differentiation on WTPHP remained strong and significant (β= .459; p<.01). *Thus, H_3 was fully supported in this analysis*. Fifty five percent of the variance in WTPHP was explained by accessibility, store affect and perceived store differentiation.

Discussion

Results from Study 1 of formal tests of mediation provide support for all three hypotheses. To summarize, we found that the effect of perceived merchandise value on willingness to pay a higher price was completely mediated by trust but *not* by satisfaction. The lack of evidence for satisfaction as a mediator of perceived merchandise value is important not only because it shows that trust and satisfaction are separate constructs but also because this highlights the importance of understanding the role of store trust in a retail context.

In addition to store trust, we postulated that the relationship of perceived merchandise value on willingness to pay a higher price is also mediated by the constructs of both store affect and store differentiation. As expected, we found that the effect of perceived merchandise value on store differentiation was fully mediated by store affect and that store differentiation, in turn, fully mediated the effect of store affect on consumers' willingness to pay higher prices at certain stores over others. Finally, we found that perceived accessibility (control variable) was not significant in any of the regressions. In this dataset, one's accessibility to a retail establishment did not influence whether one would pay a higher price. Overall, Study 1 provides a clear understanding of the forces at work in creating premium prices, at least in retailing if not in other marketing areas. We provide managerial implications of these results in the general discussion.

STUDY TWO

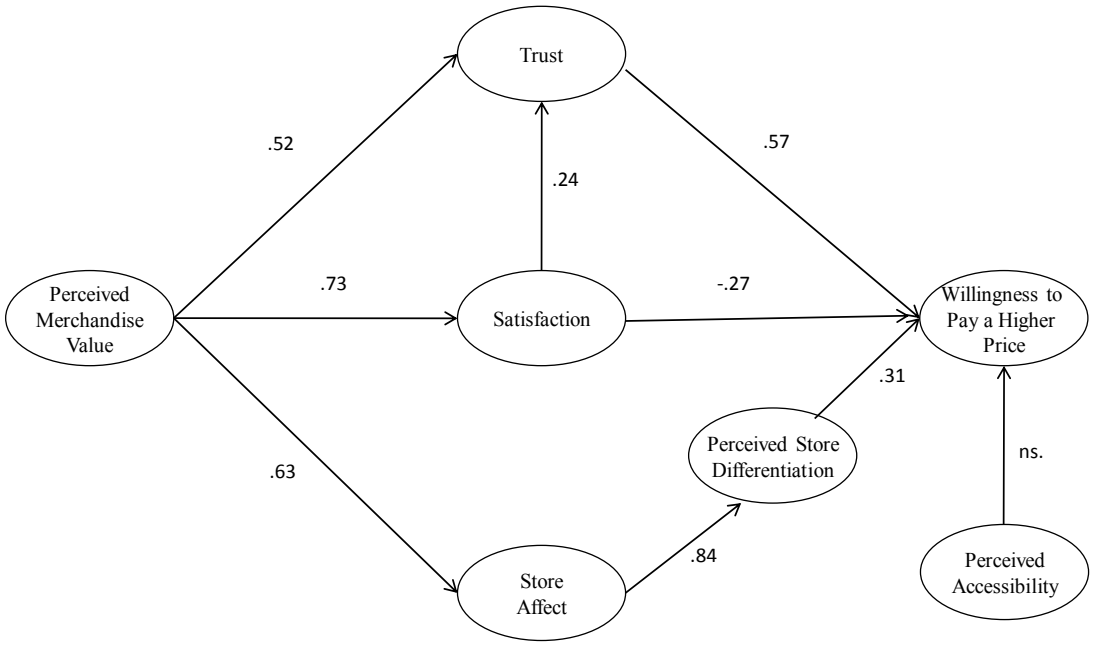
The purpose of Study 2 is to reaffirm the findings in Study 1, namely that trust, store affect and perceived store differentiation mediate the PMV-WTPHP relationship while satisfaction does not. However, unlike in

Study 1 where regression analysis is utilized to determine mediation in a step-wise manner, in Study 2 we test the influence of all the variables of interest simultaneously in a structural model (Fornell, 1984). Further, we analyze data collected from two additional grocery stores (again differing in price) to see whether we can replicate the findings from Study 1. Figure 2 presents the model that was tested in Study 2, as well as the resultant coefficients for all the pathways, hypothesized or not, constituting the PMV-WTPHP relationship.

Method

As in Study 1, the data for Study 2 come from shoppers of two different grocery store establishments. Attention was again paid to identifying two stores that had noticeable differences with regard to merchandise. The two stores which were chosen are different from one another, based on both the quality and retail pricing of the items. Store C is a local chain that carries a number of perishable and nonperishable items, as well as a limited number of household, health and personal hygiene products. What differentiates this store from most traditional chain grocery stores is Store C's emphasis on fresh meat and dairy offerings. In contrast to this store, Store D is considered a specialty grocer. A number of upscale or gourmet brands are present in Store D, resulting in higher retail price points than those found in Store C. We again employed K-

FIGURE 2:
Study 2: Mediating Paths in the PMV-WTPHP Relationship



means cluster analysis (as detailed in Study 1) to show that price differences exist between Stores C and D. The prices for the specialty grocer (Store D) were higher than for the local chain store (Store C).

We used the same measures in Study 2 as in Study 1. Table 1 identifies the various items used to measure each construct of interest in the proposed model.

Procedure

Once both Store C and D provided permission, we assigned a research assistant to each location. Once again, the assistant's job was to approach customers one at a time as they left the store and ask for permission to administer a brief questionnaire (5 to 7 minutes). Customers who were willing to respond received a card with a 7-point scale, which they referred to as the assistant read each question and noted their responses. Although the assistants were instructed not to provide personal opinions, they did repeat questions when necessary in an attempt to minimize the omission of data (Webster, 1997). After the respondent answered all the questions, the assistant thanked him/her for his/her time and moved on to the next customer. The research assistants returned to the establishments over the course of several weeks until each one amassed 150 completed questionnaires.

Regarding gender, more women than men responded: Store C- 75% female, Store D- 81% female. With regard to respondents' ages, the majority of respondents were between 36-45 years of age in Store C (39%), whereas in Store D the majority of respondents were in the "55 and up" category (50%).

Measurement Model

The measurement model shows that although the Chi-square is significant ($\chi^2_{(114)}$ = 551.42), the various fit indices suggest that the model fits the data (RMSEA= .08, NFI= .97, NNFI= .97, CFI= .98, IFI= .98). With regard to item reliability, Table 1 identifies the composite reliabilities and appropriate measure of association (Cronbach alpha or Pearson correlation coefficient) for each construct. The lambda loadings (all significant at $p \leq .05$) show that the indicators load higher than .60 on their respective constructs, thus demonstrating convergent validity. The correlations for the model constructs are provided in Table 2.

We used a method recommended by Anderson and Gerbing (1988) to determine discriminant validity. One-by-one, we constrained the correlation between each pair of constructs so that it equaled one. Discriminant validity was achieved by a statistically significant chi-square difference between the single factor and the two factor model (10 tests performed). For example, the chi-square difference of 199.78 (1) between PMV and trust as a two-factor versus a one-factor model is statistically significant at $p \leq .05$, thus we are able to discriminate between both constructs. With regard to common method variance, as was the case in Study 1, we employed two versions of the questionnaire (with reverse-ordering of questions). In addition, we again utilized the Podsakoff et al. (2003) procedure of comparing "simpler" versus more complex measurement models, to show that any inter-item correlations are not the result of method bias exclusively.

Structural Model

The data support the proposed model (Figure 2). Although the chi-square is significant ($\chi^2_{(123)}$ = 774.47; p= 0.0), the indices do support a structural model of mediocre fit: RMSEA= .09, NFI= .96, NNFI= .95, CFI= .96, IFI= .96 (MacCallum, Browne, and Sugawara, 1996). Further, these data do confirm the existence of our various proposed paths to willingness to pay a higher price. As discussed in Study 1, with regard to the mediating role of trust, the path from PMV to trust is significant and positive (γ = .52), as is the path from trust to WTPHP (β= .57). In contrast, when considering satisfaction as a mediator, although the path from PMV to satisfaction is significant and positive (γ = .73), the satisfaction to WTPHP path is negative (β= -.27). Satisfaction does however have a significant and positive effect on trust (β= .24). Finally, concerning the indirect path through both store affect and perceived store differentiation, the path from PMV to affect is significant and positive (γ = .63), as are the paths from store affect to perceived store differentiation (β= .84) and perceived store differentiation to WTPHP

TABLE 2:
Construct Correlations

Study 1

	PMV	Trust	Satisfac-tion	WTPHP	Accessi-bility	Affect	Differentia-tion
PMV	1.00						
Trust	.520**	1.00					
Satisfaction	.615**	.702**	1.00				
WTPHP	.332**	.346**	.326**	1.00			
Accessibility	.244**	.382**	.374**	.265**	1.00		
Affect	.402**	.712**	.680**	.352**	.463	1.00	
Differentiation	.333**	.584**	.795	.533**	.319	.567**	1.00

**correlation significant at the .01 level (2 tailed)

Study 2

	PMV	Trust	Satisfac-tion	WTPHP	Accessi-bility	Affect	Differentia-tion
PMV	1.00						
Trust	.526**	1.00					
Satisfaction	.616**	.512**	1.00				
WTPHP	.495**	.497**	.296**	1.00			
Accessibility	.345**	.377**	.413**	.293**	1.00		
Affect	.496**	.667**	.660**	.507**	.406**	1.00	
Differentiation	.556**	.497**	.718**	.443**	.394**	.678**	1.00

**correlation significant at the .01 level (2 tailed)

(β= .31). Finally, there is no significant effect of perceived accessibility (control) on WTPHP.

Discussion

The results of Study 2 confirm the results from Study 1. In Study 1, we looked at each hypothesis (H_1, H_2, H_3) individually, considering only the constructs of interest to each hypothesis. In Study 2, we considered all the constructs from all three hypotheses in a single model and tested this model. This allowed us to account for relationships between constructs (say affect and trust) that we had not been able to do in Study 1. In Study 1, our intent had been to conduct strong tests of mediation using only the steps described by Baron and Kenny (1986).

Once again, we found that the positive effect of perceived merchandise value on willingness to pay a higher price is mediated through trust but not through satisfaction. In this regard, note that Study 2 allows us to understand that there is a significant relationship between satisfaction and trust in spite of the different effects these constructs have on willingness to pay a higher price. Thus, although trust and satisfaction are related, trust is different from satisfaction since

there is some unique variance in trust (not accounted for by satisfaction) which is positively related to willingness to pay a higher price. Interestingly, satisfaction was negatively related to willingness to pay a higher price. This is important to note since satisfaction is often promoted as the ultimate customer-based outcome. In conjunction with the results from Study 1, we suggest that trust acts as a suppressor variable on the effects of satisfaction on WTPHP (Cohen and Cohen, 1983). When trust is in the model, it so strongly neutralizes the effect of satisfaction on WTPHP that satisfaction has an opposite effect on WTPHP. Our results suggest that trust, not satisfaction, should be the retailer's objective when the goal is to obtain willingness to pay a higher price.

Similarly, in Study 2 affect was related to perceived store differentiation and perceived store differentiation, in turn, was related to willingness to pay a higher price. Thus, Study 2 further contributes by showing the indirect effects of satisfaction and affect on willingness to pay a higher price, routed through trust and perceived store differentiation, respectively.

General Discussion and Managerial Implications

Our results suggest that, as competition heightens among retailers, store managers may seek to differentiate the value of their stores with strategies that create *trusted* perceptions of the quality and price in their merchandise. Such perceptions favor charging premium prices. Our findings suggest that it is not enough to simply create perceptions of value. Managers must also ensure that consumers have trust and faith in the store to augment such perceptions and strengthen the consumer's readiness to pay a higher price at the store. It is one thing to provide price-quality information to consumers and it is quite another to have them believe it. Consumers should *believe* that their value perceptions are well founded since the store is trustworthy and can be relied upon to deliver the quality levels that it promises with its prices.

Previous research has shown that consumers are prone to associate high prices with high quality and low prices with low quality *when no other information is available to them* (Assael, 2004). Thus, consumers use price as critical information in the absence of any other information on merchandise quality. However, consumers may not have sufficient confidence to fully rely and act on their own perceptions of quality and price (i.e. merchandise value) unless managers provide additional information that such perceptions are justified and should be relied upon when paying higher prices at a particular store. In other words, trust in a store is additional information to the consumer that provides greater credibility to his/her price-quality perceptions about a particular store. For instance, low price perceptions may contradict high quality perceptions *unless* these are augmented by reasons *why* a store can provide such good quality at reasonable prices. Such information would create consumer trust in a store and a willingness to rely on consumers' own price-quality perceptions leading to a propensity to pay a higher price at a trusted store. Both high and low price levels in store merchandise can benefit from additional store information on the credibility of a store's offerings.

A number of actions can be taken by the retailer to augment one's trust for the establishment. Awards (J.D. Powers), accolades ("Retailer of the Year") and rankings (via *Consumer Reports*) that are touted by both low- and high-priced retailers can foster trust, to the point where the consumer will accept the retail price. Essentially, the consumer's price not only covers the cost of the offering but also the benefits from the attributed accolade or award. For example, Nordstrom's higher prices are justified because the customer knows that he/she is receiving highly touted and awarded customer service.

Using "high profile" public figures or celebrities can also garner consumer trust. Notable personalities who have accomplished certain feats (in industry, athletics, etc.) and are associated with retail establishments often serve as "trustworthy" figures for consumers when they are considering an establishment. Certain product/service categories do very well in their efforts of gaining consumer trust via connecting with a public figure. Weight loss services (e.g., Weight Watchers, Jenny Craig) often use highly-appealing celebrity spokespersons who use the product/service. These programs

typically include special diet regimens and menus, as well as food items to purchase (often at higher prices than what would be found in grocery stores), yet the customers do not question such purchases.

Similarly, the way in which a retailer constructs and utilizes its brand can create information that the consumer trusts. The higher-priced grocers in our studies use the words "wild" and "whole" in their brand names, thus signaling natural ingredients and healthy food alternatives. When shoppers see these names, they believe that the grocery stores will carry healthy options. Outerwear stores such as Denali that carry high-priced North Face apparel use their names to signal certain quality features to the consumer, which in turn triggers his/her trust. Thus, once in the store, the consumer is willing to accept the higher retail prices for jackets, vests and other outerwear accessories. On the other end of the spectrum, when one enters a Dollar Store, he/she expects to find extremely low prices for a wide range of items. Even if some items retail for more than one dollar, the customer accepts the price because the name of the store signals that one is still getting a great deal for what she/he is paying for the item.

Our results also suggest that managers can choose to create either store trust or store affect and store differentiation, all of which are different constructs and suggest alternative approaches to retail practice. If trustworthy information from neutral sources is scarce, managers can, instead, create affective responses to the store based on emotional strategies like unexpected in-store service, surprising in-store entertainment, sudden "blue light" specials, whether in-store or online, and so forth. As an example, consider the number of fitness chains that exist in a given town/area. Although some compete on price differences (e.g., "Only $10.00 a month to be a member!"), many turn to emotional cues in order to differentiate themselves from the competitors. Given that physical fitness and body image are highly personal issues, some fitness shops tout the "no judgment zone" or "workout with real people" philosophies, to elicit a positive response from the customer. When an individual arrives at the facility, the atmosphere is set up to differentiate the establishment from other "mainstream" gyms. Examples include having play areas for people with children, providing one-on-one "coaches" who will tailor a workout regimen based specifically on one's current physical condition and desired end-state, juice bars/areas where one can socialize with others and feel welcomed as opposed to judged. It is likely that these added services will increase the cost; however, the clients do not question this as they feel better in these establishments and perceive them to be different, in a good way, from other workout places.

According to Mandler (1975) and others, unexpectedness is the key to producing affect and resulting interest in the store. Thus, in addition to trust, if managers can get consumers to "feel good" at the store, this creates a positive and "unique" image of the store leading to premium prices. Our results show that, when perceived value is augmented by such positive differentiation and positive affective reactions to the store, perceived value of the store's merchandise is related to a willingness to sacrifice resources in order to maintain a valued relationship. Once again, our model has diagnostic appeal to managers since it suggests managerial actions which may convert price-quality merchandise attributes into higher prices via certain mechanisms. Understanding these mechanisms or *why* there is a relationship between perceptions of value and willingness to pay paves the way for alternative, perhaps more efficient, methods to achieve the goal of obtaining higher prices in the marketplace. This becomes all the more important, in today's context in which stores are finding that profits and higher prices are not forthcoming in spite of so many "deals" and other price-oriented promotions being provided to consumers (Clifford and Rampell, 2013).

LIMITATIONS AND FUTURE RESEARCH

Although we carefully controlled for price differences among our stores, it is interesting to see the age and gender outcomes from our resultant data. In both studies, the majority of shoppers in the lower-priced stores (Stores A and C) were in the mid-thirty to mid-forty age range, while those who shopped in the higher-priced grocers (Stores B and D) were primarily in the 55+ category. Given that this research

centers on the constructs of trust and affect, both of which can be influenced by individual factors, future work should attempt to also control for age on these constructs of interest. For example, are trust and affect, at least for grocery stores, important to individuals in their twenties? Given the stereotypes associated with younger generations and the need for immediate gratification, would twenty-somethings be more/less/just as likely to pay higher prices? Do they establish trust or an emotional connection to their retailers, or is it more about the twenty-somethings having their needs met quickly and efficiently?

With regard to gender, although our data conform to the stereotype of women being the "shoppers," will the proposed hypotheses also be supported by males? Are trust, affect and/or even satisfaction significant mediators of the PMV-WTPHP relationship for men? If future work is undertaken to replicate our model, it would also be useful to identify purchase situations where men are the dominant shoppers.

In general, our model needs to be applied to other retail settings in order to see whether trust continues to mediate the PMV-WTPHP relationship. For some product/service categories it is unlikely that this will be the case. Even if the customer trusts the retailer/ firm, depending on the category it may not be possible to charge a price premium. For example, marketers have had an extremely difficult time convincing customers to pay more for "green" product/service alternatives; instead, customers question why the firm would offer anything other than sustainable options, at "regular" price levels (Unruh, 2011).

Focusing on retail communities is another logical next step for future research. Recent work suggests that the exchange process is not the only activity occurring between the customer and retailer. In actuality, a kind of community can form among the retailer and its various customers, in which socialization, mutual support, social control and social participation occur, and in fact positively influence the exchange process (Arnold, Briggs, Landry and Suter, 2013). One outcome that is partially supported by the research on retail communities pertains to the customer's willingness to pay more. Socialization and mutual support are positively related to one's willingness to pay more, however social control and social participation are not related. Trust should also be taken into account, as one can argue that each of the social constructs identified in the community model can be either enhanced or diminished based on customer trust toward the retail establishment. For example, it may be that social control was not positively related to willingness to pay more because customers did not trust in the retailer enough to believe in the retailer's established standards/ rules. As a hypothetical example, in the absence of trust, it may be difficult for customers to believe that a small, independently-run dairy farm strictly adheres to its blatantly-stated rule of not using growth hormones on animals, while it is also servicing a large number of customers. If the farm is not able to send signals of trust to its customers (e.g., medical/ scientific documentation stating the absence of chemicals in its livestock), the customers are much less likely to believe that the retailer is acting in their best interests.

To summarize, it is clear that trust needs to be seriously studied and understood in the context of retailing. For instance, management needs to know whether trust has multiple dimensions (benevolence, expertise, etc.) in retailing and which of these dimensions is most instrumental in obtaining higher prices from consumer perceptions of value in a store.

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