

Springer Proceedings in Business and Economics

Francisco J. Martínez-López
Juan Carlos Gázquez-Abad
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Advances in National Brand and Private Label Marketing

Second International Conference, 2015



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Editors

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ISSN 2198-7246

ISSN 2198-7254 (electronic)

Springer Proceedings in Business and Economics

ISBN 978-3-319-20181-8

ISBN 978-3-319-20182-5 (eBook)

DOI 10.1007/978-3-319-20182-5

Library of Congress Control Number: 2015942825

Springer Cham Heidelberg New York Dordrecht London

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Preface

After years of struggle, the Fast Moving Consumer Goods (FMCG) industry is poised for growth. In countries such as France, the United Kingdom, Germany, and the United States, shoppers have started to spend again. Countries such as Spain, Greece, and The Netherlands still remain in economic recession although they are starting to show signs of recovery.

Anyway, global recession appears to have permanently changed consumers' shopping behavior and there is no return to pre-recession purchasing habits. Economic recession has affected consumers' preferences for Private labels and national brands in the retailers' assortments. Consumers have evolved to become harder to find, engage, and please. Consumers are more in control of relationships with brands and retailers. They are more aware and knowledgeable of products and services they're being offered, not only from manufacturer and retailers but also from their networks through social media. In this context, shoppers are no longer tied to a brand or retailer and instead they are looking for value, either that comes from a low price or high quality or both!

In this era of the "new consumer," it has become more important for manufacturers and retailers to work together to be profitable and successful. Retailers are demanding more from their suppliers, and manufacturers from the chains. They have realized that price wars are unsustainable for both and, even, for consumers who will not accept them if they mean lower quality products. Manufacturers must focus on joint business planning with their retail partners and convince them that stocking national brands benefits the store, generating traffic and a profit margin for the store. Retailers are the gateways to customers. They control shelf-space, so national brands need retailers to get their product to the end consumer. At the same time, retailers are also interested in promoting their own store brands or private labels to consumers so as to improve store differentiation, store loyalty, and higher profits. By optimizing their range assortment, sharing information, and working together, retailers and manufacturers can identify new areas of mutual benefit.

Therefore, both manufacturers and retailers have many new areas to explore for retail recovery. The goal is clear: to ensure consumer's products and brands are available at the right time, through the right channel, and at the right price.

Looking at those aspects underlying this new marketing era offers exciting opportunities for researchers. It is with this goal in mind that this Second International Conference on Research on National Brand and Private Label Marketing (NB&PL 2015) has been launched and organized. After the success of the first edition, this second edition is still believed to be a unique international forum to present and discuss original, rigorous and significant contributions specifically on National Brand (NB) and Private Label (PL) issues.

Each paper submitted to NB&PL 2015 has gone through a stringent peer review process by members of the Program Committee, comprising 43 internationally renowned researchers from 14 countries.

A total of 21 papers have been accepted, and they address diverse areas of application such as naming and packaging decisions, price elasticities, positioning, branding, consumer motivations, online communities, economic crisis, review of literature, and PL growth stage, among others. A wide variety of theoretical and methodological approaches have been used in these areas.

We believe that this second edition has continued with the same goals as the first edition: promote, stimulate, and publish high-quality contributions on national brands and private labels, which could help retailers and manufacturers deal with diversity of issues. Nevertheless, we hope to keep organizing this Conference which is aimed to become an international reference for advancing this promising research field.

Finally, we wish to acknowledge the support of the sponsors: *Foundation Ramón Areces* (sponsored by *El Corte Inglés* Company), *Open University of Catalonia*, *Information Resources Inc. (IRI) Worldwide*, and *Manufacturers-and-Retailers Spanish Multisectoral Association (AECOC)*. We would also like to thank all the contributing authors, members of the Program Committee, and the rest of the Organizing Committee for their highly valuable work in enabling the success of this second edition of NB&PL. Thanks for your generous contribution—IC-NB&PL 2015 would not have been possible without you all.

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Part I

Consumer Behaviour I

Improving Sales of Private Labels in Store

Álvaro Garrido-Morgado, Óscar González-Benito, Katia Campo,
and Mercedes Martos-Partal

Abstract This paper analyzes the effectiveness of different merchandising techniques and in-store promotions in boosting sales of private label grocery products. Private labels differ substantially from (leading) national brands in product positioning and target customer group, and may therefore require a different in-store marketing mix to support their sales. By analyzing the relationship between brand type and the sales impact of different merchandising and promotion tools, we aim to obtain a better insight into which types of in-store stimuli are more appropriate to stimulate private label sales. Results confirm that (1) in-store stimuli have a differential effect on sales of private labels and national brands, and (2) merchandising and promotion tools that trigger a more cognitive and reasoned decision process are more effective in stimulating private label sales.

Keywords Private labels • National brands • Merchandising • Sales promotions

1 Introduction

Private label (PL) products have improved their market position substantially, with market shares that now even exceed 40 % in several (grocery) categories and European countries (Burt, 2000; PLMA, 2014). Retailers can use PL products to differentiate themselves from their competitors, and in this way, stimulate store loyalty (Ailawadi, Neslin, & Gedenk, 2001; Baltas, Argouslidis, & Skarmas, 2010; González-Benito & Martos-Partal, 2012; Kumar & Steenkamp, 2007).

Together with the improvement in market position, PLs have improved their promotional activity (Geyskens, Gielens, & Gijsbrechts, 2010; Kumar & Steenkamp, 2007), which now approximates NB standards. The question remains

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whether the use of ‘traditional’ marketing tools to support and strengthen their position, will have the same effect as has been observed for NB products. There are several reasons to expect that marketing support actions may have to be adjusted to the specifics of PL products, such as the difference in consumer decision process, difference in target group, and the overall positioning of PL products.

2 Previous Literature

2.1 *Private Label*

PLs have long been perceived by consumers as a ‘cheaper, low to medium quality’ alternative to NBs (Burt, 2000). Initially, the first ‘generations’ of PL products therefore consisted mainly of ‘no-frills’ products with a major focus on functional product attributes and price advantages (Burt, 2000; Kumar & Steenkamp, 2007).

While the quality gap with NBs has decreased substantially over the last two decades, PL products are still mainly positioned as ‘value-for-money’ alternatives (Geyskens et al., 2010; Nanycz-Thiel & Romaniuk, 2009) and mainly appeal to more utilitarian-oriented and price sensitive consumers (Ailawadi et al., 2001; Baltas et al., 2010), who compare alternatives on tangible and price related product attributes to make a selection. By contrast, manufacturers of many leading NBs invest heavily in empowering their brand with intangible benefits (brand equity) and in creating an overall positive attitude towards the brand. As a result, consumers may rely more on their overall brand attitude and use it as a decision cue to simplify purchase decisions, instead of comparing and evaluating different alternatives on multiple product attributes (Hoyer & Brown, 1990). Hence, the nature of the decision process can differ substantially between PL products (more cognitive, attribute-based comparison of alternatives) and NBs (more affective, attitude-based and habitual or ‘impulsive’ purchase decisions). Because of this, we expect the in-store marketing stimuli’s effectiveness is different on PL and NB.

2.2 *Merchandising*

Merchandising techniques aim to attract attention to and raise interest in a product, by featuring it within the store (special location and/or signals) and triggering an emotional or cognitive response enhancing its purchase probability (Inman, Winer, & Ferraro, 2009; Yeung & Wyer, 2004). Merchandising techniques can differ in the way they attract attention and the type of consumer response they elicit (Breugelmans & Campo, 2011; Buttle, 1984; Varley, 2006) and the type of brand can moderate the merchandising effectiveness (Bemmaor & Mouchoux, 1991; Lemon & Nowlis, 2002). In general, we expect that merchandising techniques

that facilitate a more cognitive, attribute-based comparison of alternatives will be more effective in stimulating PL sales, as that is more similar in nature to the regular way in which PL products are selected. Therefore, we expect that shelf signages will be more effective in stimulating PL sales than end-of-aisle displays or islands.

2.3 Promotions

Several studies indicate that promotions have a different effect on PL and NB sales. Especially for price promotions, much stronger (asymmetric switching) effects have been observed for NBs than for PLs (Shankar & Krishnamurthi, 2007; Sivakumar, 2007). Sethuraman and Raju (2012) indicate that the reverse could hold for non-monetary, product promotions. Based on Chandon, Wansink, and Laurent's (2000) congruency framework, we expect that offers the same type of advantage as that associated with PL will be more effective in increasing their sales. Therefore, we expect that price promotions will be more effective in stimulating PL sales than product promotions.

3 Methodology

3.1 Data

We use 1 year (2012) of scanner sales data of a Spanish representative store of one of the largest European retailers in the food sector (Retail-Index, 2014). The data set contains daily, SKU-level sales data of 983 products belonging to 22 FMCG product categories.

3.2 Operationalization of Variables

We use as dependent variable a relative sales measure (LnSV_{it}) comparable across categories and in order to be able to use pooled estimation. In particular, to measure the daily variation in units sold, we use the logarithm of the number of units sold of SKU i on day t , divided by SKU i 's average daily sales.

We create dummy independent variables for each merchandising technique (island ISL_{it} , end-of-aisle EOA_{it} , signage SG_{it}), each type of promotion (price promotion PRIC_{it} , product promotion PROD_{it} ; see Inman et al., 2009 for a similar approach), and the private label variable (PL_i).

3.3 Model and Estimation

To analyze the effect of different merchandising techniques and promotion types on PLs, we use a regression model with interaction terms capturing the potential differences in effectiveness across PLs and NBs (see Eq. 1). We checked whether the necessary assumptions of normality, linearity and homoscedasticity are met. In addition, we find that there is no multicollinearity between the variables based on an analysis of tolerance and vif (Hair, Tatham, Anderson, & Black, 1998). Therefore, we use pooled estimation across categories to obtain a direct measure of the moderating impact of brand type (PLs & NBs) on the effectiveness of different merchandising and promotion tools. Thus, we propose the following model:

$$\begin{aligned} LnSV_{it} = & \alpha + \beta_1 PL_i + \beta_2 ISL_{it} + \beta_3 EOA_{it} + \beta_4 SG_{it} + \beta_5 PRIC_{it} + \beta_6 PROD_{it} + \\ & + \beta_7 ISL \times PL_{it} + \beta_8 EOA \times PL_{it} + \beta_9 SG \times PL_{it} + \beta_{10} PRIC \times PL_{it} + \beta_{11} PROD \times PL_{it} + \varepsilon_i \end{aligned} \quad (1)$$

4 Findings and Conclusions

The aim of this research is to provide a better insight in and empirical evidence of the difference in effectiveness of different types of in-store stimuli to increase sales of PL products.

The results confirm that each merchandising technique and promotion type has a different impact on sales, confirming the necessity to distinguish between different merchandising and promotion types. Furthermore, that merchandising and promotion effects are substantially different for PL and NB products. In fact, according to our results, the most appropriate merchandising technique for PLs is that which facilitates a more cognitive, comparative evaluation, consistent with the PL's usual evaluation process. In the same line, we find that promotions which provide monetary benefits which reinforce the PL's major competitive advantage are more effective on PL sales.

One of the major limitations of our analysis is that data come from one store only. Related to this, we focus on merchandising and promotion effects for standard PLs. It would be interesting to investigate possible differences in effect between retail grocery chains and different PL tiers in future research, to examine the moderating effect of retail chain characteristics and the PL's price/quality positioning. Next, while our multi-category analysis provides advantages in terms of generalizability of results, the current model does not account for possible interfering effects of category characteristics. In further research, we will adjust and refine our sales model to capture these effects, and improve the managerial guidelines that can be derived from the analysis.

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Understanding What Motivates German Consumers to Participate in FMCGs Online Communities: Implications for National Brands and Private Labels

Nicoletta Occhiocupo and Isabelle Hanke

Abstract Over the past few years, a growing body of literature has been discussing the emergence of brand online communities (OBCs) as a way for companies across different sectors to directly interact with consumers and as a marketing tool.

This research aims at understanding why consumers engage in OBCs of Fast Moving Consumer Goods (FMCGs), which are traditionally considered a low involvement and low risk category of products. A multi-method approach—using netnography and in-depth interviews—was chosen to collect primary data from German consumers taking part in four selected OBCs.

Findings show that key motivational drivers appear to be brand related, as the emotional engagement triggers not only the initial stimulus to enrol, but also to actively participate, and social drivers, like expected benefits, identified in terms of interaction with the brand and a specific product and in terms of interaction within the community. Findings support existing research on OBCs, suggesting that motivations to participate in FMCG online communities have commonalities with some studies conducted in different contexts.

Some common managerial implications relevant to both FMCGs and Private Labels (PLs) are provided.

Keywords FMCGs brands • Motivations • Online communities • Multi-method approach

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© Springer International Publishing Switzerland 2015

F.J. Martínez-López et al. (eds.), *Advances in National Brand and Private Label Marketing*, Springer Proceedings in Business and Economics,
DOI 10.1007/978-3-319-20182-5_2

1 Introduction

Many studies have recently investigated benefits, drivers and makers of Online Brand Communities (OBCs) and electronic Word-Of-Mouth (eWOM) from a variety of different perspectives. Most papers have however focused on and made use of OBCs which are linked to high involvement/high risk products or brands, particularly when looking into motivations for consumers to engage in OBCs. This research instead looks at understanding drivers motivating consumers to spend their time in OBCs of low involvement and low risk products, such as Fast Moving Consumer Goods (FMCGs). The context of this study is Germany, a country in which consumers tend to be very price sensitive and are used to substitute national brands with private labels (PLs), also due to a relatively high market share held by discounters. Hence, understanding what motivates consumers to engage with OBCs of national brands seems to be paramount to the survival and growth of FMCGs, but, at the same time, of interest for Private Labels.

2 Literature Review

Within the last decade, social network sites have become a popular medium to establish, maintain and enhance personal and professional relationships and communication (Trusov, Randolph, & Koen, 2009)—with Facebook leading the way, having been established just over 10 years ago. Besides getting in touch with friends and becoming friends in the virtual world, members can also become fans of brands on Facebook—so called—fanpages (De Vries, Gensler, & Leeftang, 2012; Dholakia, Blazevic, Wiertz, & Algesheimer, 2009). This social trend has become the focus of a variety of studies in business and management related fields, including marketing.

McAlexander, Schouten, and Koenig (2002), for example, developed a customer-centric model aiming at highlighting the customer centricity in the relationships existing in brand communities, within which a number of parties interact. This model further clarified that OBCs are acknowledged as established marketing tools, used in order to create a strong relationship and loyalty between the customer and the brand (e.g. Bhattacharya & Sen, 2003; McAlexander, Kim, & Roberts, 2003; McAlexander et al., 2002; Meister, 2012). Further research pointed out how those connections in social networks act as C2C interaction between like-minded consumers (Bagozzi, Dholakia, & Mookerjee, 2006).

Popp (2011) also noted that an online community can have an active impact on branding. This new form of interaction with the consumer has led to an expansion of the relationship-construct, so that not only the provider, but also the consumer is also seen as an active contributor (McAlexander et al., 2002; Popp, 2011).

Within the OBCs stream of research, a number of authors (e.g. Algesheimer, Dholakia, & Herrmann, 2005; Bergami & Bagozzi, 2000; Hoyer, Chandy, Dorotic, Krafft, & Singh, 2010; Muñoz & O'Guinn, 2001; Stokburger-Sauer, 2010) have

been touching upon motivation of consumers' participation in OBCs within different industries, also providing direction for future studies. Others (e.g. Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004; Liang, Ekinci, Occhiocupo, & Whyatt, 2013) looked into specific drivers and antecedents of e-WOM, another marketing tool that organizations increasingly use to their benefit.

Those pieces of research provide a solid starting point to investigate consumer motivations to participate in OBCs from the social, brand-related and functional perspectives. However, those studies looking into motivations to participate in OBCs mainly focused on high-involvement brands and their brand communities, such as Harley Davidson with the Harley Owner Group (HOG) by Bagozzi and Dholakia (2006). High-involvement products establish faster a strong relationship with consumers, as consumers spent normally a greater amount of time and money on such a purchase. In comparison, low-involvement products are driven by impulses within the buying process often relating the purchase with a specific brand personality to which a consumer may identify due to a set of brand values (Batey, 2008). Consumers do not normally fiddle with low-involvement products as they would do with high-involvement products, so it's unclear why consumers would spend time to engage in activities with low-involvement products. Some research (e.g. Cova & Pace, 2006) looked into aspects of customers' empowerment, using for instance the Nutella OBCs, but did not specifically address issues relating to motivations to participate.

Drawing from extant research looking at OBCs from different perspectives and with different research focus, three main stream of literature can be identified as relevant to explain motives to participate in OBCs: social drivers (intrinsic motivations, social identity, social interaction and social enhancement) and brand related drivers (brand personality and consumer-brand identification; brand trust and brand loyalty; brand related benefits).

While some existing papers on OBCs have shown that brand-related and social drivers play a key role in consumers' engagement in OBCs, Hoyer et al. (2010) emphasized that some motives to engage in OBCs are not completely investigated and understood. In particular, existing research has not specifically explored motivations to participate in Fast Moving Consumer Good (FMCG) OBCs.

FMCG companies have increasingly engaged in activities aimed at getting closer to their consumers, not only to better understand their needs, but also to somehow address the growth and expansion of PL brands. In fact, FMCGs are currently struggling to attract and retain customers, also due to the growing competition coming from retailers' private brands, particularly in price-sensitive markets, like Germany (GfK/Consumerindex, 2013; MetrixLab, 2012), where private labels' offering increased by 15 % from 2009 to 2012. The low-involvement of customers and the little effort and risk within the purchase process (American Marketing Association Dictionary, 2013) as well as the loose emotional bond entail that customer engagement becomes a challenge for marketers. Hence, understanding what motivates consumers to participate in OBCs within the German FMCG industry should help FMCGs, but also PLs, to understand how to better engage with consumers.

3 Research Methodology

As this research aims at understanding motivations to participate in FMCGs online communities, an explorative qualitative study approach was adopted to gain in-depth understanding of the phenomenon (Bryman & Bell, 2011). Data collection followed a multi-method approach, using a 3 week period netnography (Hine, 2000; Kozinets, 2010) and semi-structured interviews (Rubin & Rubin, 2012) with 13 consumers aged 18–35 (generation Y), members of one of four selected OBCs in the German FMCG market. Those two data collection tools were combined in order not only to seek views through the lenses of OBCs participants, but also to observe the OBCs and the interaction within those. Four German OBCs—two in the food industry (Nutella and Kinder Riegel) and two in the beauty and care industry (Nivea and Labello)—were selected on basis of three key criteria: the average engagement rate (ER); the brand heritage in the country and the number of Facebook fans.

Taking into account key emerging streams of literature, findings were arranged around five codes; namely, the role played by: brand; consumer identification; interaction; provider's offering and external stimuli.

4 Discussion of Findings

Overall, data coming from both data collection methods—netnography and in-depth interviews—show that the brand itself is the most important motivating element to join and engage in OBCs.

With reference to brand related drivers, all interviewees mentioned their 'long-term and intense relationship' to the brand and also shared a special story relating to the brand which they would post as if they were talking with a friend. The sense of a special relationship is clearly coming through also based on a combination of brand-related aspects, in line with, for example, Muñiz and O'Guinn (2001), who argued that consumer identification needs a traditional history and a remarkable brand image in a highly competitive market. That can lead to a greater level of togetherness (Algesheimer et al., 2005). For instance, one interviewee (NU1) talked about a specific memory which is significant and linked to brand related aspects, including brand loyalty:

... also a bit feeling of home. It was so when I was an Aupair in the US, it [NUTELLA] was one of the brands which I bought there, since it gave me a feeling of home... something German that you typically like to eat.

Although some differences between the food and beauty care brands considered occur in terms of perception and how the connection to the brand was established, the emotional bond with the brand is a key requirement for the consumers in order to engage in OBCs. The relationship to Kinder Riegel (KR) and Nutella (NU) was perceived higher compared to Nivea (NI) and Labello (LA), because the

interviewees of KR and NU perceived a stronger connection to the advertisement that included emotional factors. KR and NU interviewees also stated that that nothing comparable is available in the market and that those products could generate extraordinary joyful moments. Similarly, NI and LA interviewees pointed out key features of the brands, making their products unique. Brand trust and loyalty, even in a highly competitive market, emerged as important brand-related drivers to participate in OBC and, at the same time, were enhanced by participating in OBCs (Ha & Perks, 2005; McAlexander et al., 2003).

As discussed by Zentes, Morschett, and Schramm-Klein (2008) as well as Cova (1997), the perceived similarities with brands establish a relationship between the brand and the consumer, leading to brand identification. Findings from this study also suggest overlapping characteristics between the respondents and the selected brands. As argued by Kozinets (1999), a OBC is a further medium to express affinity and identification with a brand, hence becoming a motive to participate. So, it can be said that consumer brand identification with a specific brand personality results to be a motivational driver for the selected brands, since the OBC becomes part of the consumer-brand-relationship and it also strengthens that bond.

Looking at social drivers, in terms of social identity and social benefits, findings support the stream of literature suggesting that social drivers can trigger participation in OBCs (e.g. Algesheimer, Borle, Dholakia, & Singh, 2010; Muñiz & O'Guinn, 2001; Stokburger-Sauer, 2010). In terms of social identity, interviewees indicated that there is a clear perception of similarity with other members. According to the participants' perspective on other members, words as "*like me*" (NU2, KR1, NI3), "*similar to me*" (NU1, NI1, NI2), "*equally*" (KR4) or "*have the same values as I have*" (LA2) were used. This is also supported by data generated in the netnography. Interviewees' statements overall illustrated 'consciousness of kind' (Bergami & Bagozzi, 2000; Muñiz & O'Guinn, 2001) as well as the more general concept of social identity in OBCs (Hogg & Terry, 2000; Stokburger-Sauer, 2010). KR4, for example, stated that the reason to take part in an OBC is not only about gaining information, but rather about "*being part of the community*" like interviewee NI3 who mentioned "*the feeling of appertaining*" to a group. Social benefits could also be identified when analysing interviews and data from the netnography. Participants stated that they benefitted from the experiences of other members and also if they have ideas to enlarge the product usage, e.g. "*It is good to know others' experiences, if someone tried a new edition*" (LA3) and "*I like the recipes with NUTELLA and it is perfect that members share them with the community*" (NU1). As suggested by McAlexander et al. (2002), based on similarities, members feel connected to each other developing bonding towards the brand as well as the group.

These social drivers are clearly linking to and somehow overlapping with the aspect of social interaction which the literature relating to OBCs also argue being an important element to motivate consumers to participate. While findings indicate that is not always the most obvious or conscious motive for interviewees to participate in a OBC, data clearly show that interviewees expect social interaction, in particular in the form of brand-related benefits. Consumers' motivation is driven

by receiving brand-related information that keeps them updated, but also strengthen their knowledge about the brand. Further, entertainment and economic benefits such as vouchers or to win give-aways are also motivating the interviewees to engage in OBCs, in line with research by Wirtz et al. (2013) and Garnefeld, Iseke, and Krebs (2012). While expectations appeared to be diverse, data from both interviews and netnography show that up-to-date news as well as information about the brand history are the most popular motivation drivers in order to join, *"I get information bundled on one platform and I can also interact with the brand as well as with the members"* (KR4).

Furthermore, in some cases, participants seek for social interaction with the brand in order to have an impact on the brand, which links back to some emerging research on consumer empowerment (Cova & Pace, 2006) and brand democratization (Asmussen, Harridge-March, Occhiocupo, & Farquhar, 2013). Some interviewees emphasized that they would like to have a say and to be engaged in some processes in order to support the brand and its products.

Finally, providers' offering, including 'external stimuli', was investigated. Findings coming from netnography and interviews suggest that participants have certain expectations in terms of the content and frequency of post/interaction. Only very few interviewees couldn't clearly articulate what their expectations were in terms of expected/desired content, pointing out that providers offering is an important aspect to foster motivation to participate in OBCs, but not a key motivational driver in the first place. In line with previous research (e.g. Bagozzi, Dholakia, & Klein Pearo, 2007; Brown, Kozinets, & Sherry, 2003; Kozinets, 2010), it seems that the quality, quantity and ease of access of information posted by the provider influenced more the level of engagement and active participation rather than the motivation to join. Interviewee KR4 emphasized the perceived benefit of being part of the OBC referring to information and exclusivity: *"Perhaps I know more about the brand than others, because I get it faster and directly to my Facebook page"*. Some interviewees of KR and NU emphasized the entertainment aspect of the OBC *"When I am bored or have to wait somewhere, I go on Facebook and it makes me smile and happy to see the picture of Milky and Schoki"* (KR1).

External stimuli got more attention than expected since most interviewees mentioned that a particular OBC came to their attention because of information/advertisement on Facebook, also in line with previously mentioned research on incentives/external stimuli. In particular, KR and NU participants emphasized the role of external advertisement, since it provides some initial inputs for brand identification. Finally, also external events were mentioned by some, as a tool to strengthen the relationship to the brand and as a possible requirement to foster participation in OBCs.

5 Managerial Implications

Having identified and discussed key motivational drivers for consumers to participate in FMCGs online communities, some key managerial implications can be drawn, addressing the growing interest of national brands and private labels in directly engage with consumers.

One key element which companies should consider when evaluating the possibility or setting up online brand communities is the existing brand history and identity, as those brand related aspects appeared to be significant drivers to motivate consumers to become part of an online community and engage with it.

Integrating off-line and online activities seemed also beneficial to increase the level and the frequency of consumer engagement in online communities, hence with the brand itself. This aspect might be of particular interest to retailers, as consistency in the integration of omni-channel retail activities becomes paramount to the success of retailers operating across different channels.

Last, but not least, quality of the content and frequency of posting emerged as elements which can further stimulate the participation in OBCs.

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Wine Brand Category Choice and Confucianism: A Purchase Motivation Comparison of Caucasian, Chinese and Korean Consumers

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Abstract Immigrants are an important demographic group who are increasingly targeted as consumers by the wine industry in Australia and other Western markets. These markets are often not homogenous as intra-national diversity has created a complex market place in many Western key markets. In this study, wine brand category choice for Chinese and South Korean consumers living in Australia was probed and contrasted with the choices of Caucasian consumers. Three purchase scenarios, namely self/household-consumption, social entertainment-use and gift giving were presented to 511 consumers through a shopping mall intercept using a paper-based questionnaire. Separate models were developed to distinguish preferences for Australian and French wine. Backward deletion regression analysis was used to arrive at the most parsimonious models. A comparison of three research models, namely a marketing model, a Confucian Consumption Behaviour Component (CCBC) model and a Hybrid Model were tested. We found that the hybrid model (i.e. a combination of marketing variables and CCBC variables) has the highest explanatory power for consumers' wine brand category choice. Different ethnic groups have different wine brand category choice for different purchase scenarios. Our findings provide theoretical implications for ethnic marketing research and brand category choice, and we also offer insights for wine makers to better position their products for all markets characterised by intra-national diversity.

Keywords Brand category choice • Ethnicity • Wine marketing • Confucianism • Marketing/CCBC hybrid model

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1 Introduction

Global wine consumption increased steadily by 6.9 % from 2008 to 2013 and the total value amount was over 300,000 million US dollars by the end of 2013 (Euromonitor, 2014). While Western countries occupy the main market share, East Asian markets including China, South Korea, Japan and Taiwan have had a dramatic growth of 51.4 % in this period (2008–2013) and the wine consumption is forecasted to increase by 50 % by 2018 (Euromonitor, 2013; 2014).

In the Australian market, an influential ‘new world’ wine producer, Caucasians have a long tradition of consuming wine at home or when entertaining and giving wine as a gift (Ritchie, 2007). Immigrants to Australia from China and South Korea have traditionally focused on beers, whisky and spirits, such as soju in South Korea and rice spirits in China. However, wine has become increasingly popular with the Chinese and South Korean middle class (Balestrini & Gamble, 2006; Lee, Zhao, & Ko, 2005; Liu & Murphy, 2007). In fact, it could be argued that wine has become more common for Chinese and South Korean social and entertainment dinners than it is in Western settings where consumers increasingly shy away from alcoholic beverages (Balestrini & Gamble, 2006; Lee et al., 2005).

Asian immigrants have become an important target market for wine marketers, not least since Asian immigrants who were born outside of Australia accounted for 9.1 % of the total Australian population in 2011 (Australian Bureau of Statistics, 2012). The proportion of immigrants from Asia to the general Australian population increased considerably from 5.5 % in 2001 to 9.1 % in 2011 (Australian Bureau of Statistics, 2012). From 2006 to 2011, the number of new Chinese immigrants accounted for around 14 % (111,000) of Australia’s migration intake. On the other hand, the number of new Korean immigrants was around 20,000 (Australian Bureau of Statistics, 2012), and both the Chinese and Korean immigrants are often characterized by considerable purchasing power that is now also used to buy wine.

With such strong presence of multiculturalism, the Australian (wine) market is no longer homogenous. In fact *intra-national diversity* (Tung & Baumann, 2009) has created a complex market place in Australia and other markets such as the USA, Canada and the UK. Baumann, Hamin, and Tung (2012), for instance, further probed the concept of intra-national diversity to explain different patterns of banking for Caucasians and the Chinese and found that intra-national diversity is an important factor to explain the difference of consumer behaviour between ethnic groups within a country. Our study picks up from the previous two studies on intra-national diversity in relation to money matters (or banking), and we look possible intra-national diversity when it comes to wine.

A number of studies investigated East Asian consumer behaviour in their home countries such as China, Japan and South Korea. This study is the first to explore East Asian consumer behaviour and contrasting such to Caucasian wine brand category choice. Past studies have examined various marketing factors influencing consumers’ wine choice (e.g., price, brand and country of origin), but we contrast

not only the influence of marketing factors, but also consumers cultural background and how that affects consumers' behaviour. In East Asia, Confucianism is the predominant ideology, in particular in China and South Korea, and we therefore investigate the impact of Confucianism on consumer purchases.

Our study is unique as we combine six marketing factors (country of origin, brand image, price, value for money, customer satisfaction and product quality) and Confucian consumer behaviour components (CCBC). We measured Confucianism based on Monkhouse, Barnes, and Pham (2013) who has established a reliable tool to capture that ideology. In essence what this study establishes is the varying power of a sole marketing model, our Confucian model and a combined (or hybrid) model to explain wine brand category choice for the three ethnic groups we study.

2 Literature Review

2.1 Wine Brand Category Choice

The literature has established that wine selection depends on the purchase occasion, and this also means that the 'drivers' to purchase depend on the occasion the wine is bought for (Mora & Moscarola, 2010). The role of purchase occasion has been explored in a number of wine marketing studies. Hall, Lockshin, and O'Mahony (2001) have demonstrated the relationship between wine choice and dining occasions as well as the influence of different factors in various occasions. They found that the wine brand is important for business-related dinners and moderately important for a dinner with a friend. Previous wine marketing literature has also stated that the purchasing occasion is an essential factor in consumers' wine selection, as the reasons of wine selection for different situations are not the same. Differences among individuals' motivation on specific occasions are worthy to be understood more clearly, especially when consumers are confronted with different categories of wine brand, such as the discount brand and premium brand, let alone it is possible that cultural factors come into play (e.g. the Chinese culture where entertaining guests is very important).

2.2 The Impact of Culture on Wine Brand Category Choice

Due to the development of globalization through immigration, this study heeds this call for the need to consider the power of culture on different ethnic consumers' wine brand category choice rather than merely focusing on traditional marketing factors. Our study provides deep insights into the three ethnic groups' wine category choice in the Australian domestic wine market: Caucasians, Chinese and South Korean (hereafter Korean) that all have diverging cultural backgrounds.

Within the context of marketing research, several studies have found that individuals' motivation for purchase behaviour is affected, if not driven, by their cultural background (Kacen & Lee, 2002). Indeed, different cultures can shape consumers' beliefs, attitudes and behaviours and previous research has investigated the relationship between culture and consumer behaviour (Kitayama & Cohen, 2010). Moreover, when consumers select products for several particular purchasing occasions such as gift giving, their purchasing motivation and behaviour are associated culture (Baumann & Hamin, 2014). In East Asia (and for East Asian immigrants), Confucianism has been the essential foundation of culture and society for more than 2000 years, particularly in China and Korea (Ji & Dimitratos, 2013). People's values and norms are impacted considerably by Confucian values and many aspects of life are heavily influenced by Confucianism, such as family life, education, law and business (Cheung et al., 2006; Dalton, 2005), and ultimately, as we probe in our study, consumption.

The importance of Confucianism has been incorporated across a variety of different research fields, including economy, education and sociology. An early study associating Confucianism found that Hofstede and Bond's study (1988); they used "Confucian Dynamism" to explain the macro economic growth among the countries of East Asia, such as Japan and South Korea. In terms of academic performance, Baumann and Hamin (2011) found that the culture is one of the key drivers to influence students' academic performance. Furthermore, researchers have been keen to examine the link between Asian students' cultural background informed by Confucianism and their success of academic performance. Matthews (2000) also found that the Australian university students from ethnically Chinese backgrounds are still interacted by Confucian values. In sum, the relationship between Confucianism and many research areas is empirically established, but previous literature has given only a little attention to the power of Confucianism on consumers' wine brand category choice.

This study is designed to contribute this gap in the marketing literature. We measured the Confucianism based on the Monkhouse et al.'s study (2013) and named this culture model Confucian Consumer Behaviour Components (CCBC). The CCBC model was used to identify to what extent intra-national diversity exists in the increasingly multi-cultural markets. Tung and Baumann (2009) established and empirically verified strong intra-national diversity in Western market, such as Australia and Canada. In wine marketing literature, the impact of intra-national diversity on consumers' wine brand category choice is not yet will understood. If the market was not homogenous, we could comprehend the position of different wine products for the whole wine market driven by intra-national diversity. Our study is grounded on the up-to-data research area on the importance of intra-national diversity and focuses on different ethnic groups' wine brand category choice for different purchase scenarios.

3 Methodology

The methodology for this study assumes the form of a questionnaire design, aimed to probe three ethnic groups' wine brand category choice for three purchasing scenarios as well as to test the power of three research models (e.g. marketing model, CCBC model and combined/hybrid model) on consumers' to explain three ethnic groups' wine brand category choice. We used the price cue to classify the wine brand category (e.g. "up to 10 dollars = discount brand", "11–40 dollars = household brand" and "above 40 dollars = premium brand").

3.1 *Questionnaire Design and Measurement Scales*

Participants answered questions related to their Australian and French wine brand category choice for three purchase scenarios (self/household-use, social entertainment-use and gift giving) using a 7-point Likert scale ("1 = Strongly Disagree" and "7 = Strongly Agree"). Moreover, participants were asked to what extent six marketing factors influence three ethnic groups' wine brand category choice for different purchase scenarios. Questionnaire questions on Confucian Consumer Behaviour Components were extracted from the study by Monkhouse et al. (2013) CCBC was measured with five sub-dimensions, including face saving, humility, group orientation, hierarchy and reciprocity. The CCBC model used to determine the respondents' self-identified level of personal Confucianism.

3.2 *Data Collection*

To ensure the gathering of enough and high-quality data, a shopping mall intercept survey was used. Printed questionnaires were distributed to everyday shoppers in a shopping mall in a major suburb of Sydney with a substantial multicultural society in Australia (Australian Bureau of Statistics, 2012). To ensure randomness, every 20th shopper was invited to be a respondent (Baumann & Setogawa, 2014). The quota of gender was controlled for and all participants were above 18 years old. We followed the respondents' own self-identification as 'Chinese' or 'South Korean'. Six hundred questionnaires were collected and of these, the valid sample is 511 including 217 Caucasians (42 %), 126 Chinese (25 %) and 168 South Koreans (33 %).

3.3 *Scale Validation and Data Analysis*

First, exploratory factor analysis was performed on the 21 questions using a Varimax rotation. The outcome of this analysis was that the remaining 21 items resulted in five Confucian consumer behaviour components. These 21 items explained 59 % of the variance and individual community value is above the 0.50 minimum level (Hair, Black, Babin, Anderson, & Tatham 2009). Cronbach's alpha (α) tests were used to check the reliability of the 21 questions and the tests indicated that the value is greater than 0.7 (0.83), which means the reliability is achieved (Hair et al., 2009). To determine whether there were statistically significant difference among three ethnic groups, Analysis of Variance (ANOVA) was conducted.

Following that, the study used 'backward deletion' regression analyses to arrive at the most parsimonious models per scenario (three scenarios: purchase for self/family use, for social entertainment and gift giving) (Baumann & Hamin, 2014). Australian and French wine choice models were tested separately via this analysis. The marketing factors tested included country of origin, price, brand, product quality, customer satisfaction and value for money.

4 Results and Discussion

4.1 *Consumers' Wine Brand Category Choice*

The major focus of this study was the extent to intra-national diversity in wine marketing studies and explained three ethnic groups' wine brand category choice. We conducted two sets of tests to determine significant difference among the three ethnic groups' Australian and French wine brand category choice. We found that consumers' wine brand category choice in relation to ethnicity were significantly difference ($p < 0.001$) in the majority of purchasing scenarios (Tables 1 and 2).

The ANOVA analysis showed significant difference among three ethnic groups for choosing Australian discount brand for all scenarios ($p < 0.001$). The South Korean respondents' likelihood of choosing discount wine brand is stronger than other ethnic groups. As for the Australian household brand wine, ANOVA analysis revealed significant difference when comparing different ethnic groups choosing this brand category for self/household use. There was no significant difference among three ethnic groups selecting Australian household brand for gift giving. This result explained three ethnic groups' preference of choosing Australian household brand for gift giving is similar. We found that significant difference among three ethnic groups' choosing Australian premium brand for gift giving ($p < 0.001$). By comparison, there was most significant difference among three ethnic group choosing French household wine brand for self/household use as well as French premium wine brand for gift giving ($p < 0.001$).

Table 1 Consumers' Australian wine brand category choice

Scenarios/brand choice	Australian wine: <i>Mean</i> <i>SD</i>			Significance
	Caucasian	Chinese	South Korean	<i>p</i> -Value
Self and Household use/discount brand	3.53	3.42	4.27	<0.001***
	1.891	1.861	1.603	
Social entertainment-use/discount brand	3.45	3.67	4.38	<0.001***
	2.104	1.934	1.566	
Gift giving/discount brand	2.79	2.13	3.44	<0.001***
	1.910	1.427	1.694	
Self and Household use/Household brand	4.58	4.93	4.15	<0.001***
	1.600	1.465	1.723	
Social entertainment-use/Household brand	4.44	4.97	4.57	0.007*
	1.612	1.302	1.471	
Gift giving/Household brand	4.35	4.37	4.68	0.118 _{ns}
	1.685	1.681	1.650	
Self and Household use/Premium brand	3.38	3.55	3.88	0.023**
	1.752	1.933	1.644	
Social entertainment-use/Premium brand	3.50	3.76	3.96	0.027**
	1.686	1.727	1.688	
Gift giving/Premium brand	4.36	5.45	4.76	<0.001***
	1.958	1.318	1.636	

Notes: n = 511 Caucasians = 217 (42 %), Chinese = 126 (25 %) and South Koreans = 168 (33 %)
_{ns} not significant

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$

4.1.1 Wine Brand Category Choice for Caucasians

For Caucasian respondents, their purchase preference of Australian and French wine for three scenarios was nearly identical. They preferred to choose household wine brands (Australian and French wine) for self/household and the mean value of Australian household wine brand (4.58) was higher than French household wine brand (4.27). Customer satisfaction ($p < 0.001$, $B = 0.316$) is the dominant factor to influence Caucasians to select Australian household brand.

For social entertainment, Caucasians also chose household wine brands (Australian and French wine). In fact, Caucasian respondents' purchase attitude towards French household wine brand for this scenario is close to neutral point (4.06). This finding is similar to previous research (Lockshin, Jarvis, d'Hauteville, & Perrouy, 2006; Thach, 2012) which showed that consumers prefer to pay less for social occasions. We also found that Caucasians pay more attention on product quality ($p < 0.001$, $B = 0.315$) for choosing Australian household wine brand.

For gift giving, the Caucasians tended to choose the premium and household brand (Australian and French wine); their mean scores between these two wine

Table 2 Consumers French wine category choice

Scenarios/brand choice	French wine: <i>Mean</i> <i>SD</i>			Significance
	Caucasian	Chinese	South Korean	<i>p</i> -Value
Self and Household use/discount brand	3.62	3.17	3.65	0.034**
	1.786	1.686	1.741	
Social entertainment-use/discount brand	3.44	3.33	3.79	0.067*
	1.907	1.841	1.699	
Gift giving/discount brand	3.01	2.42	3.16	0.001**
	1.856	1.607	1.728	
Self and Household use/Household brand	4.27	4.31	3.55	<0.001***
	1.546	1.777	1.935	
Social entertainment-use/Household brand	4.06	4.26	4.24	0.461 (ns)
	1.639	1.877	1.631	
Gift giving/Household brand	4.22	4.31	4.51	0.244 (ns)
	1.648	1.632	1.768	
Self and Household use/Premium brand	3.35	3.87	3.34	0.015**
	2.104	1.988	1.648	
Social entertainment-use/Premium brand	3.34	3.84	3.56	0.043**
	1.741	1.808	1.869	
Gift giving/Premium brand	4.17	5.48	4.18	<0.001***
	2.001	1.618	2.032	

Notes: n = 511 Caucasians = 217 (42 %), Chinese = 126 (25 %) and South Koreans = 168 (33 %) *ns* not significant

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$

brand categories are very close. For French premium brand wine, Caucasians purchase behaviour is significantly influenced by brand image ($p < 0.001$, $B = 0.409$). We found that the Caucasian group has the lowest likelihood to choose Australian and French discount brand for gift giving. Socially, wine is regarded as a suitable present for festivals such as Christmas or for saying thank you (Ritchie, 2007). Thus, Consumers prefer to choose expensive wine or high quality gift in order to symbolise the good personal image for gift receiver (Baumann & Hamin, 2014).

This study found that the Caucasian group's dominant choice for self/household and social entertainment is the household wine brand. The Caucasian group is more likely to choose the wine made in Australia for these three scenarios. This study seems to be aligning the viewpoint of Brown and O'cass (2006) that consumer ethnocentrism affects consumer purchase behaviour in Australian wine market as Australians tend to choose local wine products rather than others.

4.1.2 Wine Brand Category Choice for Chinese

As for Chinese respondents, the Chinese consumers' wine knowledge level is somewhat limited (Balestrini & Gamble, 2006). Chinese consumers are more likely to follow their family and friends' recommendation and choose well-known brands in order to reduce the risk of making purchase decision, especially on the social occasions. They are concerned about face-saving, which is an important principle of Confucianism (Liu & Murphy, 2007). This may be the reason for the largest preference gap in comparison with other ethnic groups. The Chinese respondents prefer to purchase household brand (Australian and French wine) for self/household and social entertainment scenarios and the mean scores are relatively high. Especially for Australian wine, the mean score is nearly 5 (4.93 for self/household and 4.97 for social entertainment). Due to the positive image of country of origin, Chinese consumers perceived Australian wine as high quality, stylish and high status product (Bowe, Lockshin, Lee, & Rungie, 2013). For Australian household brand, price ($p < 0.001$, $B = 0.437$) is the most important factor for self/household use and value for money ($p < 0.001$, $B = 0.309$) is the crucial driver for social entertainment-use. For the French household brand, humility ($p < 0.001$, $B = 0.636$) plays the dominant role for self/household use and social entertainment-use.

The Chinese respondents preferred to choose premium brands (Australian and French wine) for gift giving based on the highest mean score (5.45 for Australian wine and 5.48 for French wine) in each analysis (Tables 1 and 2). For Australian premium brand, product quality ($p < 0.001$, $B = 0.376$) is the key driver to influence Chinese respondents choosing it for gift giving. As for French premium brand, face saving ($p < 0.001$, $B = 0.390$) and reciprocity ($p < 0.001$, $B = 0.319$) are the significant factors to impact Chinese consumers' selection. Chinese considered wine as an elegant and gracious beverage. The premium brand wine is associated with good social image and elegance, all of which mean "face" (*mianzi*) (Liu & Murphy, 2007). For gift giving, Chinese preferred to purchase the expensive wine product as a gift for others, which could show the gift giver's "face" (*mianzi*) and high social standing (Somogyi, Li, Johnson, Bruwer, & Bastian, 2011). Additionally, the Chinese people believe that reciprocity is important in interpersonal relationships and they feel it is bad manners not to return favors (Monkhouse et al., 2013). These cultural reasons could explain why Chinese consumers are more likely to choose premium wine brand for gift giving rather than other brand categories.

4.1.3 Wine Brand Category Choice for South Koreans

South Korean respondents preferred the Australian discount brand wine for self/household scenario (4.27). For this situation, South Koreans are significantly influenced by humility ($p < 0.001$, $B = 0.454$). By contrast, the likelihood of the

South Korean group's purchasing French wine for self/household-use is relatively low. In social entertainment scenario, South Korean respondents preferred the household brand (Australian and French wine). For Australian household brand, value for money ($p < 0.001$, $B = 0.316$) plays the most dominant factor for consumer brand selection. South Koreans choosing French household brand for social entertainment is significantly affected by Group orientation ($p < 0.001$, $B = 0.455$). South Korean consumers perhaps preferred to choose the low price or inexpensive wine for self/household use and social entertainment-use, because the price is more important for South Korean consumers (Lee et al., 2005). South Koreans are concerned to drink wine for a healthy lifestyle and to matching their traditional food (Lee et al., 2005). The premium brand wine is not their primary choice for self and social scenarios, as the premium wine seems to be selected for special occasions, such as celebration for an important event (Lee et al., 2005). With regard to gift giving, the South Korean group tended to choose Australian premium wine brand and French household wine brand. The reciprocity appears to an important social norm in South Korean society and they also have a gift giving culture which is based on Confucianism (Monkhouse et al., 2013). Moreover, for Australian premium brand, South Koreans are most concerned about product quality ($p < 0.001$, $B = 0.610$) in this scenario.

4.2 *Choices of Australian and French Wine Brand for Ethnic Groups*

4.2.1 *Choices of Australian and French Discount Wine Brand for Ethnic Groups*

The explanatory power is typically used to indicate how well the research fits the variables or factors (Coakes & Steed, 2009). As for the coefficient, it represents the positive or negative correlation between the dependent variable and the independent variable. The coefficient could not explain the percentage of the response variable variation for the model (Coakes & Steed, 2009). Our study uses the adjusted R^2 to measure the explanatory power as well as to compare with three research models.

For the discount wine brand, the overall hybrid models explain variance in the data more powerfully than the marketing model and the Confucian consumer behaviour components models (CCBC) alone. Approximately 13 % (Adjusted $R^2 = 13.1$ %) of variation in Caucasians choosing French discount wine brand for gift giving. By comparison, in terms of adjusted R^2 , it explains roughly 31 % of Chinese respondents choosing Australian discount wine for self/household use as well as choosing French discount wine for social entertainment-use (31.4 % and 31.2 % respectively). For South Korean group, the hybrid model explains 33.8 % of choosing discount wine brand for gift giving (Table 3).

Table 3 Choices of Australian and French *discount wine brand* for ethnic groups

Ethnicity		Australian wine (Discount brand) Adjusted R ²			French wine (Discount brand) Adjusted R ²		
		Self/ household- use (%)	Social- use (%)	Gift giving (%)	Self/ household- use (%)	Social- use (%)	Gift giving (%)
Caucasian	Marketing model	1.1	0.9	5.5	0.8	9.7	6.1
	CCBC model	4.7	3.1	6.7	5.1	1.2	3.7
	Hybrid model	5.6	4.3	10.7	6	10.9	13.1
Chinese	Marketing model	15.9	6.2	18.5	14.1	27.5	13.8
	CCBC model	11.0	17.2	7.2	8.9	18.4	5.4
	Hybrid model	31.4	23.7	27.7	17.1	31.2	20.6
South Korean	Marketing model	1.5	10.0	8.1	3.7	7.8	9.4
	CCBC model	10.3	11.1	24.1	17.8	15.3	17.7
	Hybrid model	10.3	15.5	33.8	17.8	21.1	24.5

Notes: n = 511 Caucasians = 217 (42 %), Chinese = 126 (25 %) and South Koreans = 168 (33 %) *CCBC* Confucian consumer behaviour components

4.2.2 Choices of Australian and French *Household Wine Brand* for Ethnic Groups

For Caucasian respondents, the adjusted R² value for choosing Australian household brands for social entertainment-use amounts to 15.3 % of the variance of the hybrid model whereas the explanatory power of purchasing French household wine for gift giving is only 6.7 %. Roughly 33 % (Adjusted R² = 32.5 %) of the variation explains Chinese participants choosing Australian household wine brand for self/household-use. In terms of the South Koreans, the hybrid model accounts for 31.5 % of choosing Australian household wine brand for gift giving (Table 4). Interestingly, the results shows the marketing model or CCBC model does not have explanatory power to explain, such as Caucasian sample’s CCBC model for self/household scenario (Australian wine) and gift giving scenario (French wine) (Table 4).

Table 4 Choices of Australian and French *household wine brand* for ethnic groups

Ethnicity		Australian Wine (Household brand) Adjusted R ²			French Wine (Household brand) Adjusted R ²		
		Self/ household- use (%)	Social- use (%)	Gift giving (%)	Self/ household- use (%)	Social- use (%)	Gift giving (%)
Caucasian	Marketing model	7.9	15.3	nme	4	4.7	6.7
	CCBC model	nme	2.2	5.0	2.5	1.2	nme
	Hybrid model	7.9	15.3	5.0	5.8	6.0	6.7
Chinese	Marketing model	30.3	23.1	22.9	4.9	4.5	nme
	CCBC model	8.6	9.1	4.3	9.7	17.3	9.2
	Hybrid model	32.5	25.0	24.5	14.5	19.7	9.2
South Korean	Marketing model	2.4	13.5	26.3	8.7	9.9	15.9
	CCBC model	3.8	15.1	9.1	15.9	17.1	19.0
	Hybrid model	6.9	20.7	31.5	24.2	21.8	22.5

Notes: n = 511 Caucasians = 217 (42 %), Chinese = 126 (25 %) and South Koreans = 168 (33 %) *nme* no model emerged, CCBC Confucian consumer behaviour components

4.2.3 Choices of Australian and French *Premium Wine Brand* for Ethnic Groups

For Caucasians, the adjusted R² value explains 20.8 % of selecting French premium wine brand for gift giving. Indeed, the value of this explanatory power is the highest within the result of the Caucasian sample group. On the other hand, all research models do not have the explanatory power to explain Caucasian participants choosing Australian premium wine brand for self/household-use (Table 5). The hybrid model explains approximately 29 % (Adjusted R² = 28.8 %) of Chinese participants choosing French premium wine brand for social entertainment-use. By comparison, 30.9 % of the variation explains South Koreans choosing Australian premium wine brand for social entertainment-use (Table 5).

The results shows that the explanatory power of the hybrid model of most wine brand categories exceeds the sole marketing model and the sole CCBC model to explain different purchase scenarios. Besides, the hybrid model explains significantly three ethnic groups choosing different wine brands for gift giving scenarios.

Table 5 Choices of Australian and French *premium wine brand* for ethnic groups

Ethnicity		Australian wine (Premium brand)			French wine (Premium brand)		
		Self/ household- use (%)	Social- use (%)	Gift giving (%)	Self/ household- use (%)	Social- use (%)	Gift giving (%)
Caucasian	Marketing model	nme	3.9	3.8	2.8	5.4	13.9
	CCBC model	nme	4.3	4.7	2.3	7.2	11.0
	Hybrid model	nme	7.8	8.9	4.8	10.9	20.8
Chinese	Marketing model	2.6	5.3	11.9	9.0	13.3	3.2
	CCBC model	9.2	6.0	8.4	10.2	19.1	21.0
	Hybrid model	12.1	13.0	20.6	17.4	28.8	27.0
South Korean	Marketing model	14.7	22.0	27.2	4.9	5.5	23.2
	CCBC model	11.3	13.4	11.2	1.5	1.4	2.6
	Hybrid model	18.5	35.2	30.9	6.9	11.5	24.5

Notes: n = 511 Caucasians = 217 (42 %), Chinese = 126 (25 %) and South Koreans = 168 (33 %) *nme* no model emerged, *CCBC* Confucian consumer behaviour components

5 Conclusion and Implications

This research highlights two main contributions, which have important implications for marketing research and wine studies, both theoretical and practical.

For theoretical implications, this study has broken new ground by combining the marketing model and CCBC model to explain three ethnic groups wine brand category choice for different purchase scenarios. Our study provides clear evidence that the hybrid model is more powerful than marketing model and CCBC model to explain difference ethnic groups' wine brand category choice for different purchase scenarios. This suggests that researchers need to consider about the impact of culture on consumers' brand category choice. Due to the intra-national diversity, merely focusing on the marketing factors is not enough to explain consumers' brand category choice in the multi-cultural markets. The brand choice research in relation to ethnicity, researchers need to incorporate the impact of culture in models of consumers' motivation and preferences.

For practical implications, this study also provides insights about the differences among ethnic groups in wine brand category choices. Caucasians and Chinese intend to purchase Australian household brand wine for self/household-use and social entertainment-use. For gift giving, the Australian premium brand wine is

Caucasian primary choice; on the other hand, Chinese consumers prefer to choose French premium brand wine. For South Korean consumers, they intend to buy Australian discount brand wine for self/household use and Australian household brand wine for social entertainment. For gift giving, their preference is the same as Caucasians, Australian premium brand wine. Thus, wine marketers can assume that these three ethnic consumers' wine brand category choice for different purchase scenarios. Moreover, our findings can assist wine marketers to identify their different wine products' position in the multi-cultural markets in order to meet different ethnic groups' demand.

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Buying of Private Labels Across Categories: How Far Is too far?

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Abstract This paper examines consumers' behavior towards UK private labels (PL) across four categories: soft drinks, chocolate, banking and fuel. The results show that cross-category PL purchasing is stronger between related categories and PLs from the same tiers. However, the relationship is weak to non-existent for unrelated categories (chocolate and banking). These findings provide implications for retailers regarding the stretch ability of PL brand's strategy across categories and across different PL quality tiers. The findings also provide insights into the potential to cross sell PLs in unrelated categories to current PL buyers.

Keywords Private Label brands • Cross-category buying • Brand extensions

1 Introduction

Private labels (herein referred to as PLs) are brands offered exclusively by the retailers who own them (González-Benito & Martos-Partal, 2012). They have long been present in grocery stores across many product categories, from milk through to cosmetics. PLs are an extreme example of brand extension, with the store name typically extended over a wide range of product categories. For example, Tesco brands are now present in over 100 categories covering food, household and personal products. In recent years, British retailers started extending their brands beyond their traditional domain of packaged goods categories into what could be termed *unrelated categories*, such as financial services, telecommunications and fuel (Laforet, 2008). Tesco and Sainsbury offer retailer branded financial service products, and along with Asda they offer retailer branded fuel outlets. Such strategy creates an extremely diverse product portfolio for a retailer to manage. Past research into packaged goods shows a spillover effect, where consumers infer associations from one PL to another and categorize PL brands homogenous group of brands (Erdem & Chang, 2012; Nenycz-Thiel, Sharp, Dawes, & Romaniuk,

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2009; Szymanowski & Gijsbrechts, 2012). This leads to the question of whether this same spillover effect will carry from a retailers' packaged goods PL brands to other, less-related categories, such as from a grocery product to a financial service.

Research into brand extensions investigates extending the brand to unrelated categories such as McDonalds to photo processing (Aaker & Keller, 1990; Hem, Iversen, & Olsen, 2014; Sunde & Brodie, 1993). The key findings stress the importance of consumer perceptions of fit between the initial category and the extension category. However, few studies have explored this specific case for retailer PL brands (as an exception see Laforet, 2008). PLs are a special case as unlike typical manufacturer brands, consumers are used to seeing these brands in a wide variety of categories. While consumers may see Mars bar and Mars flavored ice cream, they can see Tesco Everyday Value chocolate and Tesco Everyday Value laundry liquid. Our research question is therefore; when does behavior towards a PL in one category spillover to influence consumer behavior towards a PL in another unrelated category?

2 Background

Past literature lists a number of category characteristics beneficial for PL introduction. These are category complexity, quality variance, inter-purchase time, the extent to which a product is purchased/consumed in public and the price level in the category (DeIVecchio, 2001). The nature of past PL brand research, which was concentrated in packaged goods, provides less certainty when extending those characteristics to services. Yet, in recent years all major UK retailers extended their activities into services such as banking, telecommunication or petrol stations.

Past research on cross category PL buying of grocery items shows that consumers spill over experiences from one PL to another. Szymanowski and Gijsbrechts (2012) looked at two categories using panel data in Denmark: dish soap and breakfast cereal. They found that consumers infer the quality and familiarity from experience with one PL in a category to another PL, regardless of the store. Erdem and Chang (2012) investigated a similar question, however across categories and found that indeed, the umbrella branding for PLs facilitates cross category learning about PL brands. In a similar vein, Nenycz-Thiel and Romaniuk (2010) looked at perceptions of different PLs and found that within a category the brands are categorized in consumers' minds as just PLs, with a subcategory of premium PLs. Finally, in their recent study Richards, Yonezawa, and Winter (2015) provided empirical evidence of the existence of cross category effect for private labels purchasing in three categories in the US: milk, cereal and ice-cream. All of those studies however, focused on comparisons between packaged goods categories, which were related.

PLs are usually branded with a retailer's name, i.e. umbrella branding, which means that they are brand extensions of the retailer (Erdem & Chang, 2012). Grocery retailers are known and have expertise in selling packaged goods

categories. Therefore, there is a natural fit that is the main variable predicting brand extensions success (Aaker & Keller, 1990), with extending the retailer's brand across the packaged goods categories they are known for selling. However, retailers also position themselves on service provision, and convenience of location is also a key driver in supermarket retailer success (Woodside & Trappey, 2001; Woodside & Trappey, 1992). Therefore, there might be scope for extending the brand to other categories that draw on these qualities and for consumers that accept their PLs. Thus retailers may reap a benefit from the brand equity built in packaged goods, when entering these new categories. We call this effect 'cascade-over' as it is not spillage to an adjacent category, but suggests a much wider influence.

In past research, several studies have examined retailers' entry into financial services in relation to how the retailer brand was perceived. Alexander and Colgate (2005) found mixed results depending on the performance of the financial service, while Laforet (2008) found that those who had experience with the store were more likely to trust and perceive a fit between the retailer brand and the financial service it provides. The latter finding is in line with recent research by González-Benito and Martos-Partal (2012), who found that store loyalty is positively related with buying PLs in more risky categories. However, this research assumes the perceptions of the retailer and the perceptions of the retailers PL brand are aligned. Our focus extends past research, by examining whether the buying of the PL brand in one category influences buying in other categories, and whether this effect is moderated by how related the categories are and the similarity of the PL tier. We investigate four questions:

1. Is there a relationship between buying a PL in a packaged goods category and buying a PL in another category?
2. Is this relationship moderated by category similarity?
3. Is the relationship stronger when it is between PLs from the same retailer and same tier?
4. What is the impact of store loyalty on these relationships

3 Method and Analysis Approach

Data for this study comes from a consumer survey conducted online in the UK in 2012 ($N = 923$). There were 54 % females and 46 % males and the age split was under 25 years = 13 %; 25–34 years = 18 %; 35–44 years = 15 %; 45–54 years = 18 %; 55–64 years = 15 %; 65+ years = 22 %. PLs and retailer brands from Sainsbury and Tesco were among the list of brands, which represented the categories. Additionally, the respondents were asked about their store patronage. The categories chosen differ deliberately from each other (see Table 1 for a summary). This allows us to test if the strength of relationship varies with the degree to which the second category is related or unrelated. All variables were binary (being a customer of a retailer PL, coded as 1: yes and 0: no). To facilitate comparison across pairs of PL brands, we applied binary logistic regression

Table 1 Categories and PLs included in the research

Category	Key distinguishing features	PL brands
Carbonated Soft drinks	Traditional grocery product Frequent repeat purchase category Only one standard PL	Tesco Everyday Value (lower tier) Sainsbury (mid tier)
Chocolate	Traditional grocery product Frequent repeat purchase category Multi-tier PL, including premium PL	Tesco Everyday Value (lower tier) Tesco (mid tier) Tesco Finest (pre-mium) Sainsbury Basics (lower tier) Sainsbury (mid tier) Sainsbury Taste The Difference (premium)
Fuel	Frequent repeat purchase category Does not require grocery shopping to buy, but purchase influenced by retail location	Tesco Sainsbury
Banking	Service category Purchase not influenced by retail location	Tesco Sainsbury

analysis and report on the Nagelkerke R^2 , Exp (b) and their p values based on the Wald significance test. An Exp (b) value greater than 1 indicates that buying a PL in Category A is linked to a higher likelihood of also being a customer of the brand in Category B.

4 Results

The results when soft drinks were the DV show a significant relationship between buying PL carbonated soft drinks (CSD) and buying all tiers of chocolate PLs and fuel (Table 2). For Tesco there was a significant relationship also with banking, however this was weaker than for other categories. For Sainsbury no significant relationship with banking was apparent. Further, examining the Nagelkerke R^2 's we find that the relationship is strongest (the highest amount of variance explained) for same-branded and tiered PLs, that is Tesco Everyday value CSD with Tesco Everyday value Chocolate and Sainsbury CSD with Sainsbury Chocolate. The next strongest relationships are with other chocolate brands, and fuel. Banking has the weakest relationship with buying PL CSD.

When we repeat the analysis with the lower tiered PL chocolate brands as the DV (Table 3), we see, as expected, stronger relationships with PL chocolate brands at other tiers, with the relationship with mid tier slightly stronger than the premium PL. After this, the strongest relationship is with the most similar category, CSD. For Tesco there was some evidence of a link to fuel, but this was not apparent for

Table 2 Soft drinks regression results

DV = Tesco EDV CSD			DV = Sainsbury CSD		
	Nagelkerke R^2 (%)	Exp (b)		Nagelkerke R^2 (%)	Exp (b)
Tesco chocolate	12	2.5**	Sainsbury chocolate	12	2.4**
Tesco finest chocolate	5	1.9**	Sainsbury basics chocolate	6	2.0**
Tesco EDV chocolate	14	2.7**	Sainsbury TTD chocolate	7	2.1**
Tesco fuel	11	2.4**	Sainsbury fuel	6	1.8**
Tesco Bank	2	1.6**	Sainsbury Bank	0	1.3**

** $p < 0.01$ **Table 3** Lower tier PL chocolate regression results

DV = Tesco EDV chocolate			DV = Sainsbury basic chocolate		
	Nagelkerke R^2 (%)	Exp (b)		Nagelkerke R^2 (%)	Exp (b)
Tesco EDV CSD	11	2.7**	Sainsbury CSD	6	2.0**
Tesco chocolate	63	10.2**	Sainsbury chocolate	60	9.7**
Tesco finest chocolate	50	7.6**	Sainsbury TTD chocolate	56	9.5**
Tesco fuel	2	1.4**	Sainsbury fuel	0	0.9
Tesco Bank	0	1.2	Sainsbury Bank	1	1.3

** $p < 0.01$ **Table 4** Fuel regression results

DV = Tesco fuel customer			DV = Sainsbury fuel customer		
	Nagelkerke R^2 (%)	Exp (b)		Nagelkerke R^2 (%)	Exp (b)
EDV soft drinks	7	2.4**	Sainsbury soft drinks	5	1.8**
Tesco chocolate	3	1.5**	Sainsbury chocolate	0	1.2
Tesco finest chocolate	1	1.3*	Sainsbury basics chocolate	0	0.9
Tesco EDV chocolate	2	1.4*	Sainsbury TTD chocolate	0	1.1
Tesco Bank	4	1.7*	Sainsbury Bank	4	2.0**

** $p < 0.01$, * $p < 0.10$

Sainsbury. There was no evidence of a link between lower tier PL chocolate and banking with either retailer.

When we examine the first unrelated category, fuel, as a DV (Table 4), we see stronger relationships with consumers' buying of PL CSD and banking than with chocolate. However the overall relationships between buying different categories decreased in strength.

Table 5 Banking regression results

DV = Tesco Bank customer			DV = Sainsbury Bank customer		
	Nagelkerke R ² (%)	Exp (b)		Nagelkerke R ² (%)	Exp (b)
EDV soft drinks	2	1.6**	Sainsbury soft drinks	0	1.3
Tesco chocolate	2	1.5**	Sainsbury chocolate	0	1.2
Tesco finest chocolate	2	1.5**	Sainsbury TTD chocolate	2	1.6**
Tesco EDV chocolate	0	1.2	Sainsbury basics chocolate	1	1.3
Tesco fuel	5	1.7**	Sainsbury fuel	7	2.0**

** $p < 0.01$

Table 6 Soft drinks and shopper regression results

DV = Tesco EDV CSD			DV = Sainsbury CSD		
	Exp (b)	Nagelkerke R ² (%)		Exp (b)	Nagelkerke R ² (%)
Tesco EDV chocolate	2.5**	21	Sainsbury basics chocolate	1.9**	9
Tesco main shopper	2.8**		Sains. main shopper	1.9**	
Tesco shop. (not main)	NS		Sains. shopper (not main)	NS	
Tesco chocolate	2.3**	20	Sainsbury chocolate	1.9**	9
Tesco main shopper	2.7**		Sains. main shopper	1.9**	
Tesco shop. (not main)	NS		Sains. shopper (not main)	NS	
Tesco fuel	2.1**	15	Sainsbury fuel	0.6*	6
Tesco main shopper	2.0**		Sains. Main shopper	2.2**	
Tesco shop. (not main)	NS		Sains. Shopper (not main)	NS	
Tesco banking	1.3*	11	Sainsbury banking	NS	4
Tesco main shopper	2.9		Sains. Main shopper	2.0**	
Tesco shop. (not main)	NS		Sains. Shopper (not main)	NS	

** $p < 0.01$, * $p < 0.10$

The second unrelated category, banking, bears the least resemblance to traditional supermarket products (Table 5). The strongest relationship for retailer banking customers is with also being a fuel customer, which has the highest R² and Exp (b) values for both retailers. The next consistent relationship is with the premium tier PL, Tesco Finest and Sainsbury Taste the difference.

Finally, we added the retailer patronage (a three category variable 0 = not a shopper, 1 = shopper but not main, 2 = main supermarket) as an additional variable to the models. Having the supermarket as ‘main’ influenced the propensity to

purchase the PL, but simply shopping at the supermarket did not. Despite this additional variable, the patterns in the cross category buying results remain similar, as shown in Table 6 for soft drinks (other analyses are not shown due to space limits).

5 Conclusions, Implications and Future Research

This paper's aim was to examine the behavior towards PL brands in different product categories: soft drink, chocolate, banks and fuel. We also examined the relationship of PL buying across three tiers (value, mid and premium). There was evidence of a relationship between buying PLs across categories, which was much stronger between categories that were similar (soft drink and chocolate), and where the PL tier was also similar (i.e. value). However, this relationship weakens significantly as the dissimilarity of the categories increases. This was consistent for both Tesco and Sainsbury. These relationships were evident even when shopper loyalty was taken into account. An implication of these findings for retailers is that having the same brand for PLs across similar categories may potentially have a positive effect on cross purchasing behavior. However this benefit is reduced as the categories get more dissimilar, and so perhaps a house of PL brands, for each major area of the store (e.g., food, personal care, household) might be the most effective way to facilitate this brand extension.

The cross buying of PLs in unrelated categories is very weak to non-existent. This suggests that the dissimilarity of the categories is too vast to create a link in consumers' minds and hence behaviors, even if the brand for both categories are the same. This would suggest that retailers should not rely strongly on their current PL customers being their potential customer base for their services categories, but reach widely to the whole market with their offers and communications. This is especially important in case of banking, where the location is becoming less important with the development of the online platform. While, our research was focused on behavior, an important area of future research would be to examine cross-category brand equity to see if this spillover was manifested in their equity for the brands. This would provide guidance to retailers on how to establish cross-category links. Next, research on brand rejection shows that consumers also spill over negative experiences between PLs (Nenycz-Thiel & Romaniuk, 2011). A question arises, what types of effects are stronger? Future research can also look at situations where for example a PL premium tier is branded with a brand independent of the retailer and if in such instance the negative spillover effects are smaller. A good example may be *Sam's Choice* in Walmart.

Further, in order to develop sound generalizations the research should be extended into more categories, retailers and countries. Finally, the data we present is claimed buying, hence prone to memory biases (Nenycz-Thiel, Beal, Ludwickska, & Romaniuk, 2012). While at the moment data needed for such study is not available from panel providers (for all retailers across related and

unrelated categories), future research should utilize recorded behavioral data to bring more evidence to the topic, as this becomes available.

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Memory for Private Label Versus National Brand in Feature Advertising

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Abstract Feature advertising is perceived to be the most cost-effective way to deliver information that would influence consumers' store choice. Retailers increasingly use store flyers as a common form of feature advertising. Promotions featured in store flyers represent two sources, manufacturers and retailers, who pursue different objectives—support sales of National Brands (NBs) and increase store traffic and PL sales, respectively. Store flyers design implies a very difficult trade-off between promoting PLs or NBs.

The aim of this study was to examine whether featuring PLs vs. NBs on flyers is equally effective in terms of memory. We found that free recall and recognition—commonly used as proxies of memory—did not differ between PL and NBs. For retailers, this means that despite the different presence in terms of flyer space, featuring PL is as effective as NB in terms of flyer space allocation. We also explored the association between memory and customer characteristics, an area of investigation that has not specifically covered PL feature advertising before. Flyer proneness and loyalty to the retailer were discovered to be significant predictors of—respectively—NBs free recall and PL recognition. These findings support the relevance that customers characteristics play as far as memory for feature advertising is concerned. Retailers and manufacturers are therefore encouraged to segment the audience for flyers and target different segments with versions of the flyer that place different emphasis on NB or PL.

Keywords Private label • Feature advertising • Retailing • Store flyers • National brands

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F.J. Martínez-López et al. (eds.), *Advances in National Brand and Private Label Marketing*, Springer Proceedings in Business and Economics,
DOI 10.1007/978-3-319-20182-5_5

1 Introduction

Grocery stores use many tactics to increase store traffic (Bodapati & Srinivasan, 2006; Haans & Gijsbrechts, 2011): feature advertising, television advertising and targeted direct mail communications being the three most common. Feature advertising is perceived to be the most cost-effective way to deliver information that would influence consumers' store choice. Once consumers have decided to enter a store, feature advertising "helps" consumers to decide which brands to purchase.

Feature advertising comprises printed promotion materials run by retailers to inform consumers about the availability, price and promotions of products in their assortments (Pieters, Wedel, & Zhang, 2007). In particular, store flyers represent increasingly important portions of both manufacturers' and retailers' communication budgets (Gijsbrechts, Campo, & Goossens, 2003; Gázquez-Abad, Martínez-López, & Barrales-Molina, 2014; Jensen, Orquin, & Bech-Larsen, 2014).

Store flyers are a form of cooperative advertising between retailers and manufacturers, for which manufacturers pay retailers to get their products featured, and retailers combine manufacturers' ads with those for their own private labels (PLs) and unbranded products and coordinate the ad placement (Pieters et al., 2007). Manufacturers are mainly interested in the attractiveness of their specific offer, seeking for an increase of brand purchases. Retailers seek greater impact of the store flyer as a whole, pursuing an increase of store traffic and (their PL) sales.

Store flyers typically comprise promotions for a large number of products, with complex cross-category relationships. Indeed, store flyers design implies a very difficult trade-off between promoting PLs or national brands (NBs) (Gijsbrechts et al., 2003). Including PL offers a flexible means to convey a good price positioning, which is a key attribute of the retailer's store image in price-sensitive settings (Volle, 2001), hence building store traffic (Burton, Lichtenstein, Netemeyer, & Garretson, 1998) and reinforcing, therefore, store loyalty. On the contrary, including a greater proportion of NBs supposes an important source of income earned from fees charged to manufacturers to appear in them (Pieters et al., 2007). In addition, advertising a greater number of NBs help retailers strengthen the relationship with manufacturers.

Grocery retail planners across competing stores expend considerable thought on what items to advertise each week and at what levels of prominence (Bodapati & Srinivasan, 2006). The aim of this study is to examine whether featuring PLs vs. NBs on flyers is equally effective in terms of memory (free recall and recognition). In this analysis, we aim to explore the association between memory and customer characteristics (e.g., customer's loyalty to the retailer and customer's flyer proneness), an area of investigation that has not specifically covered PL feature advertising before.

From a managerial perspective, both manufacturers and retailers can use these insights. For manufacturers, results are crucial in order to achieve a positive return on their investment in store flyers. Retailers can use the insight to allocate space to PL in flyers in order to optimise return on flyers' themselves; they can also apply the

insight to guarantee the success of exposures in store flyers by convincing manufacturers—who largely are financing these flyers—of the positive effects on their brands' recall and, consequently, on sales (Chaabane, Sabri, & Parguel, 2010). The results of this study are, therefore, also of great relevance for manufacturers.

2 Literature Review and Hypotheses

Prior research in the visual attention and marketing literature has predicted that design characteristics of feature advertisements influence behavioural outcomes through their effects on attention and memory (see Zhang, Wedel, & Pieters, 2009 and Magee, 2013). Indeed, sales promotions for individual items have been found to strongly depend on promotion frequency and depth, as well as on the nature of the product or brand on deal (Blattberg & Neslin, 1990). Transposed to the store flyer setting, Gijsbrechts et al. (2003) pointed out that the emphasis to be placed on different brand types (NBs vs. PL) is one of the most relevant composition decisions.

Regarding how much emphasis to place on NBs vs. PLs, specialized literature contains rival points of view on whether NB or PL promotions are more successful in generating store traffic. Many authors (e.g., Steenkamp & Dekimpe, 1997) support the idea of NB promotions being more effective, given that PLs appeal to customers already loyal to the store. Indeed, it is argued that PLs are capable of generating store loyalty by increasing retailer differentiation (Seenivasan, Sudhir, & Talukdar, 2012). However, Chaabane et al. (2010) suggest that—because the various NBs being featured in flyers try to attract the attention using similar economy-oriented attributes—there is little distinction between such national competing brands and no salient cue that consumers can use to enhance their recall of one particular NB. Indeed, many studies (e.g., Laroche, Cleveland, & Maravelakis, 2006) find that the number of competing brands has a negative effect on memory, as a consequence of interference. Therefore, because PLs are an opportunity to differentiate a retail chain from others and build store image, it is expected that competitive advertising in which the PL appears alongside advertisements from other NBs will have a positive impact on consumers' attention and memory.

Indeed, one of the main conclusions of Gijsbrechts et al. (2003) is that for retailers that have succeeded in matching the quality of their PL products to that of (high quality) competing NBs, flyer effectiveness is increased when the former are assigned more space in the flyer. In other words, consumers are expected to pay more attention to PLs because of their price/quality advantage and store-specific character (Gijsbrechts et al., 2003). Given that attention is difficult to measure, memory measures are used as a common proxy (Sundar, Narayan, Obregon, & Uppal, 1998). If someone can recall a particular brand, then it can be assumed that he or she paid attention to it (Magee, 2013). Therefore, PL should have higher free recall, which leads to the following hypothesis:

H1. Greater free recall should be observed for PL (vs. NBs)

Because recognition implies a less severe involvement of memory structure (Sundar et al., 1998), it is usually expected to go in the same direction as free recall and to report higher scores compared to the former. We expect, therefore, PL's recognition to be higher than NB's, leading to the following hypothesis:

H2. Greater recognition should be observed for PL (vs. NBs)

Henderson (1984) argues that an undifferentiated view of consumers with respect to promotional attitudes and responses seems both naive and inconsistent. Deal prone consumers are psychologically disposed to favourably respond to promotional offers (Del Vecchio, 2005). In particular, flyer-prone consumers tend to be people who do not mind spending time on reading flyers; the more flyer-prone people perceive that they are doing this cognitive work, the more they appreciate it (Shimp & Kavas, 1984). Highly flyer-prone consumers look for information in flyers, searching for valuable offers and comparing promotional benefits (Gázquez-Abad et al., 2014). Therefore, flyer-prone consumers should also have higher recall and recognition of NBs, which have a more prominent presence in flyers than PL's:

H3a. The greater the individuals' flyer-proneness, the greater the NBs free recall

H3b. The greater the individuals' flyer-proneness, the greater the NBs recognition

Store loyalty is one of the key benefits retailers obtain from having important PLs; however the direction of the association between attitude towards PLs and loyalty to the retailer is not clear; consumers who are loyal to a retailer may be more likely to buy its PL, rather than vice versa (Bonfrer & Chintagunta, 2004). Therefore, memory for PLs being featured on flyers should be higher for loyal consumers when compared with a less-loyal group:

H4a. The greater the individuals' loyalty to the retailer, the greater the PL free recall

H4b. The greater the individuals' loyalty to the retailer, the greater the PL recognition

3 Methodology and Results

Data to test the above hypotheses were collected by means of a survey. We obtained the cooperation of a supermarket chain that has been distributing its promotional flyer (both print and online) every 2 weeks for several years. After the completion of one regular promotional period (14 days), we run a CATI questionnaire onto a random sample extracted from the retailer database of 500,000 customers. The questionnaire allowed us to measure memory outcomes with reference to the content of the most recent flyer received by the customers. The retailer agreed not to distribute the next issue of the flyer prior to the completion of the survey in order not to interfere with results.

The tested flyer included 268 products across 32 pages. Flyer characteristics were in line with prior flyers issued by the retailer and local competitors. Flyer-promoted products were as follows: 15.3 % PL and 84.7 % NBs (13.1 % belonged to market leader brands, 14.1 % belonged to follower brands and the remaining 57.6 % belonged to other competitors).

Among customers surveyed, 203 respondents confirmed to have received and browsed the retailer flyer and were included in the analysis. Respondents are mainly females (75.9 %). The average age is 43.2. Respondents were asked what version of the retailer flyer they browsed, whether the online or the print version ("flyer medium"). Flyer medium was measured in order to control for medium differences. One hundred and two respondents reported to have browsed the online flyer while 101 subjects reported to have browsed the print flyer. Memory of flyer-promoted brands was measured by asking subjects to freely recall information present in flyer. Thus, each subject had five attempts available to freely recall any type of information (e.g. prices, brands, products). Free recalled brands were assigned by researchers to PL and NBs and classified as correct and incorrect. We computed a free recall score for each respondent as the total number of correct brands recalled. Recognition was tested by means of multiple choice questions about one NB and one PL flyer-promoted product. Store flyer proneness (Crobach's $\alpha = 0.81$) was measured with a 7-point Likert Scale (Volle, 1999) and loyalty to the retailer (Crobach's $\alpha = 0.78$) with a 7-point Likert scale (Evanschitzky et al., 2012). Sex, age and flyer medium were used as control variables.

Sign tests, Poisson family regression models and logistic regression models were performed to test the hypotheses. Possible multicollinearity in the models among the independent variables was assessed using variance inflation factor and tolerance values: no issues were detected. Analyses were performed using SPSS and SAS University Edition.

More than 1 out of 4 subjects freely recalled a brand (28 %). The retailer PL was the brand with the highest number of free recall attempts (27 %) overall. With reference to recall accuracy, the sign test showed that the observed difference between PLs ($M = 0.11$) and NBs ($M = 0.24$) was not significant ($Z = -1.33$; $p = 0.18$). Hence, no support was provided for H1. Recognition difference between PL ($M = 0.20$) and NBs ($M = 0.21$) was not significant ($Z = -0.25$; $p = 0.80$). Hence, no support was provided for H2.

A zero-inflated Poisson regression model was used to test the relationship between NBs free recall and independent variables. Within this model, flyer medium was used to predict the zero values. A logistic regression was employed in order to test the relationship between NBs and independent variables. We applied the same analytic strategy to test PL hypotheses.

Both NBs models showed that flyer proneness significantly predicted NBs free recall. H3a was, therefore, supported, as the likelihood that a respondent would recall NBs significantly increased as flyer proneness increased (log odds = 0.40, $SE = 0.16$, $\chi^2_{(1)} = 6.21$; $p < 0.05$). The zero-inflated regression model fitted the data well, as the ratio Deviance/df (1.07) was closer to 1 and the goodness-of-fit Chi-squared test was not statistically significant ($\chi^2_{(192)} = 205.57$; $p = 0.24$). The

logistic model showed that flyer proneness did not significantly predict (at $\alpha = .05$) NBs recognition ($\chi^2_{(1)} = 2.88$; $p = 0.09$, log odds = 0.23, SE = 0.13). In addition, the logistic fit model was not significant, $\chi^2_{(5)} = 4.21$; $p = 0.52$). Therefore, no strong support was provided for H3b.

Regarding PLs, loyalty to the retailer was not significantly associated with PL free recall score (log odds = 0.11, SE = 0.21, $\chi^2_{(1)} = 0.30$; $p = 0.58$), hence H4a was not supported. However, the logistic model provided support for H4b: loyalty to the retailer significantly predicted PL recognition. The logistic fit model was significant ($\chi^2_{(5)} = 12.4$; $p < 0.05$). The likelihood that a respondent would recognize a PL brand increased as loyalty to the retailer increased (log odds = 0.43, SE = 0.20, $\chi^2_{(1)} = 4.82$; $p < 0.05$).

4 Conclusions and Managerial Implications

Free recall and recognition did not appear to differ between PL and NBs. This result shows that despite the different presence in terms of flyer space, featuring PL is as effective as NB in terms of flyer space allocation. Nevertheless, some customer-related characteristics (flyer proneness and loyalty to the retailer) were discovered to be significant predictors of—respectively—NBs free recall and PL recognition. Empirical evidence showed that flyer prone consumers tended to freely recall a higher number of NBs. In addition, the positive flyer proneness coefficient with a non-significant but low p -value (< 0.10) seems to indicate weak support for flyer proneness as predictor of NBs recognition. Therefore, it is possible to conclude that memory is, overall, higher for NBs as flyer proneness increases. Regarding the relationship between loyalty to the retailer and PL memory, results show partial supporting evidence. Free recall is more effortful than recognition (Sundar et al., 1998) and this might explain the absence of a significant relationship between PL free recall and loyalty to the retailer. As store loyalty increases, customer seems to pay more attention to PL, but only when specific instructions to recall PL were provided. This result represents preliminary evidence of a correlation between loyalty to the retailer and attention to PL.

In line with Gijsbrechts et al. (2003) our study suggests that retailers that have succeeded in matching the quality of their PL products to that of competing NBs could assign more space to PL in flyers without compromising their effectiveness.

Our results overall support the main role consumer-related aspects play in analysing consumer reactions to feature advertising and consequently in advertising planning by marketers. Retailers are, therefore, encouraged to enhance the efficacy of their store flyers by identifying consumers who are more likely to be flyer-prone and store loyal in order to design flyers that differ in terms of the emphasis placed on NBs vs. PL. A flyer emphasizing NBs advertisements should be targeted to the flyer-prone consumers while a flyer including a higher number of PL advertisements should be increasingly targeted to store loyal consumers.

Regarding store loyalty, retailers are advised to use information from the so-called ‘loyalty-cards’. The microanalysis of consumers’ shopping patterns (e.g., shopping frequency, brand choice) will support the retailer in the identification of store-loyal consumers.

Manufacturers and retailers have therefore novel insights to cooperate in developing flyers that support each party’s goals as stated in the introduction. Thus, online medium offers opportunities to both retailers and manufacturers to target different customer groups with different versions of the flyer and other types of feature advertising (Ziliani & Ieva, 2015). The joint exploration of online flyer browsing behaviour and offline purchasing patterns can lead to better targeting of customer segments with relevant communication.

Our study has a number of limitations. Firstly, we run a descriptive analysis only, with no aim to draw causal inference conclusions. For instance, we cannot exclude that a third omitted variable (e.g. loyalty to the NBs or loyalty to the PL) may explain or dramatically change the relationship between memory, flyer proneness and loyalty to the retailer. Secondly, the analysis is limited to a certain amount and types of national brands and categories in one competitive setting. Moreover, only one type of store flyer and store format—the supermarket—were taken into account. Thirdly, we did not weight memory scores in order to account for the number of NBs and PL products featured. Further studies should try to measure memory effectiveness of page allocation to PL and NBs taking into account category and brand exposure. Finally, different types of PL (e.g. premium or value PL) may alter the strength of association between memory and consumer characteristics.

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Part II

Strategic Decisions

Implementation of the Product Life Cycle Concept in Private Label Management: Focus on the Growth Stage

Sandra Horvat and Đurdana Ozretić-Došen

Abstract The purpose of this paper is to study the relationship between private label management and the growth stage of the product life cycle concept (PLC), in the context of developing private label market. The study relies on qualitative methodology, i.e. its findings are based on 16 in-depth interviews with experts in the field of private label management. In order to achieve dual perspective experts were representatives from retailer and manufacturer companies. The research findings support the assumption that general principles of the PLC concept are implemented in the private label management. The main contribution stems from the finding that developing market follows the same private label development principles like developed markets in the growth stage of the PLC. The findings can help managers from developing markets to understand how to successfully manage private labels by focusing on their quality and promotion and how to use private labels to achieve higher level of consumers' satisfaction.

Keywords Private label management • The growth stage of the product life cycle concept • Qualitative methodology • Developing private label market

1 Introduction

It is often assumed that the term “private label” is equal in different countries or different contexts, however, the analysis of the product range, the positioning of private labels and the origin of their development are significantly different (Burt, 2000). Giving those differences it is difficult to draw some general conclusions on private label development and strategies used to generate high growth rates. However, despite differences among markets, it can be assumed that all private labels go through stages of the product life cycle (PLC) and share some universal principles which originate from that concept. The concept of product life cycle is one of the most cited contribution to marketing theory (Palmer, 2005), but despite

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its great popularity as well as numerous advantages, in scientific papers on private labels it is hardly ever used.

As stated by Raju, Sethuraman, and Dhar (1995), private labels reach higher growth rates as retailers gain more expertise in private label management. Steenkamp, Van Heerde, and Geyskens (2010) have incorporated life cycle stages in their research on what makes consumers willing to pay for national brands in relation to private labels, also presuming that private labels require extensive learning, by both retailers and consumers. Kapferer (2010) has defined three stages private labels go through in their development: reactive, imitating and identity stage. As development progresses, marketing gains increased importance in private label management because more emphasis is put on brand value development and not just on increase in revenue. When retailers reach identity stage it could be assumed that they have also reached growth stage of the PLC. Giving that identity stage entails implementation of marketing principles in private label management and “real” battle of the brands as well as development of selective demand as a necessary prerequisite for long-term loyalty (Bivainiene, 2010), it is of the outmost importance to closely examine marketing strategies applicable to growth phase of the PLC. Aforementioned research by Steenkamp et al. (2010) shows that marketing factors are, indeed more effective in private label’s growth stage, as opposed to maturity stage of the product life cycle.

The aim of this paper is to provide some valuable insights into specificities related to private label management in the growth stage of the PLC examined in the context of specific, small and developing market of the EU member country, where the research on the private labels is rather neglected. An exploratory study was conducted with experts (both retailers and manufacturers) in the field of private label marketing and management in Croatia. By extension of research into new contexts of both market and field of expertise, interesting perspectives are provided and understanding is increased.

The paper gives a brief theoretical framework, followed by detailed results of primary research into marketing strategies and tactics retailers and manufacturers use in private label management in the growth stage of their PLC. Finally, conclusions, research limitations and recommendations are presented and discussed.

2 Growth Stage of the PLC in Private Label Management

Private labels are specific kind of brands so it is necessary to adjust certain elements of the PLC concept, which is developed on the basis of manufacturer brands. Similarities and differences among private labels and manufacturer brand management in the growth stage of the PLC are presented in the Table 1.

In the growth stage manufacturers are focused on widening of the distribution network with a goal to increase availability and visibility of the product on the market (Lambin, Chumpitaz, & Schuiling, 2007). Giving that private labels are mostly limited to distribution network of the retailer who is owner of the brand

Table 1 Brand management overview in the growth stage of the PLC

	Manufacturer brand	Private label
Strategic marketing objective	Build sales and market share	Build sales and market share
Strategic focus	Market penetration	Market penetration
Brand objective	Brand preference	Brand acceptance
Products	<ul style="list-style-type: none"> • Increasing differentiation through existing and new brand features (e.g. quality, redesign, customer service) • Expanding brand line to attract new segments 	<ul style="list-style-type: none"> • Lowering of product variability through better and long-term cooperation with manufacturers and employment of technologist and scientist dedicated to product development • Investment in product quality and quality control (e.g. setting up quality control laboratories) • Reinforcement of quality increase through packaging improvements
Promotion	<ul style="list-style-type: none"> • Creating and strengthening awareness/trial and increasingly repeat purchase • Building selective demand • Building favourable brand attitudes 	<ul style="list-style-type: none"> • Abandoning focus on low price and replacing it through focus on superior value (comparable quality at lower price) • Broadening promotion scope outside the store by introducing sponsorships and advertising • Investments in image-building activities like celebrity endorsement and introduction of premium or specialty private label ranges
Price	<ul style="list-style-type: none"> • Retaining existing or decreasing prices to penetrate the market 	<ul style="list-style-type: none"> • Increase in price due to investments in product quality and brand building activities • Introduction of low price generic private label tier to attract and retain price consciousness consumers
Distribution	<ul style="list-style-type: none"> • Widening distribution network to provide maximum brand availability 	<ul style="list-style-type: none"> • Distribution limited to the network of private label owner • Widening of private label scope to different product categories • Introduction of private labels in specialty segments like organic, fair trade or functional product lines

Source: Structure and information on manufacturer brands adjusted according to Jobber and Faby (2009), Kotler, Keller, Brady, Goodman, and Hansen (2009), Mullins and Walker (2010); while information on private labels was formatted by the authors based on available literature review, information gained through in-depth interviews with experts and through market analysis

(Sethuraman & Cole, 1999), widening of distribution channel is not an option. Instead, retailers should broaden private label presence in and within different product categories. However, retailers cannot simultaneously achieve a strong market position in all categories, so it is necessary to determine priorities and criteria when selecting product categories for further private label development.

Price and quality are the main characteristics consumers use to perceive differences between private labels and manufacturer brands (Nenycz-Thiel & Romaniuk, 2009). Major change in private label management in the growth stage of the PLC should be relating to investments in private label quality in order to positively change their perceived quality (Chaniotakis, Lymperopoulos, & Soureli, 2009). In the introduction phase retailers are primarily oriented on achieving adequate price gap with relation to manufacturer brands (Kapferer, 2010) and copying leading manufacturer brands to draw on their quality association (Sethuraman, 2004 in Dobson & Zhou, 2014). If retailers want to ensure consumer loyalty they have to offer products which are cheaper than manufacturer brands but with comparable quality. Consequently, in the growth phase retailers are introducing new private label tiers namely generic private labels to attract price consciousness consumers and premium private labels to reinforce image of the entire private label portfolio (Kumar & Steenkamp, 2007).

Increase in private label quality has to be supported by investments in new product features and packaging for the purpose of differentiation (Wileman & Jary, 1997). All of these activities are crucial for development of brand image for private labels which is not based merely on functional brand associations and has aspects related to retailer's corporate behaviour (Beristan & Zorrilla, 2011). Additionally, retailers have to communicate this change in strategic direction in order to persuade consumers in private label quality. Therefore they should invest more in promotion and other elements of pull strategy, what represents a change compared to introduction stage when push strategy was dominant. Despite needed investment, research has shown that the promotion of private labels can significantly increase their market share (Cotterill & Putsis, 2000; Dhar & Hoch, 1997) and market power in relation to manufacturers' brand (Amrouche, Martín-Herrán, & Zaccour, 2008).

Growth phase of the PLC is characterized by a strong increase in sales as more and more consumers become aware of the product. Increase in sales is directly linked to broadening of consumer base to include early adopters (Lambin et al., 2007). That is why retailers have to gather information on consumers prone to private labels, especially on their shopping habits and needs and use this information to adjust private label offering (Gomez-Arias & Bello-Acebron, 2008) and build brand image (Bivainiene, 2010). Retailers are able to use private labels to meet the needs of narrow consumer segments and that is why they are introducing specialty private labels like organic range, functional products or fair trade products (De Jong, 2007). Therefore, upon entering the growth stage of the PLC, company's strategy has to shift towards the segmentation of consumers and achieving the higher levels of efficiency in production and promotion (Anderson & Zeithaml, 1984).

Analysis of private label management strategies in the growth stage of the PLC leads to conclusion that this is the phase in which retailers start to implement branding principles in private label management, developing consequently private labels as brands in true sense of the word.

3 Empirical Research and Results

The goal of empirical study was to verify does private label management in developing market follow the same basic principles existing in the developed private labels markets. In order to reach defined goal and to validate presented theoretical findings, it was necessary to analyze and gain better understanding of marketing strategies retailers and manufacturers use in the growth stage of the PLC. Therefore, the research was conducted in Croatia, where private labels have market share of 18 % and are recording continual growth (GfK, 2012), characteristic for the growth stage of PLC. The exploratory research was conducted through 16 semi-structured in-depth interviews with experts in private label management. Ten interviews were conducted with representatives from retail chains which hold two thirds of total country's market share. Additionally, six interviews were conducted with representatives from manufacturing companies which produce both national brands and private labels, belonging to different industries which differ in size and market influence. Respondents were selected using snowball sampling method in order to ensure their direct involvement in activities related to private label management. All respondents had extensive experience within the company and were engaged in private labels' strategic marketing and management issues. Interview guide (used as a research instrument), allowed researchers to achieve a certain level of structure despite securing the free flow of respondents' thoughts to collect as much information as possible.

Retailers have definitely recognized importance of private labels giving that eight out of ten respondents scored their rank in overall business strategy as high or very high, while the other two respondents pinpointed private label significance at the medium level. Manufacturers, on the other hand, stated that private labels have medium importance in their business strategies, although they are increasingly monitoring their market movements. All interviewed experts agreed that the importance of private labels would grow in the future partly due to economic crisis, and partly due to consumers' increased awareness on private labels. The most important respondents' comments and opinions related to main brand management areas are presented in Table 2.

All respondents agreed that private label management must have long-term perspective in order to ensure customer loyalty (*"Private label management must have long-term orientation because our goal is to accustom consumers on purchasing private labels"*) and to develop as well as to protect brand image at the private label and corporate level (*"Long-term focus is important because private label failure can be very expensive due to the connection with corporate brand"*).

Table 2 Overview of the respondents' comments and opinions

Factor	Respondents' statements
Strategic focus	<p>"Private label development is a continuous process that needs to be constantly updated (e.g. new products, new packaging . . .). It takes time for consumers to recognize the quality and value private labels offer in relation to famous manufacturer brands. Changing consumers' habits is a long process so private labels management cannot be focused on short-term goals."</p> <p>"Long-term orientation is important because private label failure can be very expensive for the retailer due to relationship with the corporate brand."</p>
Brand objective	<p>"Private label management must have long-term focus, because our goal is to accustom consumers on buying private labels in different product categories."</p> <p>"Private labels offer differentiation due to exclusive distribution and closer connection with consumers so it is important to invest in brand building activities."</p> <p>"Private label is just one of the tools by which we address different segments of consumers as well as one of the tools for successful product category management."</p>
Products	<p>"In the growth stage of the PLC high product quality is increasingly a priority because retailers have realized that consumers do not want to buy low quality products no matter how low their price is."</p> <p>"To maintain a good image, retailer must invest in the quality control in the entire private label production and sales process."</p> <p>"We react to every consumer complaints in a way to investigate why the product has not met expectations and how we can prevent that something like this does not happen again. Thereby, collaboration with manufacturers is extremely important."</p>
Promotion	<p>"Private label is the best way to promote the retailer since consumers use these products in their homes and always associate them with the retailer. However, in order to reach consumers, presence of private labels should be accentuated throughout the store and supported by advertising."</p>
Price	<p>"The higher price gap is achieved in product categories with dominant manufacturer brand able to achieve high price level i.e. in categories where marketing activities constitute substantial part of the price."</p> <p>"Despite price increase due to investment in quality and promotion, in order to attract consumers, private labels should have at least 20 % lower price compared to manufacturer brands."</p>
Distribution	<p>"In the growth phase of the PLC, focus is on introducing private labels in different product categories through identifying market trends and "copying" ideas from retailers in developed markets."</p> <p>"Giving that our standard private label line is increasingly accepted on the market we are able to offer premium line to make all private labels in our portfolio more attractive."</p>

Source: Authors' research

When asked to name activities that are most important in the private label management during the growth stage of the PLC respondents said it was important to introduce private labels in as many product categories as possible and explore the needs and desires of consumers in doing so. Also, they stressed it is crucial to invest in private labels quality, in modification of packaging in order to achieve greater levels of differentiation and in promotion of private labels.

Decisions on product categories in which private labels will be introduced are made based on the analysis of competition or experience of retailers in foreign markets where private labels are more developed. At this stage private labels are not introduced only in the most profitable categories but retailers also take into account consumers' desires and needs as well as market trends, introducing private labels in categories where they historically did not have strong position (e.g. beer).

Respondents from retail companies have clearly stated that there has been a shift in their strategy regarding the value of private labels. In the introduction stage of the PLC they offered high value through low price and now, in the growth stage their goal is to offer good value through increased quality. High product quality is increasingly a priority because *"the customers do not want to buy low quality products no matter how low their price is"*. Experts from manufacturing companies have also observed a trend of increase in private label quality, stating that in the individual product categories quality of private labels is equal to quality of manufacturer brands. In the categories in which there are differences, quality of private labels is no more than 20 % lower compared to manufacturer brands.

Value expressed through price-quality ratio or increase in the quality of private labels are elements that are most often communicated to consumers, while the price, according to experts, is less important in the growth stage of the PLC. To convey the increase in quality retailers use modern packaging design, assigning leading shelf positions to private labels or special markings throughout the store. They also use internet sites to bring private labels closer to consumers and different marketing communication activities like TV-ads, sponsorships and even celebrity endorsement. Additionally, retailers form tighter cooperation with manufacturers in the segment of private label production and organizing quality controls for all products under private label.

Respondents believe that *"all consumers are potential customer for private labels"*. Retailers treat private labels as *"one of the tools by which they address different segments of consumers as well as one of the tools for successful product category management."* Segmentation is done either at the retail chain level or at the level of individual product categories. As stated by respondents, typical private label consumer in the growth stage of the PLC is middle-aged or older, has lower to middle purchasing power and lives in larger household. He/she tends to be price-sensitive or is able to assess the value of products through the price-quality ratio, is well-informed on different retail offerings or has great confidence in the specific retail chain.

4 Conclusions, Limitations and Managerial Implications

Conducted in-depth interviews have pointed out the elements experts deem important for the success of private labels in the growth stage of the PLC. The primary focus of retailers is to increase the perceived quality of private labels in order to offer consumers more value in relation to manufacturer brands. The importance of

focus on quality is highlighted in interviews with experts from retail chains as well as with experts from manufacturing companies. Retailers invest more resources in private label quality because they became aware that private label is not just another product of the shelf, but rather a brand they are responsible for and which represents them in the eyes of consumers. The desire of every company, including retail chains, is to ensure consumer loyalty, what cannot be achieved if the products they sell are of substandard quality or the quality varies as is often the case in introduction stage. Retailers have recognized that private labels inadequate quality can be very expensive, through the negative impact on their image and acceptance of private labels in an increasing number of product categories. This is a serious problem especially if retailers use branded house strategy for the entire private label range. In this case, a negative experience with private label in one product category will negatively affect the perception of private labels in other categories. In order to prevent negative consequences of inadequate quality retailers invest increasingly in quality control at all stages of production and distribution of private labels.

Giving that an investment in product quality has to be conveyed to consumers, retailers use package modernization and private label promotion. Secondary data analysis has also shown numerous examples of change in packaging during the growth stage of the life cycle, thus corroborating experts' statements. Promotion is not only limited to in-store activities; retailers use other activities such as TV, newspapers and internet advertising, etc.

In the growth stage, retailers broaden their private label range to different product categories using benchmarking with other retail chains, especially from leading international retailers. They pay more attention to consumers' wants and needs and adjust private label management accordingly. The result of this shift is introduction of private labels to new product categories where retailers can show their ability to innovate and better satisfy specific consumer segments. Retailers have direct contact to consumers and they should use this specific advantage.

Based on the analysis of available scientific papers and conducted empirical study, we can conclude that private label management in developing market follows the same basic principles incorporated in PLC concept observed on developed markets. Therefore, PLC concept implementation in private label management can help managers in markets where private labels are at the beginning stages of their life cycle, to successfully develop private labels.

First of all, managers have to realize that private labels are not just products they sell under their name, but rather brands they are responsible for and which represent them in the eyes of consumers. Consumers want brands they can rely upon, which have their own identities rather than copies of leading manufacturer brands. Therefore, applying marketing principles in private label management is prerequisite for private label success.

In accordance with the PLC concept, retailers have to focus on investments in private label's quality in order to offer superior value to consumers. In doing so, retailers should have long-term contracts with reliable manufacturers to offset problems of quality variability and implement quality controls throughout the entire development and production process. It is also essential for retailers to

communicate that commitment to private label's quality through new product packaging as well as through investments in promotion outside the store itself. Although private labels will still have lower price compared to manufacturer brands, retailers have to highlight the value private labels provide through comparable quality at lower prices.

The second step to ensure private label success in the growth stage of PLC is to focus on consumers, so retailers should use their knowledge and direct contact to consumers to develop innovative products under their private labels. That way, they are able to differentiate themselves from competition and achieve higher level of consumer satisfaction.

Although experts are able to define characteristics of private label prone consumers they do not use yet all those characteristics to achieve higher level of consumer satisfaction. They still focus on all consumers and use private labels mostly to upgrade their category management activities. This is the first step, but retailers should put even more emphasis on consumer's wants and needs and place them in the centre of private label management. Loyalty cards, which are increasingly popular among retailers, can give them the opportunity to do so.

Presented research has several limitations. Research was conducted only in one developing market, i.e. Croatia, so additional research in other developing private label markets would be necessary to validate presented findings. Although research included experts from leading retail companies and manufacturers present on the market, their number is small, so that results can only be regarded as indicative. Snowball sampling is another limitation, but that approach was necessary because there was no existing database of all experts included in private label management. Single informant bias was minimised by using data triangulation and verification of respondents' statements in secondary data. Despite all aforementioned limitations, research results are indicative and allow for relevant conclusions in the field which is not researched enough.

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Are National Brands More Promotion Elastic Than Store Brands?

Sudhir Voleti and Raj Sethuraman

Abstract Are national brands more discount elastic and display/feature elastic than store brands? This research tests this traditional view using a dataset comprising of 18 brands from five retail chains, 424 SKUs and 24,260 observations that account for over 90 % of the Carbonated Soft Drinks category sales. Our results indicate that, on aggregate, there are no significant differences in response elasticities between national brands and store brands. However, leading national brands in popular subcategories conform to a large extent to the traditional view of being more promotion elastic than store brands. Implications of these findings for managers and directions for future research are discussed.

Keywords National brands • Store brands • Retail promotion strategy • Market response

1 Introduction

National brands in grocery products are traditionally viewed as higher-quality, higher-priced, image-oriented brands while store brands are viewed as lower-quality, lower-priced, value-oriented brands. This traditional view, combined with the asymmetric price tier effect theory of Blattberg and Wisniewski (1989), suggest that national brands are more own promotion elastic than store brands. In this research, we explore the following two questions using aggregate multi-retailer, multi-subcategory data set for the carbonated soft drink category.

- (a) Are national brands more discount elastic than store brands? That is, are national brand sales more responsive to its own temporary price reduction than store brand sales are to its price reductions?

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- (b) Are national brands more display/feature elastic than store brands? That is, are national brand sales more responsive to its own display/feature than store brand sales are to its display/feature?

2 Model

To measure marker response in the form of promotional elasticities, we employ the popular log–log specification of demand in which the log of sales volume is regressed over the log of demand determinants (e.g., Macé & Neslin, 2004). In particular, we model the sales at retail chain (r) of stock Keeping Unit—SKU (j) belonging to brand (b) in time (t) as a function of the own price and promotional variables for that SKU in that time period and other variables that may influence its sales.

$$\begin{aligned} \text{Ln}\left(\text{Sales}_{rjt}\right) = & \alpha_0 + \beta_{1rb}\text{Ln}\left(\text{Price}_{rjt}\right) + \beta_{2rb}\text{Ln}\left(\text{Pricered}_{rjt}\right) \\ & + \beta_{3rb}\text{Ln}\left(\text{Dispfeat}_{rjt}\right) + [\text{covariate terms}] \\ & + [\text{Error}], \text{ where} \end{aligned} \quad (1)$$

Sales_{rjt}	Volume sales of SKU(j) in retailer(r) at time (t).
Price_{rjt}	Price per volume of SKU(j) in retailer(r) at time (t).
Pricered_{rjt}	Temporary Price reduction of SKU(j) in retailer(r) at time (t).
Dispfeat_{rjt}	Display/feature of SKU(j) in retailer(r) at time (t).
β_{1rb}	Own price elasticity (OPE) measured at the brand level (b)
β_{2rb}	Own temporary price reduction elasticity (TPE)
β_{3rb}	Own display/feature elasticity (DFE) measured at brand level

Covariates used in this model used for estimating own promotional elasticities of national brands and store brands in Carbonated Soft Drinks (CSD) category include competitive marketing mix variables, seasonality (spring, summer, fall, winter), package type (glass, plastic, aluminum), package size (12 oz., 6-pack), flavor (cola, fruit-based, root beer). For more details on the model structure and covariates in the model, please see Voleti and Ghosh (2013), Voleti and Raj (2015).

3 Data

We employ a syndicated multi-retailer dataset on the Carbonated Soft Drinks (henceforth, CSD) category containing sales data aggregated to the retail chain level. The data are monthly (4 weeks) scanner data at the SKU level from AC Nielsen for five mid-size US grocery retail chains over 2 years (2005–2006). The dataset comprises of 18 brands including 13 national brands and 5 store brands (corresponding to the five retail chains), 424 SKUs and 24,260 observations that account for over 90 % of the CSD category sales in these retail chains.

The dependent variable, $Sales_{ijt}$, is the product volume in fluid ounces sold of SKU j in retailer r during period t as recorded by AC Nielsen. $Price_{ijt}$ is measured for each SKU in each month in a retailer as the average price per ounce paid. It is obtained by dividing total revenue for SKU j in retailer r at time t by the volume in ounces of j in rt . That is $Price_{ijt} = \text{Revenue}_{ijt} / \text{Volume}_{ijt}$. Temporary price reduction ($Pricered_{ijt}$) is captured uniquely in this data set, and is appropriate for retail chain level analysis. It is measured by the \$ Million All Commodity Volume (ACV) of the stores in that chain (r) in which the temporary price reduction has occurred for SKU j any time during period t . For example, assume there are three stores—A, B and C, for Chain r each with store all commodity volume (total sales in \$Million) as Store A (100), Store B (200) and Store C (300). Then, if the particular SKU (j) in period (t) was temporarily price promoted in Store A only, then $Pricered_{ijt} = 100$; if promoted in store A and B, then $Pricered_{ijt} = 300$, and so on. Thus it is an aggregate measure of the incidence of price promotion across stores in a chain for a particular SKU, normalized by the store size. Display/Feature promotion variable is operationalized the same way as Temporary Price Reduction. It is measured by the \$ Million All Commodity Volume (ACV) of the stores in that chain (r) in which Display or Feature has occurred for SKU j any time during period t . Thus, this measure covers the extent of pervasiveness of display/feature promotions.

4 Results

Model (1) was estimated using mixture of normal distribution of parameters using Bayesian methods on the popular R computing platform (R Development Core Team, 2004)—see Voleti and Raj (2015) for more details. Results are presented in Table 1. Key results and their implications are discussed below.

Are national brands more temporary price reduction (TPR) elastic than store brands? In this research, we estimated own TPR elasticity as the percent change in monthly volume sales for 1 % change in incidence of TPR promotions as measured by the ACV of stores in which the TPR was implemented. Own TPR incidence elasticities are generally small and range from 0.00 to 0.018 (Table 1). They are all positive (as expected) and 64 % are significantly different from zero. We do not

Table 1 Response elasticities by brands and retailers

Brand	Temporary price reduction elasticity					Display/feature elasticity				
	Ret A	Ret B	Ret C	Ret D	Ret E	Ret A	Ret B	Ret C	Ret D	Ret E
Coca Cola	0.015	0.012	0.000	0.015	0.012	0.094 ^a	0.091 ^a	0.052	0.096 ^a	0.101 ^a
Dr.Pepper	0.016	0.017	0.004	0.013	0.015	0.047	0.093 ^a	0.048	0.048	0.048
Pepsi	0.013	0.015	0.012	0.013	0.011	0.05	0.095 ^a	0.05	0.094 ^a	0.103 ^a
Store brand	0.013	0.013	0.005	0.001	0.014	0.047	0.047	0.047	0.049	0.048
Canada Dry	0.015	0.013	0.003	0.004	0.014	0.047 ^b	0.047	0.049	0.048	0.048
Store brand	0.014	0.013	0.014	0.001	0.014	0.094	0.048	0.047	0.049	0.047
Fanta	0.003 ^b	0.013	0.013	0.013	0.013	0.048 ^b	0.096	0.048	0.048	0.048
Fresca	0.015	0.014	0.014	0.014	0.014	0.094	0.095	0.048	0.047	0.048
Store brand	0.013	NA	0.013	0.013	0.012	0.093	NA	0.046	0.049	0.045
SevenUp	0.015	0.014	0.003	0.003	0.003	0.047	0.097	0.05	0.049	0.049
Mountain Dew	0.013	0.014	0.013	0.012	0.000	0.048	0.049	0.048	0.051	0.048
Sprite	0.004 ^b	0.014	0.003 ^b	0.018	0.003	0.046	0.049	0.049	0.095 ^a	0.046
Sierra Mist	0.003 ^b	0.001	0.015	0.002 ^b	0.004	0.049	0.045	0.048	0.048	0.046
Store brand	0.013	NA	0.014	0.012	NA	0.095	NA	0.045	0.041	NA
A&W	0.010	0.014	0.013 ^a	0.014	0.003	0.048 ^b	0.048	0.048	0.081	0.047
Barqs	0.014	0.013	0.013 ^a	0.013	0.014	0.095	0.048	0.047	0.048	0.094
Mug	NA	0.014	0.014 ^a	0.013	0.014	NA	0.097	0.096 ^a	0.048	0.095
Store brand	0.013	NA	0.001	0.012	NA	0.095	NA	0.046	0.049	NA

^aNB elasticity > SB elasticity^bNB elasticity < SB elasticity

have estimates from the literature to directly compare this incidence elasticity measure.

Across all retailers and subcategories, average national brand TPR elasticity and store brand TPR elasticity are both 0.011. We also performed pair-wise comparison within each flavor to see whether the TPR elasticity of national brands in a flavor subcategory of CSD is significantly higher than the TPR elasticity of store brand in that subcategory, as would be expected. We find that TPR elasticity is higher for national brands than for store brands in 3/48 NB-SB comparisons, lower for national brands than for store brands in 5/48 NB-SB comparisons and the two are not significantly different in the remaining 40/48 comparisons. Thus, there is no evidence on aggregate that TPR incidence elasticities are higher for national brands than for private labels.

Across all retailers and subcategories, average national brand DF elasticity is 0.062 and average store brand price elasticity is 0.055 and the means are not significantly different. This inference is supported by the finding that national brand DF elasticities are greater than corresponding store brand DF elasticities in 10/48 NB-SB comparisons, lower in 7/48 comparisons, and is not significantly different in the remaining 31/48 comparisons.

Delving deeper into the patterns of DF elasticities across brands, subcategories, and retailers (Table 1) provides some additional insights. Many national brands in the cola subcategory, the largest subcategory in the CSD category with over 60 % market share, have higher DF elasticity than that of private labels, as expected. In particular, average absolute national brand DF elasticity in the cola subcategory is 0.074, which is higher than the average store brand DF elasticity of 0.048, though the difference is not statistically significant because of small sample size and large variance. Furthermore, DF elasticity is higher for national brands than for store brands in the cola subcategory in 8/15 cases and lower in none. Within the cola subcategory, leading brand Coca Cola has significantly higher DF elasticity than store brands in four of five retail chains (Table 1).

For the noncola subcategory, however, results are slightly in the opposite direction. Though the average DF elasticity for both national and store brands are about the same (0.058 and 0.056), DF elasticity is higher for national brands than for store brands in the non-cola subcategory in just 2/33 but lower in 7/33 cases (Table 1).

5 Discussion

The answer to the question of whether national brands are more TPR elastic than store brands, based on sample of 48 national brand—store brand paired comparisons is: 6 % (Yes), 10 % (no- goes the other way), 84 % (no difference). Note that our measure of TPR is based on incidence. That is, if an average national brand and store brand in CSD currently price promote through stores that sell \$100 Million ACV and if they increase temporary price reduction to more stores that account for

\$1 million ACV, then both brands would gain 0.011 % of total brand unit sales. In other words, if the retailer engages in temporary price reduction of its store brand, then it need not expect any less (or any more!) volume sales increase in percent terms than an average national brand.

Does this finding contradict the asymmetric price-tier effect theory (Blattberg & Wisniewski, 1989)? It depends on how the asymmetric price tier effect theory is interpreted. The theory states that when the high-price tier, high quality national brands price promote, they take sales away from store brands or private labels; but, when the lower price tier store brands price promote, they do not take sales away from national brands. While this postulate has received theoretical and empirical support (Allenby & Rossi, 1991; Sethuraman, 1995), others have questioned its validity on the grounds of price-quality positioning (Bronnenberg & Wathieu, 1996) and scale effects (Sethuraman, Srinivasan, & Kim, 1999). Furthermore, the theory relates only to brand switching and cross-price effects while our finding relates to own price elasticity which includes brand switching, increased purchase by own brand consumers and category expansion through new consumers purchasing the category. In other words, if the theory is interpreted to mean that store brand temporary price reduction is a waste since it would not increase its sales by much, our result contradicts that interpretation and shows that in percent terms both national brands and store brands yield same sales increase. Our results do not speak to other interpretations of the theory.

Does our result therefore suggest that it is equally profitable to price promote store brand as it is the national brands? No, our result only suggests that TPR incidence leads to similar percent unit sales increase. Profitability analysis should incorporate source of sales increase (switchers, loyal consumers), depth of price cut, unit margins etc. It is, however, noteworthy that in many grocery categories, store brands are price promoted as often as or more often than national brands.

The answer to the question of whether national brands are more DF elastic than store brands, based on sample of 48 national brand—store brand paired comparisons is: 21 % (Yes), 14 % (no- goes the other way), 65 % (no difference). The results are similar to that of TPR elasticity in some ways.

First, DF elasticities have to be interpreted as incidence elasticities in the same way as TPR elasticities. That is, if an average national brand and store brand currently display/feature through stores that sell \$100 Million ACV and if they increase display/feature to more stores that account for \$1 million ACV, then national brands would incrementally gain 0.062 % of total brand sales, while store brands would gain 0.055 % of unit sales. Thus the very act (incidence) of engaging in retail promotion (TPR or DF) in equivalent stores is unlikely to result in greater sales, on aggregate, for national brand over store brand, as traditional view would suggest.

However, nuanced differences do exist in DF elasticities. In the cola subcategory of CSD, in over 50 % of the cases, the traditional view of national brands is validated and in no case is the reverse true. Cola is the largest and most salient subcategory in CSD. The key players are well-known brands such as Coca Cola and Pepsi. These companies invest heavily in their brands and, it is possible that when

these brands are displayed or featured they may draw more sales than the store brands. The broad implication would be that manufacturers and retailers, who wish to increase category sales may find it in their interest to display/feature the national brands more in the cola subcategory.

Going further to the brand level, within the cola subcategory, leading brand coca-cola conforms to the traditional view of higher DF elasticity in four of five retailers. Extending the previous argument, Coca Cola is a reputed brand and its salience may be reflected in the higher DF elasticities.

6 Conclusion

In this research, we test whether national brands are more temporary price reduction and display/feature elastic than store brands. Based on our study of the Carbonated Soft Drinks category using a multi-retailer, multi-subcategory data set, we find that in general, there are no difference between national brand effects and store brand effects in terms of TPR and DF elasticities. However, display/feature elasticities are higher for leading national brands in popular subcategories where brand investments are generally high.

These results lead to several managerial implications. More broadly, managers and researchers can estimate and monitor promotional elasticities and see if traditional national brand properties are exhibited. If so, and this is likely to occur in salient subcategories with heavy national brand investments, both retailers and manufacturer can leverage the national brand strength to increase their respective profits. If not, and this is likely in less salient subcategories with smaller national brand investments, both manufacturers and retailers should understand the nature of competition and set their retail promotions accordingly.

There are many limitations and directions for future research. While we have analyzed data across subcategories and retailers, our analysis is based on one category—Carbonated Soft Drinks. We chose this category because brand investments are high and there are many subcategories and SKUs within brands that allows us to robustly estimate brand-level parameters. Future research can extend to other categories. We have also used a unique data set that provides promotion measures based on promotion incidence at the national retail chain level. Future research can test the results on other data sets, alternate models, and use other measures of response elasticities. In the process, future research can also identify brand and retailer characteristics in which national brands behave according to traditional view and where they do not.

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The Relationship Between Assortment Size and Category Sales: A Panel Data Analysis on National Brands and Private Labels

Juan Carlos Gázquez-Abad and Francisco J. Martínez-López

Abstract Assortment is one of the most important tools for retailers differentiating themselves from competitors, attracting customers into the store and increasing their sales. This paper analyzes the relationship between assortment size—in terms of number of Stock Keeping Units—and category sales level, differentiating between National brands (NBs) and Private Labels (PLs). In order to do this, a panel database containing information about weekly assortment size and volume sales between 2009 and 2014 for all supermarkets operating in Spain is used. Our results confirm a positive and significant relationship between both aspects; nevertheless, the intensity of such result depends on the type of brand (NB vs. PL) but also on the frequency and penetration of the category under study.

Keywords Assortment • National brands • Private labels • Supermarket

1 Introduction

Wroe Alderson coined the assortment concept in marketing in the early 1950s (Wind, 1977). He defined an assortment as “a heterogeneous collection of products designed to serve the needs of some behaviour system” (Alderson, 1957, p. 195). Retailer practice reveals that assortment, together with factors such as price or promotions, help attract consumers into the store (Kahn, 1999) and retain core customers (Grewal, Levy, Mehrotra, & Sharma, 1999).

From a theoretical perspective, assortment variety has generally been found to have positive effects on sales performance, supporting the conventional wisdom

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F.J. Martínez-López et al. (eds.), *Advances in National Brand and Private Label Marketing*, Springer Proceedings in Business and Economics,
DOI 10.1007/978-3-319-20182-5_8

that “more is better” (Peng, 2008). Thus, Koelemeijer and Oppewal (1999) found that an increase in assortment size by adding items increased the likelihood of purchasing at the current store proportional to the attractiveness of the items added. Cadeaux (1999) also found that greater category variety has a positive correlation with sales. Mason (1990) found that purchases would only be more likely to increase if the new SKUs added also increased the total attraction, measured as the consumers’ estimated preferences of a product category. However, recent research argues that adding new options to a given assortment will have an asymmetric impact on the probability of an option being chosen from that assortment (Chernev, 2011, p. 13). Indeed, many authors (e.g., Boatwright & Nunes, 2001; Broniarczyk, Hoyer, & McAlister, 1998; Drèze, Hoch, & Purk, 1994) have shown that reducing the size of an assortment can increase the likelihood of a purchase being made from it, leading to an increase in sales.

Given these contradictory conclusions, the direction of causality is one of the primary problems that researchers have to face with regard to the relationship between sales and assortment size. The range of existing studies on the effects of changes in assortment on sales performance has undoubtedly shed more light on this topic, offering some very interesting findings (Peng, 2008). However, a number of shortcomings remain. Thus, because of the differences in the depth of the assortment cuts studied in natural experiments (i.e. the percentage of items in a category), it is not surprising that different results regarding the cuts’ effect on category sales have emerged. Borle, Boatwright, Kadane, Nunes, and Shmueli (2005) and Sloot, Fok, and Verhoef (2006) suggest that the contradictions could also be due to how the effects of changes in assortment might vary widely by category. Another limitation of previous literature is that most of the studies use experimentation. However, this methodology is often rather inconclusive (Corstjens & Doyle, 1981), and although it can be used to detect a correlation between differences in assortment size and variations in demand, it does not provide the existence of a causal link between both variables. Finally, existing cross-category studies of assortment effects outside of laboratory-based experiments do not differentiate between national brands (NBs) and private labels (PLs), but they jointly consider all brands comprising the retailer’s assortment. Given the differences between both brands in terms of price, equity and consumer purchasing behaviour, a separate analysis could be of interest.

This paper proposes an empirical estimate of the relationship between assortment size and category sales (both NBs and PLs) of 8 FMCG categories across three store formats (small supermarket, medium-sized supermarket and big supermarket). In order to do so, a panel database is used. The database includes information gathered over 5 years (October 2009–October 2014) on weekly volume sales and on assortment size (NBs and PLs) by category. The eight categories are characterized using the penetration-frequency distinction developed by Dhar, Hoch, & Kumar (2001).

2 Literature Review

The notion of assortment variety in retailing could plausibly be discussed at a technical level and at an operational or measurement level. Regarding the former, assortment variety refers to the number of choices available within a product group (e.g., one category). At an operational or measurement level, assortment variety could be further segregated into objective and perceptual assortment variety according to the measure adopted (Peng, 2008). With regard to objective measures of assortment variety, both assortment size, measured by total number of SKUs (Chiang & Wilcox, 1997), and assortment composition, e.g., category attributes such as brand and flavour (Boatwright & Nunes, 2001), can also be included in this group. This research focuses on objective assortment variety measured by the total number of SKUs.

With regard to assortment size, the notion that perceived variety is a function of assortment size is fairly straightforward (Chernev, 2011). For example, Amine and Cadenat (2003) found that, besides the availability of the leading NBs and the presence of favourite brands, individuals primarily use the number of SKUs when forming their assortment evaluation. In this respect, a larger assortment tends to be perceived as having greater variety. Conventional wisdom suggests that greater variety benefits consumers (Chernev, 2006). The assumption that more choice is always better is not only intuitively appealing, but is also supported by numerous findings in many disciplines (Chernev, 2003a), such as decision making, social psychology and economics. Thus, prior research has identified a number of benefits and costs associated with large assortments (Chernev, 2011). From the perspective of economic research, larger assortments offer an opportunity for a better match between an individual's preferences and the characteristics of the alternatives in the choice set (Baumol & Ide, 1956; Betancourt & Gautschi, 1990; Hotelling, 1929; Kahneman, Wakker, & Sarin, 1997). In this respect, consumers might feel more confident when selecting from those retailers offering large assortments, because it is less likely that a potentially superior alternative is not represented in the available choice set (Chernev, 2011; Karni & Schwartz, 1977). An additional economic explanation for the preference for large assortments lies in the greater efficiency of time and effort involved in identifying the available alternatives in the case of one-stop shopping associated with retailers offering these larger assortments (Messinger & Narasimhan, 1997; Miller, Reardon, & McCorkle, 1999).

From the retailers' perspective, the main motivation for a retailer to increase the variety of the assortment offered would be the desire to increase purchases by present customers or to attract new ones (Pessemier, 1980). Nevertheless, in terms of cost-related reasons (e.g., inventory, shelf space and financing costs), larger assortments are often considered less desirable (Bayus & Putsis, 1999; Chernev, 2011; Lancaster, 1990; Lehmann, 1998). In this vein, Sloot, Fok, and Verhoef (2011, pp. 27, 28) argue that assortment reductions are necessary from time to time. According to these authors, there are several reasons for this:

- Often, assortments that are too large confuse rather than delight consumers. Too many products within a product category may lead to increased search effort (both time and perceived difficulty) and can even result in consumers “surrendering” and leaving the shop without making a purchase. Therefore, to keep an assortment up to date and to adopt innovations without it becoming too large, it is necessary to regularly delist products or brands.
- Retailer assortment, in addition to other factors such as price and service level, represents an important point of differentiation. In this respect, many retailers are delisting a lot of NBs in order to create more shelf space for its profitable, distinctive PL.
- Retailers can exert buying power over suppliers by threatening to delist brands if buying conditions are not improved.

In this context, literature has recently shown the negative consequences of larger assortments. Indeed, many authors (e.g., Boatwright & Nunes, 2001; Broniarczyk et al., 1998; Drèze et al., 1994) have shown that reducing the size of an assortment can increase the likelihood of a purchase being made from it, leading to an increase in sales. de Clerck, Gijsbrechts, Steenkamp, and Dekimpe (2001) found that, on average, item deletions (and also item additions) lead to an increase in sales, with assortment expansion generating twice as great a sales increase as assortment deletions. Broniarczyk et al. (1998) conducted two controlled experiments to measure the effect of item reductions on assortment perceptions and store choice. Their results show that retailers may make substantial reductions in the number of items they carry without negatively affecting customers’ store choice intentions, as long as the retailer only eliminates low-preference items and holds category space constant. In particular, these authors show that a cut of 25 % of less preferred items has no effect on store choice. Drèze et al. (1994) developed a large field experiment involving 30 test stores and 30 control stores. These authors found that aggregate sales went up nearly 4 % in the eight test categories after 10 % of unpopular SKUs were deleted. Borle et al. (2005) found that assortment reduction reduces overall store sales, and decreases store visits and total basket size—a result that contrasts with that of most studies on assortment reduction. Nevertheless, these authors found that the effect of assortment reduction varies across categories, with less frequently purchased categories being more adversely affected. Iyengar and Lepper (2000), in the context of gourmet jams, showed that consumers were more likely to make a purchase when presented with an assortment comprising six items than with an assortment comprising 24 items (30 % versus 3 %). Similar findings have been reported by many authors in a variety of product categories, such as consumer electronics (Chernev, 2003a), chocolates (Berger, Draganska, & Simonson, 2007; Chernev, 2003b) and mutual funds (Huberman, Iyengar, & Jiang, 2007; Iyengar, 2010; Iyengar, Huberman, & Jiang, 2004; Morrin, Broniarczyk, & Inman, 2011).

3 Methodology

The sales-assortment size relationship is estimated from a pooled database of 17,072 supermarkets provided by *IRI Worldwide*. This number can be assumed to represent virtually 100 % of all Spanish supermarkets. These supermarkets are classified into three categories: big supermarkets (2988) (1001 m²–2500 m² of surface area), medium-sized supermarkets (5799) (401 m²–1001 m² of surface area) and small supermarkets (8285) (100 m²–1000 m² of surface area). The database includes information gathered over 5 years (October 2009–October 2014) on weekly volume sales and on assortment size (NBs and PLs) by category. In total, 8 categories have been analyzed (*beer, yoghurt, bakery, fresh bread, coffee, tuna, deodorant and freshener*). These categories are characterized using the penetration-frequency distinction developed by Dhar et al. (2001). These authors classified categories into “high” and “low” penetration (percentage of households that purchase the category) and frequency (average number of times per year category is purchased) (Dhar et al., 2001, p. 170). According to both aspects, categories fall into one of the four groups: (1) *staples* (high penetration/high frequency); (2) *niches* (low penetration/high frequency); (3) *variety enhancers* (high penetration/low frequency); and (4) *fill-ins* (low penetration/low frequency). Selecting product categories (and including them into each of the four groups defined by Dhar and colleagues) has been made from a sample of 53 categories accounting for more than 60 % of the Spanish market FMCG sales. Using data on rotation and sales volume, we have ranked all 53 categories according to their levels of penetration and frequency. From such ranking we have classified product categories as follows: beer and yoghurt (*staples*); bakery and fresh bread (*niches*); coffee, tuna and toilet tissue (*variety enhancers*), and deodorant, freshener and laundry detergent (*fill-ins*). In selecting such categories, we have considered the presence of food categories (the most important in Spanish people usual shopping-basket), but also of personal care and cleaning products.

In order to estimate the relationship between assortment size and category sales, panel data methodology is used. Given that our database comprises the same number of observations (October 2009–October 2014, i.e., 261 weeks) for each category (and format), the panel can be considered as *balanced*. Using panel data offers many benefits (Baltagi, 1995): (1) it leads to a better control for individual heterogeneity; (2) it gives more informative data, more variability, less co-linearity among the variables, more degrees of freedom and more efficiency; (3) panel data are better able to study the dynamics of adjustment; (4) panel data are better able to identify and measure effects that are simply not detectable in pure cross-sections or pure time-series data, and (5) panel data models allow to construct and test more complicated behavioural models than purely cross-section or time-series data.

In our empirical estimation, volume sales are used as the dependent variable, and assortment size as the independent variable. Volume sales are commonly used in sales response (Hoch, Kim, Montgomery, & Rossi, 1995; Sriram, Balachander, & Kalwani, 2007). Assortment size is measured as the number of SKUs in the

category. The use of the number of SKUs to measure assortment size is consistent with the view of previous literature (e.g., Chiang & Wilcox, 1997).

Typical issues arising from panel-level data such as heteroskedasticity and autocorrelation were assessed (and corrected) using *Hausman test*, *Breusch-Pagan Lagrange multiplier test of independence* and *Wooldridge test for autocorrelation*. Analyses¹ were performed using STATA 12.0.

4 Results

Statistical estimates of the relationship between category sales and assortment size are satisfactory as shown by the *Wald-tests*,² all significant at 0.001 %. The estimation of the assortment size parameter, the constant and individual effects for medium-sized and big supermarkets (small supermarkets are considered as the baseline) for the different product categories are given in Table 1.

Table 1 (at the end of this paper) shows that, for all categories (both NBs and PL) under analysis, there is a positive (significant) relationship between assortment size and category sales. That is, the higher the number of SKUs the higher the category sales. This result is in accordance with many previous studies (see Lancaster, 1990 for a review). Nevertheless, the magnitude of the relationship between assortment size and category sales varies considerably between NBs and PL but also between categories. Regarding the former, the relationship between PL assortment size and PL sales appears to be stronger than for NBs. Thus, the average (between categories) value for the assortment size parameter is 4.3989³ (PL) whereas for NBs such average value is 3.6656. We can, therefore, assume that PL sales stronger respond to assortment size changes than NBs do. This result suggests that assortment size decisions in the context of PL are more relevant in terms of change in share of sales than in the context of NBs.

Nevertheless, the above mentioned results will depend on the category under study. As Fig. 1 shows (see at the end), whereas in the staples (beer and yoghurt) and variety enhancers (coffee and tuna) categories, PL sales are more sensitive to changes in assortment size than NBs sales (11.3253 vs. 7.5451, and 2.0911 vs. 0.5884, for staples and variety enhancers, respectively), in the niches (bakery and fresh bread) and in the fill-ins (deodorant and freshener) categories, NBs sales stronger respond to modifications in the number of SKUs than PL does (5.6792 vs. 3.9482, and 0.8498 vs. 0.2309 for niches and fill-ins, respectively).

¹ More details about the estimation process are available from the corresponding author upon request.

² Except for fresh bread (NBs), as there were no autocorrelation problems for such a category. Optimal estimation of the model does not include *Wald-test* but *R-squared* as reported in Table 1.

³ $\times 10,000$.

Table 1 Estimation of panel data regressions

	NB			PL			NB			PL		
	Parameter	Std. error	Sign.	Parameter	Std. error	Sign.	Parameter	Std. error	Sign.	Parameter	Std. error	Sign.
	Staples											
	Beer											
Assortment size	12,7262.90	7369.93	0.000	19,9415.7	23,173.01	0.000	23,639.63	1843.29	0.000	27,091.84	2833.45	0.000
Constant	-1,706,406	236,691.4	0.000	-173,591.1	174,819.6	0.321	-450,117.6	131,522	0.001	-115,017.7	122,061.5	0.346
Medium-sized supermarket	-93,246.66	163,151.7	0.568	622,497.4	104,968.6	0.000	254,142.0	54,102.83	0.000	557,540.9	62,838.34	0.000
Big supermarket	-741,784.1	308,961.2	0.016	1,712,151.0	174,635.20	0.000	557,789.80	49,940	0.000	2,922,537.0	91,659.82	0.000
Wald $\chi^2(3)$ (sign.)	660.16 (0.000)			615.55 (0.000)			1290.90 (0.000)			1925.03 (0.000)		
	Niche											
	Bakery											
Assortment size	7810.05	295.43	0.000	25,736.22	1745.67	0.000	105,775.0	35,150.98	0.003	53,228.53	6738.042	0.000
Constant	-128,756.4	12,601.05	0.000	-233,935.2	34,141.45	0.000	-1,617,840	655,284	0.014	-28,457.4	38,507.73	0.460
Medium-sized supermarket	42,463.35	7222.525	0.000	36,918.54	16,314.29	0.024	-236,471.1	163,729.8	0.149	144,858.3	12,359.76	0.000
Big supermarket	9111.235	6044.062	0.132	530,514.2	24,825.16	0.000	274,898.3	64,572.44	0.000	810,666	29,497.65	0.000
Wald $\chi^2(3)$ (sign.)	1781.47 (0.000)			2899.25 (0.000)			0.7931 (R-squared)			3120.26 (0.000)		

(continued)

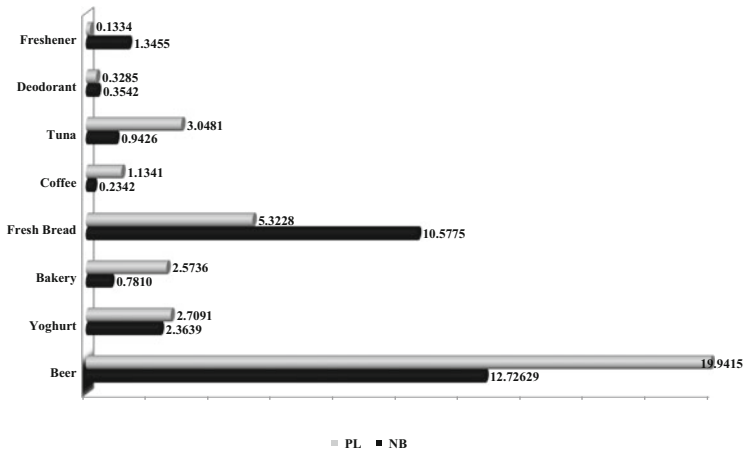


Fig. 1 Category sales response ($\times 10,000$) to changes in assortment size

In addition, the estimation of panel regressions confirms the existence of differences between supermarkets according to their selling surface. Thus, (significant) store-related parameters confirm that category sales behave differently depending on the supermarket’s selling surface.

5 Conclusions and Managerial Implications

Our results support the positive relationship between assortment size and sales found in previous studies using experimentation. It seems, therefore, that assortment size configures as a very relevant strategic tool in stimulating category sales. However, the role the assortment plays will depend on two aspects: (1) the type of brand, and (2) the characteristics of the product category under analysis.

Regarding the type of brand, our results show that, in general, PL sales are more responsive to changes in assortment size than NBs. Therefore, increasing the number of SKUs will be most effective in the context of the retailer’s own brand. Nevertheless, in evaluating the role that assortment size plays in the sales of a single category, two aspects have to be taken into account: the penetration and the purchasing frequency of such category. Thus, our results suggest that increasing the number of SKUs will be most effective for PLs in those categories bought frequently (staples and variety enhancers). By contrast, increasing the assortment size will be most effective for NBs in those categories bought less frequently).

According to our results, retailers are advised to increase the number of SKUs of their own brand in those categories frequently bought by consumers. By contrast, in those categories less frequently bought, although a higher number of SKUs may “help” to stimulate the PL sales of the category, we advise retailers to use other marketing aspects in order to increase their own brand sales. For instance, using

promotional techniques (e.g., price discounts or featuring the PL on flyers) may help the retailer in increasing PL sales in such less frequently bought categories. On the contrary, category management, i.e., a collaborative continuous process between manufacturers (and their NBs) and retailers appears to be more relevant in those less frequently bought categories (niches and fill-in categories).

Acknowledgments The authors wish to acknowledge the financial support provided by the *Fundación Ramón Areces* (Spain)

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Part III

Branding

Does PLB Name Really Matter for Retailers? A Case of Negative Publicity

Hanna Gendel-Guterman and Shalom Levy

Abstract A retailer's brand name is more than just a name or a symbol, it is a tool used to differentiate one retailer from another and advance store positioning. This study examines the effect of retailers' private label brand (PLB) negative publicity on PLB image, and retailers' store image as a result of this publicity. Empirical testing was conducted to check this effect in two situations: a private label as a family brand extension of the retailer's name and a brand name that is independent from the retailer's name. Findings show that negative publicity mainly has an influence on the PLB's image dimensions, but not on overall store image. PLB name type was found to be insignificant in most cases.

Keywords Private label • Retailer • Brand image • Negative publicity

1 Introduction

Extended research suggests interdependency between retailers' overall store image and private label brand (PLB) image (Semeijn, VanRiel, & Ambrosini, 2004; Vahie & Paswan, 2006). As a tool, private labels can help retailers to differentiate themselves, and build positive perceptions towards the store (Corstjens & Lal, 2000; Collins-Dodd & Lindley, 2003).

In a world of brands, where the brand name is essential to consumers' image perception, the PLB name is of major importance. Mainly, brand names are salient because of their central role as an extrinsic cue in predicting retailers' product quality and purchase intention (Richardson, Dick, & Jain, 1994). As regards PLB branding strategies, retailers face the dilemma of whether to give their name to their PLB in an attempt to achieve the advantages and benefits of brand extension, while at the same time, bearing the risk of damaging their image and reputation. Following the notion of retailers as brands (Burt, 2000), major retail companies, such as Tesco, Marks and Spencer, Albert Heijn, and Kroger use their own names as family brand names for most of their products' PLBs. However, there are also significant

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retailers, such as Sainsbury's, Loblaws, Target, and Safeway, which apparently don't want to be identified with their PLB label. Their chain name and logo do not appear on the packaging and they use a brand that is independent from their name, as an umbrella name for their PLB or, alternatively, several different brands as brand names for their PLBs.

The broad brand extension literature, though clarifying the advantages of extending the brand, warns about the high risks involved in using the same brand name for different identities (Pitta & Katsanis, 1995). The use of an identical name for family brands can create problems if one of the products receives negative publicity. This can damage the reputation of the original brand name.

In light of the above image interdependency, the question is whether retailers' products' private label brand names are important to the retailers' images. Another question is whether PLB-related negative (or positive) publicity affects the retailer's PLB image as well as store image, particularly when their names are identical. To the best of our knowledge, there are no academic studies to date dealing with the chosen name of PLBs and their potential negative/positive effect on the retailer's PLB and store image. The current study wishes to contribute to this issue by focusing on PLB image and store image within the context of brand extension theory, and empirically address this issue, followed by discussions and related conclusions.

2 Theoretical and Empirical Background

Consumer attitudes and associations influence brand evaluation, and are the basis of brand image (Keller, 1993). *Attribution theory* is concerned with how consumers assign causality to events, and focuses on how consumers form or alter their attitudes, as an outcome of assessing objects and behavior (Folkes, 1984; Dean, 2004). The theory addresses consumers' judgment of product performance and attributes the success or failure to either the brand or the store. In our case, where PLBs are basically exclusively sold by the retailers that own them, attribution theory indicates interdependency between a retailer's overall store image and PLB image; the better the "match" between the two, the higher the interdependency.

Brand image is defined as "the sum of total brand associations held in consumer memory that leads to perceptions about the brand" (Keller, 1993; Vahie & Paswan, 2006, p. 70). We apply this definition to PLB image. *Store image* is defined as "the way in which the store is defined in the shopper's mind by its functional qualities and partly by an aura of psychological attribute" (Martineau, 1958, p. 47; Vahie & Paswan, 2006, p. 70).

Research indicates a positive relationship between store image and PLB image (Richardson, Jain, & Dick, 1996; Vahie & Paswan, 2006). Collins-Dodd and Lindley (2003) found store image to be a significant predictor of PLB image and uniquely related to store positioning. In their eyes, "private label brands are seen as extensions of the store image" (Collins-Dodd & Lindley, 2003, p. 351), particularly

when they include the store name. Semeijn et al. (2004) reached the same conclusion. Overall, retailer's store image can act as a cue for PLB quality and contribute to its image; the higher it's association, the higher the attribution (Burnkrant, 1978). On the other hand, there are studies indicating that brands sold in a store have an effect on the image of that store (Pettijohn, Mellott, & Pettijohn, 1992; Porter & Claycomb, 1997). Jacoby and Mazursky (1984) found that retailers' store image could be improved by carrying brands with favorable images; however, it could just as easily be damaged by association with unfavorable brands. Thus, treating PLB as a "brand" like national brands leads to an improved store image. Furthermore, the stronger the consumer perceives the connection between the store and the PLB, the higher the interdependency. This line of thinking leads us to the idea that choosing a brand name for a retailer's PLB is of major importance for consumers' association of these brand identities and forced interdependency. PLBs are owned by the retailers and sold exclusively in the retailers' stores; thus, store images act as high relevance cues. While the positive image of one identity might contribute to the image of the other identity by attribution, an image that is not positive may detract from the other identity's image.

One PLB branding strategy involves employing the retailer's brand name for PLB identity, thereby leveraging the perceptual assets of the retailer's image. The brand extension literature clearly emphasizes the core brand associations conveyed to the extension, and particularly its contribution to perceived image, along with efficient marketing efforts, such as advertising and familiarity (Pitta & Katsanis, 1995). However, this strategy involves some risks. Attitude towards the extension may affect parent brand attitude. Research indicates a possible brand dilution, as a side effect of negative reciprocal effects (Ahluwalia & Gurhan-GCanli, 2000; Swaminathan, Fox, & Reddy, 2001). Negative information about the extension leads to dilution (Ahluwalia & Gurhan-GCanli, 2000). Thus, a consumer's unfavorable feelings toward the extension may negatively affect the image of the parent brand name. Taking the above into account, we raise the following research hypotheses:

- H1: Negative publicity of PLB products will damage the perceived image of the retailer's PLB, whatever the nature of the PLB name.
- H2: Negative publicity of PLB products will damage the perceived image of a retail store, when the PLB name and store name are identical.
- H3: Negative publicity of PLB products will not damage the perceived image of a retail store, when the PLB name is independent.

3 Methodology

Sample and study procedure: An experiment was conducted among mature graduate students; two different popular PLBs were chosen as brands for this experiment: one with a brand name that extends the retailer's store name to its PLB brand name

(hereby chain A), and another PLB with a different name as an independent brand name (hereby chain B). Each participant was exposed to the negative publicity (NP) of one retailer's PLB products ("Test findings reveal that the active ingredients in cleaning products and detergents sold under the name of private label brand XXX may be harmful to the health of product users."), after which he or she was asked to answer a questionnaire concerning the two PLBs (hereby, *treatment* and *control*). Overall, 158 participants completed the questionnaire and their responses were used in this study; 80 were exposed to brand A's NP and 78 were exposed to brand B's NP. Fifty-two percent of the respondents were male and forty-eight percent were female; ages mostly (77 %) ranged between 26 and 45; average income or above (82 %); and approximately all subjects said they participate in family shopping trips (99 %). The majority (82 %) of the subjects said they do most—or at least half—of the family shopping. Respectively, 84 % and 95 % exhibited some sort of shopping behavior in both chains A and B; 59 % and 58 % said they were highly familiar with the PLB of chains A and B.

Measurement: The survey instrument consisted of multiple items designed to measure the study's variables. Respondents were asked to indicate their level of agreement with different statements. A seven-point Likert scale was used, ranging from 1 = strongly disagree, to 7 = strongly agree. PLB image items, relating to quality and buying intention dimensions (as in Vahie and Paswan's (2006) study), were taken from Richardson et al. (1994, 1996). Store image scale items were taken from Chowdhury, Reardon, and Srivastava (1998) and Vahie and Paswan (2006), measuring five store image dimensions: service, quality, variety, price, and convenience. The scales' items were modified to suit the retail PLBs' publicity. Some variables were identified as key factors influencing PLB quality, buying intention (Richardson et al., 1994, 1996), and store image. Thus, to assure that NP of PLB impacts our dependant variables, even when these variables are accounted for, we included additional measures. We added scale as an extrinsic cue (five items with a Cronbach's alpha of 0.815), one item for store chain buying rate, and two other items—value for money of private label and PLB familiarity (Richardson et al., 1994, 1996; Kocyigit & Ringle, 2011)—as proxy variables. Demographic variables were also gathered.

4 Results

Validity and reliability: Items were subjected to two exploratory factor analyses. Ten factors were produced for chain image (five for each chain), explaining 80.1 % of the cumulative variance. Four factors were produced for PLB image (two for each brand), explaining 75 %. All items demonstrated high internal validity (acceptable loading). The internal consistency was examined using Cronbach's alpha. The coefficients' range was 0.78–0.89. Means were then calculated for each factor.

Table 1 Variables' mean differences: combined images—with and without NP

Variables	N	Without NP		With NP		t-test	P(2 tailed)
		Means	S.D.	Means	S.D.		
PLB buying intention	157	2.77	1.300	2.33	1.093	−4.24	0.000
PLB quality	157	4.48	1.663	4.18	1.279	−2.167	0.032
Overall store image	158	4.40	0.850	4.36	0.733	−0.530	0.597
Store service	158	4.34	1.072	4.37	1.044	0.296	0.768
Store product quality	158	4.33	1.113	4.10	0.990	−2.29	0.023
Store product variety	158	4.76	1.115	4.85	0.947	0.931	0.354
Store prices image	158	3.83	1.197	3.74	1.070	−0.732	0.465
Store convenience	158	4.74	1.158	4.74	1.105	0.073	0.942

Table 2 Variables' mean differences according to chain store—with and without NP

Variables	Without NP ^a			With NP				
	N	Means	S.D.	N	Means	S.D.	t-test	P
Chain A								
PLB buying intention	78	2.82	1.347	80	2.43	1.137	−1.98	0.050
PLB quality	78	4.63	1.260	79	4.22	1.478	−1.88	0.062
Overall store image	78	4.27	0.858	80	4.14	0.742	−1.01	0.315
Store service	78	4.03	1.007	80	4.12	1.103	0.541	0.590
Store product quality	78	3.88	1.004	80	3.85	0.903	−0.200	0.842
Store product variety	78	5.05	1.060	80	4.75	0.944	−1.90	0.059
Store prices image	78	4.04	1.243	80	3.68	1.170	−1.87	0.063
Store convenience	78	4.36	1.148	80	4.31	1.022	−0.233	0.816
Chain B								
PLB buying intention	78	2.72	1.259	79	2.21	1.039	−2.73	0.007
PLB quality	79	4.63	1.413	78	4.05	1.376	−2.58	0.011
Overall store image	80	4.53	0.823	78	4.59	0.656	0.518	0.605
Store service	80	4.64	1.052	78	4.63	0.916	0.085	0.932
Store product quality	80	4.76	1.042	78	4.36	1.012	−2.46	0.015
Store product variety	80	4.48	1.101	78	4.96	0.945	2.90	0.004
Store prices image	80	3.62	1.118	78	3.80	0.962	1.09	0.273
Store convenience	80	5.11	1.014	78	5.18	1.007	0.446	0.656

^aNo significant differences were found between Chains A and B as regards PLB buying intention ($t = 0.68$, $p > 0.1$) and PLB quality ($t = 0.01$, $p > 0.1$). However, a significant difference was found for overall store image ($t = -2.60$, $p < 0.05$)

First step: We address the research question by examining mean differences between image rates without NP, and image rates with NP. Table 1 presents the differing rates of the total measures according to publicity, while Table 2 shows the differing measures according to chain. For PLB, we checked each dimension (factors) separately, but we did not combine the dimensions because of low correlation. However, for store image we checked each dimension separately, and

overall image as a combined variable because of high correlation between the dimensions (0.29–0.66 for chain A and 0.27–0.60 for chain B). In regard to combined measures, we observe (Table 1) that for PLB dimensions, mean differences are significant ($p < 0.05$); buying intention rate with NP ($M = 2.33$) is significantly lower ($t\text{-test} = -4.24$, $p < 0.01$) than without NP ($M = 2.77$). The same result is found for PLB quality image (accordingly $M = 4.18$, $M = 4.48$, $t\text{-test} = -2.17$, $p < 0.05$). Separation of chains (Table 2) reveals significant mean differences in chain B (independent) ($p < 0.05$); however, more modestly significant differences are revealed in chain A (identical name) ($p < 0.07$). As is shown in both chains, concerning PLB image (quality and buying intention) the differences according to NP are significant; thus, NP seems to lower PLB image, regardless of the PLB's name. However, it should be noted that the damage is higher for the independent brand name. The proportion between the two strategies' amount of image damage reveals significant differences for both quality ($z = 1.81$, $p < 0.05$) and buying intention ($z = 1.57$, $p < 0.06$). Accordingly, H1 is accepted.

As regards store image, the combined images (Table 1) reveal no significant differences. Regarding the dimension measures, only the store product quality dimension shows a significantly lower rate of NP ($t\text{-test} = -2.29$, $p < 0.05$). Concerning the separation of chains (Table 2), no significant differences were found for either chain in relation to overall store image. We found only modestly significant differences in chain A, for product variety and price image dimensions ($p < 0.07$); meaning, when the PLB extends the retailer's name, NP modestly lowers the store's product variety image and prices image. Therefore, we generally reject H2, despite the fact that it was confirmed for some dimensions. In chain B, we found that NP significantly decreased the store's product quality rate dimension ($t\text{-test} = -2.46$, $p < 0.05$); on the other hand, it increased the store's product variety dimension ($t\text{-test} = 2.90$, $p < 0.01$). Apparently, when the PLB name differs from that of the retailer's name (independent brand), NP lowers store product quality image, but raises the positive perception of store product variety. Therefore, we generally accept H3, although it was rejected for some dimensions.

Second step: We conducted regression analyses to check the effect of NP and chain name on PLB image dimensions and for overall store image. We added additional proxy variables, extrinsic cues, and PLB buying level, value for money, PLB familiarity, shopping frequency in the chain, as well as demographics to assure that NP actually has an impact, even when these factors are accounted for. A significant negative relationship was found between PLB quality image and buying intention in relation to NP (Tables 3 and 4); however, no relationship was found (was excluded from the regression) for the store's chain name, regardless of whether it was identical to or different from the PLB. When the brands were examined separately, we also found a significant NP effect on PLB buying intention, regardless of brand name. However, for PLB quality we found a difference between brands. In the case of an independent brand name, the event has a significant effect ($t = -2.66$, $p < 0.01$). On the other hand, in the case of brand extension, with an identical name, there was no significant effect ($t = -1.30$, $p > 0.10$). Moreover, we found no significant relationship between store image

Table 3 Regression results (stepwise) for PLB's quality image

P value	T test	Beta	Std. error	B	Variable
0.000	17.372		0.265	4.607	Constant
0.001	-3.280	-0.182	0.155	-0.509	NP
0.008	-2.686	-0.161	0.051	-0.136	Familiarity with the specified PLB
0.018	2.376	0.142	0.058	0.137	PLB value for money

Notes $F(3, 307) = 6.767$, $p < 0.001$; $R^2 = 0.06$

Table 4 Regression results (stepwise) for PLB's buying intention

P value	T test	Beta	Std. error	B	Variable
0.26	-1.12		0.321	-0.360	Constant
0.00	9.494	0.436	0.034	0.321	Familiarity with the specified PLB
0.00	6.084	0.282	0.039	0.236	PLB value for money
0.00	4.387	0.186	0.048	0.211	Extrinsic cues.
0.00	2.902	0.125	0.038	0.110	The specified PLB's quality image
0.03	-2.15	-0.090	0.103	-0.221	Gender
0.04	-2.02	-0.087	0.104	-0.211	NP

Notes $F(6, 304) = 44.926$, $p < 0.001$; $R^2 = 0.470$

Table 5 Regression results (stepwise) for chain's overall image

P value	T test	Beta	Std. error	B	Variable
0.00	14.23		0.223	3.177	Constant
0.00	5.388	0.271	0.027	0.146	PLB value for money
0.00	4.995	0.249	0.037	0.183	Extrinsic cues
0.00	3.940	0.191	0.076	0.301	Chain name
0.00	-3.89	-0.195	0.031	-0.122	Shopping in the chain
0.00	4.089	0.206	0.036	0.147	Family size
0.03	-2.23	-0.115	0.040	-0.089	Participation in shopping

Notes $F(3, 307) = 30.332$, $p < 0.001$; $R^2 = 0.30$

and NP (excluded); however, a relationship was found between store image and chain name (Table 5). When the brands were separately examined, no significant relationships to NP were found. These results seem to resemble previous discussions.

5 Discussion and Implications

The goal of this study was to empirically test the interdependency between store image and PLB image, in cases where they have identical or independent brand names. The issue was approached by testing the effect of NP on a private label's

brand image and on the image of the store chain it is connected to. As expected, we found that NP damaged PLB image, no matter what the PLB name was; however, the damage was higher for the independent brand name. It seems that when the PLB extends the retailer's brand name, the association has some effect (Burnkrant, 1978). The store brand, as the original parent brand, acts as a buffer, and though it cannot entirely defend the extension, it does decrease the damage caused by NP. Contrary to our expectation, we did not find any effect of NP on overall store image, regardless of the PLB name. Furthermore, we did not find a negative reciprocal effect of brand extension. A justification for this result is found in the type of brand extension. A reciprocal effect is more common in the case of functional and perceived similarities between the original brand and the extended brand (Murphy & Medin, 1985; Farquhar, Herr, & Fazio, 1990). In our case, there are conceptual dissimilarities between the store chain—perceived mainly as service—and the private label, as a tangible product. The consumer is aware of the differences; and therefore, as the receiver of the NP, attributes the problem to the PLB, but does not perceive the store as the cause of the problem.

Nevertheless, there were different effects on store image dimensions regarding PLB name. When the private label has the same parent brand name, we found no effect on product quality, service or convenience dimensions because, although the names are similar, it seems that consumers know how to differentiate between stores and private labels. On the other hand, NP modestly decreases the store's product variety image and fair prices image. It seems that NP raises consumers' hidden perceptions towards the store. In the case where a private label has an independent brand name, we found no effect on service, fair prices or convenience dimensions because of store and PLB differentiations. However, NP significantly decreases the store's product quality dimension image. Surprisingly, NP damage only appears in the case of an independent brand name, but not in the case where a private label has the same name as the parent brand. Perhaps the perception of one of many brands could be an answer to the case of the independent brand. In the case of identical brands (extension), consumers differentiate between the private label and other national brands; hence, the damage caused by NP only affects the private label's image, but not the store's product quality image. However, as regards an independent brand name, consumers see the private label's products as part of the store's variety of brands; thus, NP affects PLB image, as well as the store's overall product quality image (Pettijohn et al., 1992; Porter & Claycomb, 1997). Reinforcement for this line of thinking was found in our additional findings: NP also increases the store's product variety image in the case of independent brands. Consumers perceive the store as having a wider variety of brands.

So, does the name really matter? The results are not conclusive. There are advantages and disadvantages to both branding strategies; thus, the dilemma of choosing a PLB name remains unresolved and should be studied further.

The current study has some limitations that should be addressed in future research. First, the current study focuses on one product category (cleaning products and detergents). Future research should examine whether the results reported in this paper are applicable to different product categories. Second, the study was

limited to one event of negative publicity. Different events of varying severity levels will enhance our understanding of the subject. Third, this study was conducted as a laboratory experiment. While this is a legitimate research approach, it limits the generalizability of the findings. Future research should focus on a field study conducted under more natural settings.

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Private Labels and National Brands: A Comparison Within Brand Extension

Monica Grosso and Sandro Castaldo

Abstract This paper focuses on private labels and manufacturers' brands; its specific goal is to answer the question whether they are the same in terms of their brand extension effectiveness. The paper reports the results of three experimental studies which analyze the impact of category fit and brand knowledge on brand extension of private label vs. national brands. The results seem to support the view that private labels differ from national brands; contrary to what stated by the branding literature both category fit and brand knowledge, have no significant effect on their extension evaluations.

Keywords Private label • National brand • Brand extension • Category fit • Brand knowledge

1 Introduction

While private label (hereafter PL) were introduced into the market as lower quality products offered at better prices (De Wulf, Odekerken-Schröder, Goedertier, & Van Ossel, 2005), consumers started regarding retailers' brands as valuable substitutes of established manufacturers' brands. Although some people interpret the growth of PL as a sign of the "decline of brands," one could actually argue that the opposite is more valid, as their evolution could be seen in some ways as a consequence of cleverly designed branding strategies (Ailawadi & Keller, 2004, p. 336).

Retailers' strategies regarding PL are clearly based on brand extension (Alexander & Colgate, 2005), that is the use of an established brand name to enter a new product category (Aaker & Keller, 1990). Brand extension is a heavily-researched and influential area in marketing (Czellar, 2003). Surprisingly research on brand extension has only superficially considered the retail context by focusing on

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manufacturers' extensions sold within a retailer's store, rather than analysing retailers' own brand extensions (Alexander & Colgate, 2005). In particular there is no evidence that what has been proved to be true within brand extension literature for national brands holds also for private labels. This is the focus of our study.

2 Studies on Brand Extension and Hypotheses Development

Extant scholarly research in brand extension has focused widely on factors that explain attitudes toward brand extensions. The two main elements identified in previous research driving to a successful brand extension are fit and brand knowledge.

2.1 Fit

The role of fit regarding brand extension evaluation is based on an attitude-transfer model, which suggests that when an extension fits the brand, consumers' attitudes toward the brand will transfer to their attitudes toward the extension (Aaker & Keller, 1990; Sood & Drèze, 2006). The most frequently considered dimension of fit is category "similarity" or category fit (Buil, de Chernatony, & Hem, 2009; Grime, Diamantopoulos, & Smith, 2002; Smith & Andrews, 1995). Consumers speculate that suppliers' specialization in certain product categories prevents them from being good in other areas (Aaker & Keller, 1990). Therefore perceived fit is usually higher for extensions in product categories close to the parent brand (eg. Boush & Loken, 1991; Grime et al., 2002; Gierl & Huettl, 2011; Völckner & Sattler, 2006). Many brands, however, also launch successful extensions that do not follow these "fit" rules (Monga & John, 2010). These brands are described as being more "elastic" because they are able to launch extensions into distant product categories (Monga & John, 2010). Although not contextualized in terms of PL, the most recent literature on brand extension tried to provide a theoretical justification for this phenomenon. It has been argued that broad brands (i.e., brands offering a portfolio of diverse products) tend to have more associated benefits than narrow brands (i.e., brands offering a portfolio of similar products) and can therefore engage in more successful brand extensions. (Meyvis & Janiszewski, 2004). Retailers' PL represent a prominent example of a broad brand in today's landscape that perfectly matches Meyvis and Janiszewski (2004) definition. The literature seems to suggest that by leveraging the number of product categories to which they are already extended; PL will have a greater chance of acceptance when entering a new one than national brands will. Therefore, while category fit is relevant to the evaluation of a brand extension, its effect will be not relevant when the extension is made by a PL:

H_{1a}: for national brands, category fit has a positive impact on brand extension evaluation

H_{1b}: for PL, brand extension evaluation does not depend on category fit

2.2 *Brand Knowledge*

Another relevant factor that positively influences brand extensions' success is consumer knowledge of the parent brand. Although existing literature on the role of brand knowledge within the brand extension domain is based on studies about national brands, brand knowledge varies both for PL and national brands. Therefore, there seems to be no reason to assume that its impact should be different from PL extension. However, we have to take into account that store brands, since they are available exclusively within their stores, are generally less well known than national brands (Burt, 2000; Hansen, Singh, & Chintagunta, 2006; De Wulf et al., 2005; Hansen et al., 2006). Therefore we expect PL to benefit less from their brand knowledge than national ones. Our second hypothesis is the following:

H₂: brand knowledge has a weaker effect on brand extension for PL' evaluation than for national brands' evaluation.

Taking into account the interaction between brand knowledge and category fit, studies on brand extension have shown how well-known and well-respected brands can extend more successfully (Aaker & Keller, 1990) and into more diverse categories (Keller & Aaker, 1992; Rangaswamy, Burke, & Oliva, 1993) than lesser known ones. Therefore, consistently with our H_{1ab} and H₂ on the main effect of fit and brand knowledge for the two types of brands (national vs. PL), our third hypothesis is the following:

H_{3a}: for national brands, brand knowledge increases the extension evaluation, lowering the relevance of category fit

H_{3b}: for PL, brand knowledge doesn't increase the extension evaluation, which is not dependent on category fit

We tested our hypotheses in three experimental studies described in the following sections. To overcome one of the main limitations of experimental studies in this research, mainly relying on students, we selected a representative sample in terms of main demographic characteristics of the population constituting the customers of Fast Moving Consumer (FMCG) products.

3 Study 1

3.1 *Pre-tests*

In Study 1 we focused our attention on category fit. This type of research requires an extensive pretesting activity to identify real brands that conform to the experimental manipulations but also to control for extraneous variables. Our study started with a desk analysis aiming at identifying (1) those categories with a high penetration of PL that could constitute possible starting point categories for the extension and (2) those categories with a low (<1%) penetration of PL that could constitute possible extension categories. We performed this analysis using a database of IRI Infoscan that contained the data on the sales (at the total level and disaggregated for PL) in each product category in FMCG. The result showed that 41 categories were suitable to represent a starting point category and 109 categories were suitable as possible extension categories. We conducted then a first pre-test on these categories which aim was to understand consumers' categorization processes. Participants were given the task of assigning each of the 109 possible extension categories to one of the 41 starting categories. None of the extension categories could be assigned twice. We then set the threshold to maintain each category at a 75% of agreement in the participants (Broniarczyk & Alba, 1994). This study resulted in 6 categories being suitable to represent the starting point categories and 72 categories being suitable for the extension. We conducted a second pre-test with the aim of identifying couples of product categories (starting and extension) varying on the level of category fit. Participants were shown the six starting categories coupled with each of the 72 extensions associated with each of them in Pretest 1. Their task was to evaluate the category fit between each couple of categories (starting and extension) using the single item measure of Keller and Aaker (1992). We then conducted an analysis of variance (ANOVA) to verify the difference in the fit perceptions. The analysis led to the exclusion of two out of six starting categories. The four remaining product categories were: snacks, milk, body care products and house cleaning detergents. In this study we decided to use snacks as this category had already been used by Keller and Aaker (1992); the high fit extension category was cakes, while the low fit category was milk modifier powders. The final step was to select the brands (national and PL) whose extension had to be evaluated. A second desk analysis on the IRI database, was conducted with the purpose of identifying the brands present on the starting point category. This analysis resulted in 27 national brands and 19 PL. We finally ran a third pre-test in which 30 participants were asked to provide, according to the 7-point scale developed by Yoo and Donthu (2001), their knowledge of each of the 27 national brands and 19 PL which had emerged in the second desk analysis as suitable for use in the study as parent brands. We then conducted an ANOVA for each possible combination of the two types of brands (national and PL) to verify the differences in the brand knowledge. We therefore selected the two brands with the lower and not significant difference in brand knowledge to control for it.

3.2 *Method*

The study was designed as a 2 (category fit: high vs. low) \times 2 (brand type: national vs. PL) between-subjects experiment. We collected data from 92 participants (23 per cell). The participants were randomly assigned to an experimental cell; a post hoc analysis ensured that it contained no significant differences in key demographics variables. Participants were recruited under the pretext of a market research on a new product to be launched on the market (the brand extensions). Participants first had to concentrate on the starting point category by answering questions on their buying and consumption habits to increase the credibility of the market research. They were then asked to concentrate on one brand and specify their brand knowledge (to control for it). At this stage they were told the brand was launching a new product in a new category (one of the two with either high or low fit, as identified in the pre-test). They were provided with a preview especially prepared for the experiment in which the national brand and the PL were exactly the same; each product had exactly the same characteristics, the only difference being the brand on the packaging (national vs PL). They were finally asked to evaluate the fictitious prototype of the brand extension. The measure of category fit for the manipulation check and brand knowledge for the control were the same as for the pre-tests.

3.3 *Results*

We conducted tests to ensure that statistical assumptions associated with the independent t-Test and the factorial analysis of variance had been made. We also made a manipulation check on category fit and a check on brand knowledge. To test H_{1a} and H_{1b} we conducted a factorial analysis of variance (Table 1). The analysis resulted in a statistically significant interaction effect between the brand typology (national vs. PL) and the category fit on the brand extension evaluation. The effect of category fit differed for national brands and for PL. The post-hoc test on the mean differences' confirmed the significance of H_{1a} , as the difference in the extension evaluation between high and low category fit and is significant at level 0.000 only for the national brand ($M_{HIGH} = 4.652$, $M_{LOW} = 2.543$). The difference between the conditions for the PL is not significant ($M_{HIGH} = 4.065$, $M_{LOW} = 4$); this implies that category fit does not impact on brand extension evaluation for PL. This confirms H_{1b} .

Table 1 Study 1—factorial ANOVA results

Source	<i>df</i>	Mean square	<i>F</i> -value	<i>P</i> -value	<i>r</i>
Category fit (F)	1	27.174	29.404	0.000	0.705
Type of brand (B)	1	4.348	4.705	0.033	0.254
F*B	1	24.011	24.981	0.000	0.66
Error	88	0.924			

4 Study 2

Study 2 focuses on the role of brand knowledge. In this study we used the same starting point category of Study 1: (snacks) and, as extension category, the one with lower category fit (milk modifier powders). Here, contrary to Study 1, we had to select the brands significantly varying in brand knowledge as resulting from the last pre-test of Study 1. As a consequence the national brand with high knowledge was the leader in the product category and the private label with high knowledge was the one of the first retailer in Italy. The brand with low knowledge were that of a follower present on the whole national level for the national brand and that of a small retail chain, again present at the national level, for the private label. The study was designed as a 2 (brand type: national brand vs. PL) \times 2 (brand knowledge: high vs. low) between-subjects experiment. The experimental procedure was the same as for Study 1. Data were collected from 96 participants (24 per cell).

The results are consistent with our second hypothesis. The analysis showed a significant interaction effect between the brand typology (national vs. PL) and the brand knowledge on the brand extension evaluation. This proves that the effect of brand knowledge differs for national brands and PL. H_2 is confirmed as the difference in the extension evaluation between high and low brand knowledge and is significant at level 0.000 only for the national brand ($M_{\text{HIGH}} = 4.25$, $M_{\text{LOW}} = 2.29$). The difference between the conditions for the PL is not significant ($M_{\text{HIGH}} = 4.72$, $M_{\text{LOW}} = 4.35$); this implies that brand knowledge does not impact on brand extension evaluation for PL.

5 Study 3

Study 3 merges Study 1 and Study 2 and includes as independent variables both category fit and brand knowledge. In this study we used the same categories (starting point and extension categories, with high/low fit) selected for Study 1 and the same brands (national/PL with high vs low knowledge) selected for Study 2. The study was designed as a 2 (category fit: high vs. low) \times 2 (brand type: national brand vs. PL) \times 2 (brand knowledge: high vs. low) between-subjects experiment. The procedure was the same as for Study 1 and 2. Herein we also included a questionnaire aimed at measuring as control variables: perceived quality of the brand, perceived brand quality differences among brands within the

extension category, frequency of buying the parent brand, and frequency of product use in the extension category. Data were collected from 184 participants.

Both manipulations were confirmed in our analysis. The analysis shows a significant interaction effect between the brand typology (national vs. PL) and the category fit on the brand extension evaluation. This suggests that the effect of category fit differs for national brands and PL. The post-hoc test on the mean differences shows a statistically significant difference in the extension evaluation between high and low category fit. This is significant at level 0.000 only for the national brand. These results support H1a. The difference between the conditions for the PL is not significant. This implies that category fit does not impact on brand extension evaluation for PL, thus supporting H1b. The interaction effect between brand knowledge and type of brand is significant at 10%. The effect of brand knowledge is greater for the national brand than for the PL, seeming to support in part our H2. A post-hoc analysis revealed that brand knowledge has a significant role on brand evaluation for the national brand, both for the high fit condition and for the low fit condition. The role of brand knowledge is not relevant for the PL and is independent on fit: the impact of brand knowledge on brand evaluation for the national brand is not significant for either the high fit condition (or the low fit condition). These results are consistent with both H_{3a} and H_{3b}.

6 Conclusion

The results of the study seem to conclude that PL differ from national brands in terms of how brand extension attempts affect them. In fact consumers' evaluations of brand extensions for PL do not appear to depend on neither category fit nor brand knowledge. These were the two key drivers of consumer evaluation identified in the brand extension literature. These findings represent a preliminary theoretical contribution to the positioning of PL as a distinct type of brand. Two areas of evidence from our studies concerning brand knowledge should be pointed out. First, the results of their manipulation seem partially to contradict the vision taken for granted; store brands are generally less well-known than national brands (Dick et al. 1996). The results of the manipulation moreover show that, as with national brands, there is also a difference in the perceptions of brand knowledge for PL. Contrary to national brands, this difference does not, however, have a significant effect on their brand extension evaluation.

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The Effect of Naming Strategy and Packaging on Perceived Quality and Purchase Intention of Private Label Brands

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Abstract Over the past few years, private labels have gained larger share of grocery sales in the food retail sector. However, retail stores follow differing strategies in packaging and naming their private label brands. This study examines the effects of extrinsic cues (packaging and naming strategies) on determining consumers' perception of private labels' product quality and purchase intention in an experiment using a sample of 357 management students. Using observation method, the category of rice was selected for this study. Hypotheses are derived from previous literature positing the effects of these two extrinsic cues on perceived quality and purchase intentions. MANOVA results indicate that similarity in private label packaging with national brand has a significant effect on perceived quality and purchase intention. However, the effect of naming strategies is not statistically significant on perceived quality and purchase intention. The interaction effect of packaging and naming strategies, in turn, positively influences perceived quality.

Keywords Naming strategies • Packaging • Perceived quality • Purchase intention

1 Introduction

Private label brands (PLBs) are brands owned and exclusively sold by retailers in their own outlets (Kumar & Steenkamp, 2007), primarily because of higher profit margins vis-à-vis selling national brands (NBs) (Sethuraman & Gielens, 2014). In the United States, sales of PLBs increased 5.1 % in 2011 (Nielsen/PLMA, 2012) and private labels' share in India is about 7 % (Technopak's Private Label Report 2012). Of this, food and grocery segment is a key driver for growth, which accounts for 20–25 %, and sometimes close to 40 %, of all categories in private labels. Due to the emerging complexity of choices available to consumers and the increased growth in

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F.J. Martínez-López et al. (eds.), *Advances in National Brand and Private Label Marketing*, Springer Proceedings in Business and Economics,
DOI 10.1007/978-3-319-20182-5_11

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Indian organized retail, private labels as a concept is acquiring greater salience (Saraswat, Mammen, Aagja, & Tewari, 2010).

Previous studies provide insights on consumers' responses to price promotions, brand and store name on perceived quality of NBs (Zeithaml, 1988; Dodds, Monroe, & Grewal, 1991). Private label players take advantage of positive association with NBs by imitating their brand names, logos and packaging (Aribarg, Arora, Henderson, & Kim, 2014). For grocery items, Richardson, Dick, and Jain (1994) studied the effect of extrinsic and intrinsic cues and suggested that perceptions of PLB quality is primarily driven by extrinsic cues like brand name, packaging and price. Anecdotally, it is seen that retailers across the world use varied naming strategies for their PLBs. Several retailers prefer their own 'store name' for their products (e.g. TESCO beer) and some believe in using a separate 'brand name' (e.g. Walmart's Equate) to market their PLB. A few adopt both these strategies across different product categories (e.g. Carrefour Cola Classic). Interestingly, an exploratory study across the top eight retail stores (conducted by the authors) showed that even Indian retailers use varied naming strategies for their PLBs. Additionally, some PLBs imitate the packaging of leading brands and few PLBs adopt different packaging designs vis-à-vis NBs.

Despite the growth of PLB market share, consumers often fail to recognize PLBs, probably due to insufficient investment in PLB packaging and naming (Hyman, Kopf, & Lee, 2010). This study aims to examine in an experimental setting the effects of different packaging strategies of PLBs (similar/dissimilar to NB) and naming strategies (unknown/store name/brand name) on the perceived quality and purchase intention of private label brands. Based on the literature on private labels, we present the conceptual framework and propose research hypotheses in the following section. Subsequently, we discuss the methodology and the experimental design followed by the results, managerial implications and limitations of the study.

2 Conceptual Framework and Hypotheses

We begin our discussion by outlining the relevant theories of imitation strategy, cue utilization and extrinsic cues. Imitation strategy is defined as developing a look-alike brand for it to become successful in the retail segment (Schnaars, 2002). Commonly used by PLBs, imitation strategy may make the consumers feel that they are looking at a NB, or at a PLB of similar quality. To target potential customers' needs, an imitation strategy can incorporate replicating packaging innovation and product attributes (Fitzell, 1992). In grocery shopping, the lower the involvement, the more likely the consumer will be associate PLBs as national brands (Loken, Ross, & Hinkle, 1986). When consumers face new objects (e.g. packages), they apply feature(s) similarity between that object and stored information. Consumers may apply schema based on similarities and a PLB that looks like a national brand may be perceived as national brand. This belief comes

from inferences (Fiske & Taylor, 2013). Schema theory is applicable particularly in the grocery context, where the purchase occasion is weekly and requires low consumer involvement and little cognitive effort.

Cue utilization theory involves weighing the cues in the minds of consumers (Rao & Monroe, 1989). Products comprise of an array of cues that serve as quality indicators (Olson & Jacoby, 1972), which are classified into intrinsic and extrinsic cues. Both intrinsic and extrinsic cues can invoke a schema (Richardson et al., 1994), which also help in assessing product quality and purchase intention (Zeithaml, 1988). Extrinsic cues are peripherally related to the product, such as brand name, store name, packaging and price. Richardson et al. (1994) found that extrinsic cues play a more significant role, while making a judgment and perceptions of a product quality, vis-à-vis intrinsic cues.

Package similarity is considered to be an important cue for PLB quality judgments (Cudmore, 2000) as consumers rely on symbols, shapes, color and Gestalt (Tversky, 2004). Packaging imitation can evoke feelings of familiarity and is likely to improve PLB quality assessments. Eventually, it has been empirically tested that packaging is associated with perceived quality (Zeithaml, 1988). Depending on the assumed intention of the retailer, such effects may be moderated by the degree of similarity and we hypothesize that:

H_{1a}: Packaging similarity of a private label brand to a national brand will have higher perceived quality of PLB vis-à-vis packaging dissimilarity.

H_{1b}: Packaging similarity of a private label brand to a national brand will have higher purchase intention of PLB vis-à-vis packaging dissimilarity.

Dodds et al. (1991) observe that brand name information dominated price information in the perception of quality. Brand name has been shown to be a critical cue for customer perceptions of product quality in a number of studies (like Dawar & Parker, 1994) and store name has a very small effect (Grewal, Krishnan, Baker, & Borin, 1998) in signaling product quality. A brand name carries a very specific signal as it is shared among few products within a competitive line of products. The more precise a signal, the brand name will provide information that is useful in judging the product quality and hence, we posit that:

H_{2a}: Perceived quality of PLBs will be higher when the perceptions of PLB are unknown vis-à-vis when using the store name or a brand name.

H_{2b}: Purchase Intention of PLBs will be higher when the perceptions of PLB are unknown vis-à-vis when using the store name or a brand name.

Consumers frequently used brand name as an informational chunk that signifies a composite of information about several attributes of the product (Olson & Jacoby, 1972). Render and O'Connor (1976) examined the individual and combined effects of price, brand name and store name on quality perceptions. It is yet to be explored, how the combined effects of the degree to which naming strategies of PLBs and packaging similarity/dissimilarity of PLB to national brand affect perceived quality and purchase intention of PLBs. Therefore, we hypothesize that:

- H_{3a}: Perceived quality of PLBs will be higher when naming strategy of PLB interacts with packaging of PLB.
- H_{3b}: Purchase Intention of PLBs will be higher when naming strategy of PLB interacts with packaging of PLB.

3 Methodology

A series of exploratory studies (conducted in three phases) helped us identify the product category (rice), relevant extrinsic cues, NB and the PLBs to be used in this study (refer Fig. 1 for details). These pre-tests were followed by the main experiment. We tested the hypotheses by using a 2 × 3 between-subjects factorial design with two packaging levels (similar, dissimilar) and three naming strategy levels (unknown, store name, brand name). This design made possible a partial extension of previous intrinsic and extrinsic cues effects study by Richardson et al. (1994). Conceptually, it has been argued that the hypothesis related to price as an indicator of quality is studied best by repeated measures (Monroe & Dodds, 1988). But, the use of a repeated measures design has been criticized as being potentially artifactual. Later, Dodds et al. (1991) adopted between-subjects design to measure the impact of brand and store names on product evaluation. Further, we were able to control individual differences and a between-subjects design was preferred for the main experiment.

Subjects were management students (n = 357) from metropolitan cities in India (mean age = 22, 66 % male). We consider rice product, for which the target segment had been identified as young, affluent and educated consumers who were

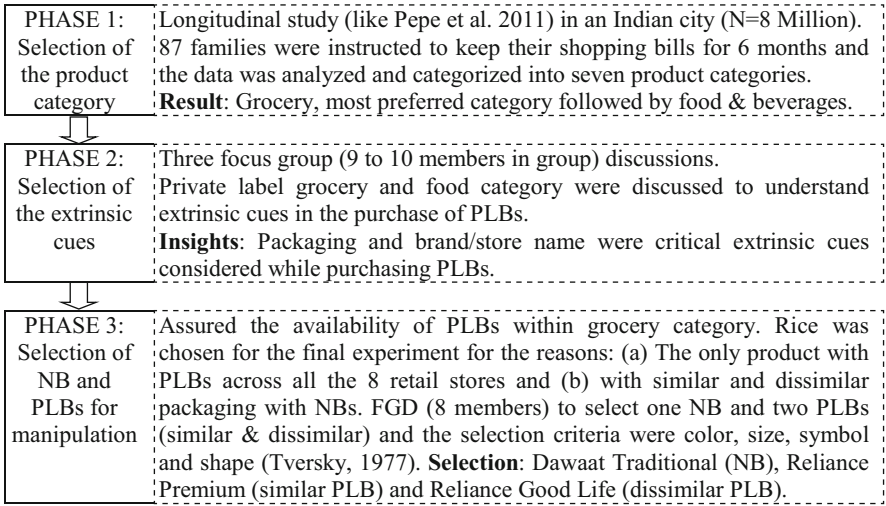


Fig. 1 Overall methodology



Fig. 2 NB and similar/dissimilar PLBs

		PLB Naming Strategies		
		Name Unknown (X)	Store name	Brand name
Packaging	Similar	Similar packaging 'X' name (n=60)	Similar packaging Store name (n=60)	Similar packaging Brand name (n=60)
	Dissimilar	Dissimilar packaging 'X' name (n=60)	Dissimilar packaging Store name (n=57)	Dissimilar packaging Brand name (n=60)

Fig. 3 Level of manipulation

day scholars and consumed rice regularly. If the respondent agreed to participate, s/he was guided to the test table. On the table, along with a NB, a PLB was displayed. Subjects were allowed to examine the package and read the label. The boards were designed to mimic the information presented on the shelf labels for each brand like an actual retail outlet. Each subject evaluated only one combination at a time (refer Fig. 2) and the average elapsed time was between 5 and 6 min. After evaluating the brand pair, subjects completed a questionnaire.

The level of the extrinsic cue (packaging) was manipulated by showing each subject a packet from one of the three different rice brands. Two were private label brands from two different hypermarket chains and the third brand represented an established NB (market leader in that category). The NB and one PLB were similar in packaging and another PLB was dissimilar in packaging. Considering different naming strategies, PLB names were manipulated by giving each sample, one of the three different names. The names were either 'X' (unknown), a store name or a brand name. Three rice brands were used in the experiment to create different conditions. Refer Fig. 3 to understand the different levels of manipulations.

3.1 Measures of the Variables

Subjects were given a test questionnaire to measure perceived quality and purchase intention. Perceived quality was measured using Dodds et al. (1991) and Richardson et al. (1994) scales: 'All things considered, I would say this (product name) rice brand has' with end points labeled 'poor overall quality' and 'excellent overall

quality'. Purchase intention was measured by using Dodds et al. (1991) scale: 'the likelihood of purchasing (product name) rice brand is' with the end points labeled as 'very low' and 'very high'. Both DVs were measured on 7-point Likert scale. To control for the effects of possible confounding variables in order to improve the study's internal validity, consumer demographics (age, gender, education, income and family members) and purchase behavior were measured.

4 Analysis and Results

Cronbach's Alpha was 0.825 for perceived quality (three-items) and 0.795 for purchase intention (five-items). The manipulation check for packaging similarity/dissimilarity was significant ($F_{1,355} = 99.992$, $p < 0.001$, mean similar = 4.92, mean dissimilar = 3.29, PES = 0.220). The two-way MANOVA result testing the interaction between packaging (similar/dissimilar) and naming strategy (unknown/store name/brand name) was significant (Pillai's Trace = 0.044; Wilks' lambda = 0.965; Hotelling's Trace and Roy's Largest Root = 0.046, $F_{2,354} = 8.140$, $p < 0.01$, PES = 0.044). The follow-up ANOVA results for the dependent variables are discussed below.

The results of the main effects of packaging on buyer's perception of quality (H_{1a} , $F_{1,355} = 7.598$, $p < 0.05$) and purchase intention (H_{1b} , $F_{1,355} = 11.769$, $p < 0.05$) were statistically significant. H_{1a} predicted that perceived quality of PLB would be higher when the package similarity of PLB to NB is higher and result supported hypothesis H_{1a} . Likewise, H_{1b} predicted that purchase intention of PLB would be higher when package similarity of PLB to NB is higher and result was statistically significant. H_{2a} predicted that the perception of PLBs quality would be judged to be better, when different names were evaluated differently (unknown/store name/brand name). The main effect of naming strategies on perceived quality and purchase intention (H_{2b}) were not statistically significant ($F_{2,354} = 1.652$, $p > 0.05$ & $F_{2,354} = 0.538$, $p > 0.05$). It may probably be that private label brand names may not be judged positively, until some other extrinsic cues are associated with it.

Finally, the interaction between packaging and naming strategies was highly significant for perceived quality ($F_{5,351} = 8.049$, $p < 0.05$). This implies that the effect of naming strategy on perceived quality of private labels may be enhanced by package similarity. Though, we were expecting significant results for purchase intention of private label brand, the second (H_{3a}) hypothesis was rejected ($F_{5,351} = 1.731$, $p > 0.05$). Our results provide strong support for H_{1a} , H_{1b} , and H_{3a} . Regardless of some non-significant results, packaging received more favourable assessment than naming strategy while assessing perceived quality and purchase intention of the private label brands. The results are summarized in Table 1 below.

Table 1 MANOVA results

Source	Dependent variable	Sum of Sq.	df	Mean Sq.	F	Sig.	PES
Packaging	Perceived quality	8.397	1	8.389	7.598	0.006	0.021
	Purchase intention	14.042	1	14.042	11.769	0.001	0.032
Naming strategies	Perceived quality	3.652	2	1.826	1.652	0.193	0.009
	Purchase intention	1.284	2	0.642	0.538	0.584	0.003
Naming* packaging	Perceived quality	17.791	2	8.896	8.049	0.000	0.044
	Purchase intention	4.131	2	2.065	1.731	0.179	0.010

* $p < 0.05$

5 Discussion

This study looks at the main and interaction effects of two important extrinsic cues (packaging and naming strategies) on perceived quality and purchase intention of PLBs. PLB with similar packaging with the NB was found to have significantly higher quality judgments than the PLB with dissimilar packaging. Overall, we found that packaging (similarity) has a significant effect on perceived quality and purchase intention of PLBs. When another extrinsic cue was present (different naming) along with packaging, we got significant result only for perceived quality. Specifically, when similar packaging and unknown (X) brand were judged together, we found the highest evaluation of perceived quality (mean = 5.42). To understand this, we conducted a post-hoc Chi-square test and found that in the unknown brand conditions, respondents mostly perceived the Brand X to be a NB ($\chi^2(3, N = 120) = 8.274, p < 0.05$). Probably the extrinsic cue of packaging plays a more critical role in consumer judgments. Analysis also indicates that a PLB with store name has the lowest evaluation score when compared having an individual brand name for the PLB. However, this may also depend on the type of the retail store and its reputation, which is beyond the scope of this study.

5.1 Theoretical and Managerial Implications

To the best of our knowledge, this study is a pioneering attempt to understand the effect of naming strategies of PLBs on perceived quality and purchase intention. Also, we study the interaction effect of naming strategies with another important extrinsic cue, packaging. There are significant managerial implications from our findings. This research would help retailers to formulate and implement marketing strategies in terms of packaging design and deciding names for their PLBs. Higher packaging similarity increases consumer perceived quality and purchase intention

of PLBs, but beyond an acceptable range of packaging imitation may have an inverse relationship. Private label retailers may note that their success depends not only by having similar packaging with NBs but also on working on a brand name to develop a strong brand image for their PLBs. Relatively unknown brands are being perceived positively. Based on the store image and market reputation, marketers should decide whether to use their store name or adopt a separate brand name to develop a PLB. Though a PLB may be considered good in quality, but it might not receive appropriate responses for repeat purchases. Perhaps, retailers may develop similar names (like NBs) for their PLBs, apart from imitating the packaging style only. The cognitive effort by the consumers involved in retrieving similar packaging information and using it for comparison purposes might not be useful in future. Hence, strong brand names and store images may be helpful here.

5.2 Limitations and Future Research

The use of a single category may limit the generalizability of the findings here. In future studies, our findings need to be tested on different product categories in different markets. We have not tested the direct and interaction effects of price along with packaging and naming strategies. The reason we did not include price was because PLBs usually are available at discounted prices and this plays a significant role in the groceries segment. Future studies may look into price, promotional offers and store image along with packaging and naming strategies.

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A Cross Validation of Consumer-Based Brand Equity (CBBE) with Private Labels in Spain

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Abstract In recent years a number of Consumer-Based Brand Equity (CBBE) models and measurement scales have been introduced in the branding literature. However, examinations of brand equity in Private Labels (PL) are rather limited. This study aims to compare the validity of the two prominent CBBE models those introduced by Yoo and Donthu (2001) and Nam, Ekinci, and Whyatt (2011). In order to test the models and make this comparison, the study collected data from 236 respondents who rated private labels in Spain. A list of 30 different fashion and sportswear PL was introduced to respondents. These brands do not make any reference to the retail store in which they are sold. Research findings suggest that the extended CBBE model introduced by Nam et al. (2011) and Ciftci, Ekinci, and Whyatt (2014) is more reliable and valid than Yoo and Donthu's model for assessing PL. Theoretical contributions and managerial implications are discussed.

Keywords Consumer-based brand equity • Customer satisfaction • Service quality • Private labels

1 Introduction

Although the definition of Private Label (PL) is diverse in retail marketing, PL refers to brands owned by retailers rather than manufacturers (Burt & Davies, 2010; Frank & Boyd, 1965). The PL experiment dates back to the nineteenth century (Herstein & Gamliel, 2004). According to the *Social Science Citation Index* (SSCI)

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the first article on PL was published in the 60s. From 1962 to 1989 fewer than 12 articles appeared on the subject, and just 42 published between 1990 and 1999. Since 2000, interest in PL has increased, with 221 cited articles in print to 2012, of which 55 % were published in 2007–2012 (Molinillo, Ekinci, Whyatt, & Occhiocupo, 2014). This increase may be due to the growth in the number of relevant journals and in the number of issues per volume. The growth in PL research also mirrors the increase in PL market share in the U.S. (Nielsen, 2011) but especially in Europe where retailer brands have got at least 30 % market share of all products sold in 15 countries and 51 % in Spain (Nielsen, 2011; Private Label Manufacturers Association, 2014).

Although PL have become increasingly of interest for academics and practitioners, examinations of brand equity in PL are rather limited (Cuneo, Lopez, & Yagüe, 2012). Furthermore, existing applications of the prominent brand equity models introduced by Aaker (1991) and Keller (1993) and measurement scales developed by Yoo and Donthu (2001) demonstrate poor validity in service organizations and different cultures (e.g. Boo, Busser, & Baloglu, 2009; Ciftci et al., 2014). Nam et al. (2011) argue that Aaker's (1991) and Keller's (1993) models are not suitable for service-dominant brands because of the inherent characteristics of services (intangibility, inseparability, heterogeneity). Furthermore, Aaker's (1991) model does not fully recognize symbolic aspects of brands, even though symbolic consumption is an essential component of brand equity. To address this deficiency, Nam et al. (2011) introduced three symbolic consumption related dimensions: self-congruence, brand identification and lifestyle-congruence. Although the validity of this model was supported by two empirical studies, it was applied to service dominant brands, such as hotels, restaurants and fashion retail brands. Nevertheless, a consensus has not yet been reached as to whether these models can be applicable to PL operating in different cultures (Ciftci et al., 2014). For instance, Rubio, Villaseñor, and Yagüe (2015) show that loyalty, perceived quality and perceived value contribute to improve the brand equity of the PL and Calvo-Porrá and Lévy-Mangin (2014) suggest that store image should be included in Aaker's model.

The aim of this study is twofold: (1) to assess the external validity of Yoo and Donthu's (2001) and Nam et al.'s (2011) CBBE model in PL and Spanish consumers which is different from the American, British, Korean and Turkish where these models were developed and tested (e.g. Ciftci et al., 2014). This study differs from previous studies because it compares the validity of the two prominent CBBE models in PL and a new cultural setting. Then, it contributes to PLs literature by introducing a measurement scale for assessing PL's brand equity. In the following sections the two CBBE models are reviewed. Then, the results of the validity analysis using Confirmatory Factor Analysis (CFA) are presented. Finally, conclusions are drawn and implications for managing global brand equity in PL are discussed.

2 Background

The underlying reason for increasing interests in measuring CBBE in industry and academia is the positive effect of brand equity on the consumer's brand choice, brand commitment (Cobb-Walgren, Beal, & Donthu, 1995), brand extension (Pitta & Katsanis, 1995) and the firm's financial performance (Tolba & Hassan, 2009). Over the last three decades, CBBE has been examined by various models that involve different brand equity dimensions (Jung & Sung, 2008). Due to different conceptualisations of CBBE, there is a lack of consensus on how brand equity should be measured (Maio Mackay, 2001). Nonetheless, the theories of consumer brand equity introduced by Aaker (1991) and Keller (1993) are widely acknowledged. Keller (1993, p. 2) defines brand equity as "the differential effect of brand knowledge, which conceptualized brand awareness and brand image, on consumer response to the marketing of the brand" whereas Aaker (1991, p. 15) refers that brand equity is "a set of assets and liabilities linked to a brand". According to Aaker (1991), CBBE has four dimensions: perceived quality, brand awareness, brand loyalty and brand associations. Perceived quality is described as "the consumer's judgment about a product's overall excellence or superiority" (Zeithaml, 1988, p. 3). Brand awareness refers to consumers' brand recall or brand recognition (Keller, 1993). Brand association is the brand knowledge stored in the consumer mind and brand loyalty is "the attachment that a customer has to a brand" (Aaker, 1991, p. 39). However, Aaker (1991) introduce this theory for drawing managers' attentions to brand management in an ideal world rather than how brand equity should be measured.

Utilizing Aaker's (1991) and Keller's (1993) models of brand equity, Yoo and Donthu (2001) developed a multi dimensional scale to measure CBBE and tested the validity of their scale using goods dominant brands (athletic shoes, film for cameras, and colour television sets) in three different cultures (Korean, Korean American and American). They claim that the data support the CBBE model as their scale was found to be valid and reliable. Although applications of Yoo and Donthu's (2001) measurement provided reliable results, the discriminant validity of the three measurement scales (perceived quality, brand loyalty and brand associations/awareness) was questionable (Washburn, Brian, & Priluck, 2000). Washburn and Plank (2002) state that scale items measuring brand association and brand awareness are not distinct. In addition to these criticisms, several researchers point out that Yoo and Donthu's (2001) measure is not suitable for the service dominant brands and different cultures due to the unique characteristics of services (e.g. Lee & Back, 2010; Nam et al., 2011). Service dominant brands are different from goods dominant brands (Kim, Kim, & An, 2003) because of the inherent characteristics of services: intangibility, perishability, heterogeneity and inseparability of service production and consumption (Zeithaml, Parasuraman, & Berry, 1985). Therefore, adoption of existing CBBE models for service brands and different cultures are recommended (Lee & Back, 2010; Nam et al., 2011). Accordingly, Nam et al. (2011) introduced a CBBE model for assessing service dominant brands.

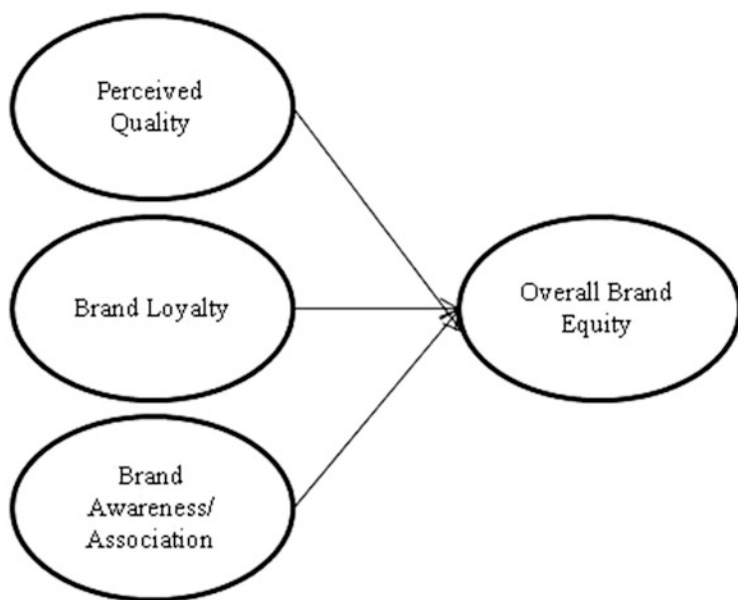


Fig. 1 Consumer-based brand equity: Yoo and Donthu's model

As can be seen from Fig. 1, Yoo and Donthu (2001) propose that the three brand equity dimensions influence overall brand equity. They argue brand loyalty is one of the components of CBBE. They suggest that brand awareness and brand associations are the same.

Nam et al. (2011) argue that brand loyalty is one of the components of CBBE, but that it is also an outcome. Kim, Ko, Xu, and Han (2012), Xu and Chan (2010) and Pike, Bianchi, Kerr, and Patti (2010) acknowledge a causal relationship between brand loyalty and other dimensions of CBBE. Buil, Martinez, and Chernatony (2013) find that brand loyalty is influenced by brand associations, brand awareness, perceived quality and brand associations. Nam et al. (2011) suggest that CBBE has seven dimensions: physical quality, staff behaviour, ideal self-congruence, brand identification and lifestyle-congruence, consumer satisfaction and brand loyalty. Physical quality and staff behaviour are service quality (SQ) related dimensions in line with its multidimensional nature (Ekinci, Dawes, & Massey, 2008, Grönroos, 1984). Nam et al.'s (2011) model is missing brand awareness dimension which has been considered as a prominent dimension of CBBE in both Aaker's (1991) and Keller's (1993) model. Brand awareness and the two quality dimensions represent the cognitive aspect of brands, whereas ideal self-congruence, brand identification and lifestyle-congruence represent the symbolic aspect of brands. Consumer satisfaction embodies the consumer's post purchase experience with brands and mediates the relationships between the six dimensions of brand equity and brand loyalty. Nam et al. (2011) argue that if consumers do not have purchase experience with brands, consumer satisfaction

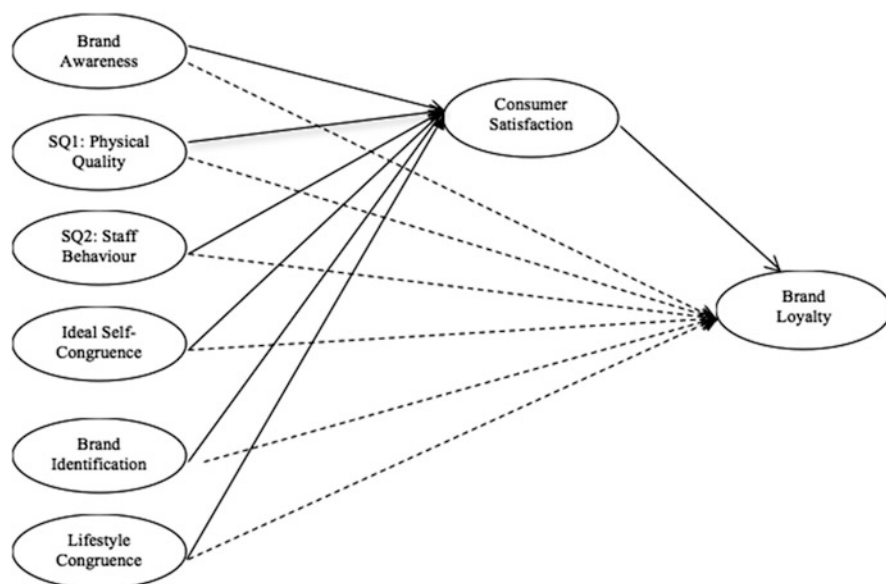


Fig. 2 Consumer-based brand equity: extended model of Nam et al.

can be removed from the model. Consumer loyalty refers to the consumer's behavioural purchase intentions or recommending the brand. Therefore, this study examines the extended model of Nam et al. (Ciftci et al., 2014), which adds brand awareness to measure CBBE (Fig. 2).

3 Methodology

Data were collected by a personal survey through structured questionnaire. We asked a Spanish marketing research company to distribute the questionnaire which includes the measurement scales introduced by Yoo and Donthu (2001) and Nam et al. (2011). We also used the back translation method to ensure the meaning of the scale items in two languages. Regarding the sampling procedure, in order to obtain a representative sample quota sampling was employed. In total, 236 respondents participated in the survey in 2014. At the beginning, respondents were asked to think about either fashion or sportswear brands. Then, the respondents were given a list consisted of 30 different fashion and sportswear PL. These brands do not make any reference to the store in which they are sold. Respondents were asked to choose a brand from the list that they were familiar with.

73 % of the respondents stated that they have purchased the brands within the last 12 months. Most of the respondents were female (53 %) and received income (annually) between 6000 and 11,999 Euros (23 %). Most of these participants have

attained undergraduate degree (24 %) or A-level (23 %) or GCSE (24 %). The age-group distribution were somewhat similar between age group: 15–24 (24 %), 25–34 (19 %), 35–44 (19 %), 45–54 (16 %), 55–64 (11 %), and above 65 (11 %).

4 Findings

Before any analysis was conducted, normality tests were performed using the value of skewness of each item. The results suggested that the distribution of the data was normal since the values of the skewness are around the absolute value of -1 and $+1$ (Hair, Black, Babin, & Anderson, 2010).

Following Anderson and Gerbing (1988), we tested the Yoo and Donthu’s model (2001) and Nam et al.’s (2011) by employing a two-stage approach in Structural Equation Modeling (SEM)—the measurement model and then followed by the structural model. The two-stage approach was conducted with AMOS 21 employing Maximum Likelihood (ML) method.

4.1 Measurement Model

A measurement model was created in order to assess the validity and reliability of the constructs. Table 1 below displays the fit statistics of the two models. The goodness-of-fit (GoF) statistics of the measurement model are good for both models. The factor loadings of each of the items within the constructs are shown in Tables 2 and 3, which can be found in the appendix. Based on confirmatory factor analysis, we tested for convergent validity and discriminant validity. The convergent and discriminant validity were tested following Fornell and Larcker (1981)

Table 1 Fit statistics of the measurement model

Model	χ^2	df	χ^2/df	GFI	NFI	CFI	RMSEA	SRMR
Yoo and Donthu (2001)	98.92	38	2.60	0.92	0.93	0.96	0.08	0.05
Nam et al. (2011)	349.86	202	1.73	0.88	0.90	0.96	0.06	0.04

Table 2 Descriptive statistics and correlations (Yoo & Donthu, 2001)

Construct scale		Descriptive		Reliability		Correlations			
		Mean	SD	α	CR	1	2	3	4
1	Perceived quality	5.41	1.18	0.77	0.79	0.66			
2	Brand awareness	5.31	1.18	0.76	0.77	0.26	0.53		
3	Brand loyalty	3.67	1.36	0.86	0.86	0.20	0.22	0.67	
4	Brand equity	4.38	1.43	0.89	0.90	0.30	0.25	0.66	0.74

Note The diagonal values in bold indicate the average variances extracted (AVE). The scores in the lower diagonal indicate squared inter-construct correlations (SIC)

Table 3 Descriptive statistics and correlations (Nam et al., 2011; Ciftci et al., 2014)

Construct scale	Descriptive		Reliability		Correlations							
	Mean	SD	α	CR	1	2	3	4	5	6	7	
1 Physical quality	5.56	0.91	0.85	0.86	0.60							
2 Staff behaviour	5.40	1.07	0.92	0.92	0.17	0.80						
3 Brand identification	2.00	1.40	0.91	0.91	0.00	0.06	0.83					
4 Lifestyle congruence	3.62	1.45	0.92	0.93	0.04	0.01	0.06	0.81				
5 Ideal self-congruence	4.05	1.36	0.89	0.89	0.11	0.01	0.05	0.42	0.74			
6 Consumer satisfaction	4.98	0.93	0.78	0.78	0.30	0.09	0.03	0.02	0.05	0.54		
7 Brand loyalty	5.30	1.16	0.84	0.84	0.40	0.07	0.00	0.13	0.15	0.26	0.73	
8 Brand awareness	5.31	1.18	0.76	0.77	0.18	0.05	0.01	0.18	0.11	0.08	0.42	0.53

Note The diagonal values in bold indicate the average variances extracted (AVE). The scores in the lower diagonal indicate squared inter-construct correlations (SIC)

suggestions by using the Average Variance Extracted (AVE) scores. To assess reliability, we used Cronbach's Alpha (α) and Composite Reliability (CR) scores. The values of the AVE, α , and CR scores are shown in Tables 2 and 3 below.

According to Fornell and Larcker (1981), convergent validity is achieved if the AVE score is above the 0.50 thresholds. The results show that the AVEs are all above 0.50, indicating that convergent validity is achieved. Next, discriminant validity was assessed. If the AVE score is above the squared inter-construct correlation (SIC), discriminant validity is achieved (Fornell & Larcker, 1981). As shown in Tables 2 and 3, most of the AVEs are above the SIC scores, indicating discriminant validity is achieved. Reliability is also achieved since both the α and CR scores were above the threshold of 0.70 (Malhotra, 2010).

4.2 Structural Model

A structural model was built to test all of the research hypotheses within the two models. The fit statistics of the two models for the structural model are the same with the fit statistics of the two models for the measurement model.

The results of Yoo and Donthu's model suggest that only perceived quality ($\text{SPC} = 0.20$, $t = 3.00$, $p < 0.01$) and brand loyalty ($\text{SPC} = 0.69$, $t = 9.66$, $p < 0.001$) are positively associated with overall brand equity. The hypothesis that states brand awareness has a positive relationship with overall brand equity is not statistically significant ($\text{SPC} = 0.08$, $t = 1.14$, n.s.).

The results of Nam et al.'s model show the support of five links between some of the brand equity dimensions and brand loyalty. Physical quality has a positive relationship with consumer satisfaction ($\text{SPC} = 0.50$, $t = 5.05$, $p < 0.001$). The link between brand identification and consumer satisfaction is also supported ($\text{SPC} = 0.14$, $t = 1.91$, $p < 0.10$). Consumer satisfaction is positively associated with brand loyalty ($\text{SPC} = 0.23$, $t = 2.90$, $p < 0.01$). Results also show that physical quality ($\text{SPC} = 0.32$, $t = 3.61$, $p < 0.001$) and brand awareness ($\text{SPC} = 0.41$, $t = 4.83$, $p < 0.001$) have positive relationships with brand loyalty. Staff behaviour, ideal self-congruence and lifestyle congruence do not have a statistically significant influence on consumer satisfaction or brand loyalty.

5 Discussion

The concept of CBBE is a strategic tool for businesses when assessing brand performance and developing brand strategies. The majority of studies conducted on Consumer-Based Brand Equity (CBBE) are based on the conceptualisation introduced by Aaker (1991) and Keller (1993). However, no consensus has yet been reached regarding the validity of CBBE. Yoo and Donthu's (2001) measure applied in goods oriented brands has prompted the question of whether the scale

was appropriate for private labels and different cultures. This study confirms the validity of the Nam et al.'s (2011) CBBE model in a different culture (Spanish) and a new branding context (PL). It also outperforms the CBBE model introduced by Yoo and Donthu (2001). In summary, the current study contributes to knowledge by assessing the external validity of Nam et al.'s (2011) CBBE model in PL, comparing their model to Yoo and Donthu's (2001) model.

This study presents a valid and reliable scale for measuring brand equity in PL. Hence managers can develop internal as well as external benchmarks based on this measure. They can observe their brand equity trends from the customers' viewpoint and compare the PL performance over time. They will also be able to observe their strengths and weaknesses compared to global brands. This study has limitations that suggest directions for further research. The sample is small to generalize its findings to research population and other cultures. Data could be collected from different countries (i.e., other western and eastern countries) and from a variety of PL in order to tackle with this limitation. Future research should address the brand trust as a dimension of CBBE.

Appendix 1: Scales and factor loadings (Yoo & Donthu, 2001)

Scales		Measurement	Factor loadings
Perceived quality	PQ1	The likely quality of this brand is extremely high	0.68
	PQ2	The likelihood that this brand would be functional is very high	0.92
Brand awareness	BA1	I can recognize this brand among other fashion or sportswear brands	0.74
	BA2	I am aware of this brand	0.84
	BA3	Some characteristics of this brand come to my mind quickly	0.58
Brand loyalty	BL1	I consider myself to be loyal to this brand	0.75
	BL2	This brand would be my first choice	0.84
	BL3	I will not buy from other fashion or sportswear brands if this brand is available in the store	0.86
Overall brand equity	BE1	It makes sense to buy this brand instead of any other, even if they are the same	0.80
	BE2	Even if another fashion or sportswear brand has the same features as this brand, I would prefer to buy this brand	0.93
	BE3	If another fashion or sportswear brand is not different from this brand in any way, it seems smarter to purchase this brand	0.86

Appendix 2: Scales and factor loadings (Nam et al., 2011; Ciftci et al., 2014)

Scales		Measurement	Factor loadings
Brand awareness	BA1	I can recognize this brand among other fashion or sportswear brands	0.76
	BA2	I am aware of this brand	0.78
	BA3	Some characteristics of this brand come to my mind quickly	0.63
Physical quality	PHQ1	This brand offers products of very good quality features	0.79
	PHQ2	This brand offers products of consistent quality	0.72
	PHQ3	This brand offers very durable products	0.76
	PHQ4	This brand offers very reliable products	0.82
Staff behaviour	SB1	Employees who are selling this brand are competent in doing their jobs	0.83
	SB2	Employees who are selling this brand are helpful	0.95
	SB3	Employees who are selling this brand are friendly	0.90
Brand identification	BI2	If a story in the media criticizes this brand, I would feel embarrassed	0.95
	BI3	When someone criticizes this brand's products, it feels like a personal insult	0.88
Lifestyle congruence	LC1	This brand's products reflect my personal lifestyle	0.85
	LC2	This brand's products are totally in line with my lifestyle	0.92
	LC3	This brand's products support my lifestyle	0.93
Ideal self-congruence	IC1	The typical customer of this brand has an image similar to how I like to see myself	0.82
	IC2	This brand has an image similar to how I like to see myself	0.94
	IC3	This brand has an image which represents how I would like others to see me	0.81
Consumer satisfaction	CS2	Worse than I expected – Better than I expected	0.68
	CS3	Worse than similar brands I purchase – Better than other brands I purchase	0.71
	CS4	Terrible – Delighted	0.81
Brand loyalty	BLN1	I will recommend this brand to someone who seeks my advice	0.92
	BLN2	Next time I will purchase a product from this brand again	0.79

Appendix 3: Results of the hypotheses testing (Yoo & Donthu, 2001)

	Relationships	SPC	t-value
H ₁	Perceived quality → Overall brand equity	0.20	3.00**
H ₂	Brand awareness → Overall brand equity	0.08	1.14
H ₃	Brand loyalty → Overall brand equity	0.69	9.66***
Variance explained (R ²)			
Overall brand equity		0.71	

** $p < 0.01$, *** $p < 0.001$

Appendix 4: Results of the hypotheses testing (Nam et al., 2011; Ciftci et al., 2014)

	Relationships	SPC	t-value
H ₁	Physical quality → Consumer satisfaction	0.50	5.05***
H ₂	Staff behaviour → Consumer satisfaction	0.05	0.69
H ₃	Brand identification → Consumer satisfaction	0.14	1.91*
H ₄	Lifestyle congruence → Consumer satisfaction	−0.06	−0.60
H ₅	Ideal self-congruence → Consumer satisfaction	0.04	0.36
H ₆	Brand awareness → Consumer satisfaction	0.05	0.55
H ₆	Consumer satisfaction → Brand loyalty	0.23	2.90**
H _{7a}	Physical quality → Brand loyalty	0.32	3.61***
H _{7b}	Staff behaviour → Brand loyalty	−0.03	−0.53
H _{7c}	Brand Identification → Brand loyalty	−0.07	−1.21
H _{7d}	Lifestyle congruence → Brand loyalty	0.09	1.10
H _{7e}	Ideal self-congruence → Brand loyalty	0.05	0.69
H _{7f}	Brand awareness → Brand loyalty	0.41	4.83***
Variance explained (R ²)			
Consumer satisfaction		0.33	
Brand loyalty		0.62	

Note SPC Standardized path coefficient; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

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Extending the Retail Brand to Non-traditional Products

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Abstract This study focuses on retail brand extension from the consumer perspective when non-traditional products—in this case over-the-counter pharmaceuticals—are offered with the private label brand. A model in which attitude towards the extension (ATE) mediates the impact of some antecedents—national brand preference (NBP), trust towards the retailer (T), fit (FIT), private label knowledge (PLK) and consumer innovativeness (INN)—impacting the intention to purchase the extended PL brand (INTB) is proposed and tested. Direct effects regarding NBP and FIT are tested too. 500 questionnaires were collected from a sample of retail customers. Structural equation modeling serves to test the hypotheses. The model shows a good fit and the hypotheses are supported—except for INN.

Keywords Brand extension • Retail brands • Attitude • Intention to buy

1 Introduction

Brand extension is a relevant and popular strategy that leveraged the interest of managerial practitioners and scholars since the 1980s. Business practitioners require to determine which brand extensions are consistent with their brand and could be rightly perceived by the clientele in order to be potentially successful. Scientifically, a rich empirical research, predominantly experimental, has been conducted in order to understanding the factors affecting a brand extension success (e.g. Aaker & Keller, 1990; Völckner & Sattler, 2006).

This study focuses on a proxy of brand success, i.e. intention to purchase the extended PL brand (INTB), proposing a model in which attitude towards the extension (ATE) mediates the impact of a number of antecedents—national brand

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preference (NBP), trust towards the retailer (T), fit (FIT), private label knowledge (PLK) and consumer innovativeness (INN)—on INTB, while some constructs (NBP and FIT) are expected to exert a direct effect too. This is operationalized through an in-store survey, collecting 500 questionnaires from retail customers. To test the model, Structural Equation Modeling (SEM) was employed.

This study contributes to the current literature on brand extension and retailing as follows. Most previous research into brand extension focused on manufacturer brands, while retail brand extension has been rarely examined in the literature (Dwivedi & Merrilees, 2013; Mitchell & Chaudhury, 2014) and very little is known about customer buying behavior when retailers extend their brands, in particular to non-traditional businesses. The increasing competition and emerging saturation in the grocery sector have strengthened grocery retailers in extending their assortments through their private labels (PL) (Colgate & Alexander, 2002). As a result, PLs now covers not only almost any Fast Moving Consumer Goods (FMCG) category, but also unusual non-food categories (e.g. clothes, over-the-counter pharmaceuticals, etc.) and services (travel booking, financial services, etc.). Consequently, a retailing context is an useful framework to study consumers' brand extension. Apart from Alexander and Colgate (2005) and Laforet (2008), no other specific research, to our knowledge, has addressed this issue.

2 Conceptual Model and Hypotheses

We develop a conceptual model to explain retail customers' INTB the PL extension product, considering a number of brand extension antecedents, adequately adapted to the retail context, impacting on attitude towards the product extension.

The non-traditional product category investigated is over-the-counter pharmaceuticals offered under the retailer PL. This is a recent offer in the assortment range of Italian grocery retailers and interesting to investigate as for the implications it can produce on consumers' health and that let us presume caution in buying and preference for NB vs. PL, with an important role played by trust in the supplier.

Several studies have found that consumers consider NBs to be superior to store brands (e.g. Bellizzi, Krueckeberg, Hamilton, & Martin, 1981) as for their perceived higher quality (Dick, Jain, & Richardson, 1995). Traditionally, compared to NBs, PLs have been positioned as low price/good value for money offerings in grocery categories. The consumer preference for NBs can result in a negative attitude towards the PL extension. Consequently, we can hypothesize as follows:

Hp1: Preference for national brands has a significant negative impact on ATE.

When consumers evaluate a brand extension, they tend to match the extension to the parent brand category. Prior results on brand extension research suggest that a higher degree of fit results in a better assessment of any type of extension (Boush & Loken, 1991; Carter & Curry, 2013), directly influencing consumers' attitude toward brand extension and playing a major role in this literature (Broniarczyk & Alba, 1994; Park, Milberg, & Lawson, 1991). Thus, we postulate that:

Hp2: Fit has a significant positive impact on ATE.

A retailer can be considered as a brand (Ailawadi & Keller, 2004) and the PL is actually a brand extension of a retailer as the parent brand. When consumers are unfamiliar with a product category and perceive high brand difference, they tend to rely on the company brand as for the level of trust they associate to it. However, there is little mention of brand trust in brand extension literature (Laforet, 2008). Aaker and Keller (1990) referred to this notion reporting a significant association between company credibility and brand extension acceptance. The relationship between brand trust and ATE was tested by Reast (2005). Thus:

Hp3: Trust towards the retailer has a significant positive impact on ATE.

Our conceptual model has theoretical underpinnings in the categorisation theory which postulates that consumers form categories based on prior knowledge (Ward, Bitner, & Barnes, 1992). In general, consumers possess richer knowledge structures for familiar product categories and this has been found to positively affect their attitudes toward the category (Alba & Hutchinson, 1987) and towards specific brands (Keller, 2008). Hence:

Hp4: PL knowledge has a significant positive impact on ATE.

Limited studies have been conducted employing consumer innovativeness as an antecedent of brand extension evaluation (e.g., Klink & Smith, 2001). These papers have observed that innovative consumers are more willing to try new brands and prone to accelerate the trial and acceptance of a new product (Hem, de Chernatony, & Iversen, 2003). We test this impact for retail brand extension:

Hp5: Consumer innovativeness has a significant positive impact on ATE.

Extant literature agrees in considering that attitude toward the product relates positively to purchasing behaviors (Ajzen & Fishbein, 1980), even if some authors proved a weak relationship between the constructs (Wicker, 1969). A PL is considered successful not only when it gains a favorable consumer perception, but mostly when it leads to strong purchase intentions. Several brand extension studies indicate that consumers' attitudes toward brand extensions positively influence their brand purchases (Bhat & Reddy, 2001). We therefore postulate that:

Hp6: Consumers' attitude toward the PL brand extension positively impact on INTB the extension PL product.

The prevailing literature on PLs found a negative influence of NB preference on the intention to buy a certain PL category (Dick et al., 1995). Likewise, we can postulate a similar relationship for unusual PL extensions:

Hp7: NBP has a significant negative impact on INTB the extension PL product.

The perceived similarity between the parent brand and the extended product category should result in a strong consumer predisposition to buy the extended product category. Therefore, our final hypothesis is as follows:

Hp8: Fit has a significant positive impact on INTB the extension PL product.

3 Methodology

To meet the research goal, an in-store survey was conducted, administering a structured questionnaire to a convenience sample of retail customers. The questionnaire was pre-tested and then administered to consumers in one hypermarket, located in North Italy and belonging to the retail market leader. Since now, only this retailer offers two pharmaceutical products under its PL on this country market. A convenience sample of 500 retail customers was interviewed.

Our sample consisted of a group of 500 respondents of which 30.6 % were male and 69.4 % were female. In terms of participants' age, 10.0 % were younger than 25 years of age, while just a 3.4 % were older than 65. Others age clusters are as follows: 25.4 % (25–35 years); 35.4 % (36–50 years); 25.8 % (51–65 years). Family composition is heterogeneous: 11.4 % were singles; 5.4 % live in a family of 5 or more members and the remaining 83.2 % live in family from 2 to 4 components.

Items were evaluated on a 7-point Likert scale. The psychometric analysis assessed good convergence and discriminant validity for the measurements. Cronbach's alpha showed a good level of internal reliability ($\alpha_{\text{INTB}} = 0.931$; $\alpha_{\text{ATE}} = 0.985$; $\alpha_{\text{NBP}} = 0.938$; $\alpha_{\text{FIT}} = 0.958$; $\alpha_{\text{T}} = 0.971$; $\alpha_{\text{PLK}} = 0.835$; $\alpha_{\text{INN}} = 0.898$).

SEM with Maximum Likelihood was conducted to assess the hypotheses validity, employing Lisrel 8.80. To test the convergent validity we verify that all items were significantly (t-values >13.244) and substantially (factor loading >0.545) loaded onto the expected latent constructs. Moreover, all constructs show good levels of average variance extracted (AVE) and composite reliability (CR) (Table 1). Furthermore, the square root of each construct AVE was greater than the correlations of that construct with the other constructs, showing that each construct shares more variance with its own measures than it shared with other constructs. Indicators showed a good overall fit of the model (Table 1).

Despite the good model fit, we verify the strength of the partial mediation of the perceived difference between NB and PL and the FIT on INTB, comparing the proposed model with a completed mediated model (Rival Model 1). The delta chi-square test (p-value = 0.000) confirms that INTB is influenced by the effects of T and PLK through the complete mediating action of ATE, and is subject to a partial mediation with respect of NPB and FIT. Furthermore, the complete mediation model shows a general worst adaptation to the empirical data (Table 2).

Table 1 Individual item factor loadings and reliability

References			Factor loadings	Cronbach's alpha	AVE	CR
<i>Intention to buy extension</i>				0.931	0.835	0.938
Adapted by Dodds, Monroe, and Grewal (1991)	INTB1	I am willing to buy PL over-the-counter pharmaceuticals in the future	0.991*			
	INTB2	I am going to buy PL over-the-counter pharmaceuticals next time I will going grocery shopping	0.803*			
	INTB3	The likelihood of buying PL over-the-counter pharmaceuticals in the future is high	0.937*			
<i>Attitude towards extension</i>				0.985	0.958	0.986
Aaker and Keller (1990), Hem, Iversen, and Olsen (2014)	ATE1	My attitude towards extending PL X to over-the-counter pharmaceuticals is very positive	0.976*			
	ATE2	Overall, I am very positive towards extending PL X to over-the-counter pharmaceuticals	0.990*			
	ATE3	My opinion about the extension of PL X to over-the-counter pharmaceuticals is positive	0.970*			
<i>National brands reference</i>				0.938	0.839	0.940
Adapted by Dick et al. (1995)	NBP1	I prefer to buy NB over-the-counter pharmaceuticals	0.867*			
	NBP2	There is a great difference in active ingredients between NB over-the-counter pharmaceuticals and PL over-the-counter pharmaceuticals	0.961*			
	NBP3	There is a great difference in overall quality between NB over-the-counter pharmaceuticals and PL over-the-counter pharmaceuticals	0.918*			

(continued)

Table 1 (continued)

References			Factor loadings	Cronbach's alpha	AVE	CR
Bhat and Reddy (2001), Taylor and Bearden (2003)	<i>Fit</i>			0.958	0.853	0.959
	The extension of the PL X to over-the-counter pharmaceuticals is:		0.928*			
	FIT1	Not logical-logical	0.876*			
	FIT2	Not similar-similar	0.962*			
	FIT3	Not appropriate-appropriate	0.925*			
	FIT4	Incoherent-coherent				
<i>Trust towards the retailer</i>				0.971	0.920	0.972
Chaudhuri and Holbrook (2001)	T1	I trust the retailer X	0.963*			
	T2	I rely on retailer X	0.977*			
	T3	I feel confidence in retailer X	0.936*			
<i>PL knowledge</i>				0.835	0.675	0.856
Dick et al. (1995)	PLK1	I have much usage experience with PL grocery items	0.920*			
	PLK2	I am very familiar with the various PL grocery items available in the market place	0.939*			
	PLK3	I often buy PL's grocery items	0.545*			
<i>Consumer innovativeness</i>				0.898	0.692	0.899
Hem et al. (2003)	INN1	I am continually seeking new ideas and experiences	0.887*			
	INN2	When things get boring, I like to find some new and unfamiliar experience	0.930*			
	INN3	I like surprises	0.696*			
	INN4	I like to experience novelty and change in my daily routine	0.794*			

CR and AVE coefficients

NFI = 0.974; NNFI = 0.980; CFI = 0.983; IFI = 0.983; RFI = 0.969; SRMR = 0.0488; GFI = 0.909

Note *All factor loadings are significant at the $p < 0.01$ level

Measurement model fit χ^2 (212) = 577.794, $p < 0.000$; $\chi^2/\text{df} = 2.73$. RMSEA = 0.0586, Close-Fit RMSEA < 0.05 = 0.000

Table 2 Nested models comparison

	Partial mediation model (proposed model)	Complete mediation model (rival 1)
χ^2	$\chi^2_{(212)} = 577.794$	$\chi^2_{(214)} = 651.950$
	p-value = 0.00	p-value = 0.00
RMSEA	0.0586	0.0634
GFI	0.909	0.899
SRMR	0.0488	0.0619

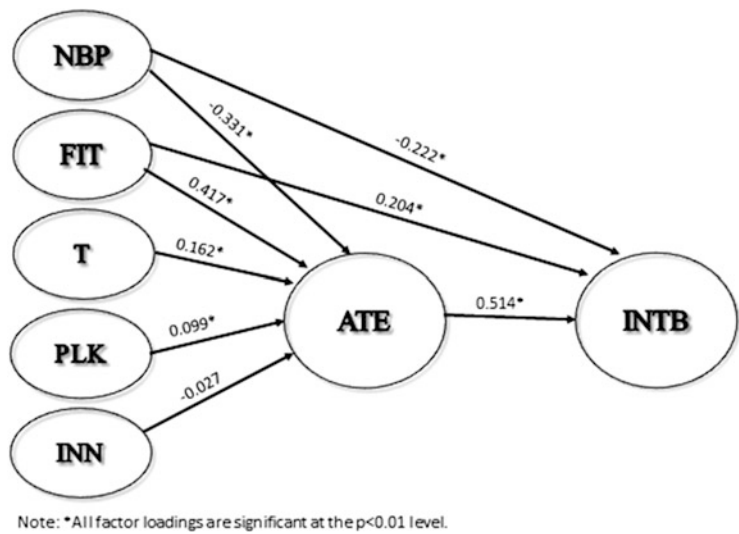


Fig. 1 Research model

4 Results

The path effect of ATE is positive and essential in explaining INTB. The greater ATE, the greater INTB, thus Hp6 is supported ($\beta = 0.514$, $p < 0.01$). In line with extant literature, when consumers perceive similarity between the core offer of the retailer and extended product classes there are positive effects on consumers' ATE and INTB because of the positive associations between the parent brand and the extension, to such an extent that it represents the major predictor of ATE. These evidences provide support for Hp2 ($\beta = 0.417$, $p < 0.01$) and Hp8 ($\beta = 0.204$, $p < 0.01$). The comparison between NBs and PLs creates negative effects both on ATE and INTB. Actually, to a major perceived difference between brands and PL corresponds a lower attitude and INTB the parent brand extension. So, Hp1 ($\beta = -0.331$, $p < 0.01$) and Hp7 ($\beta = -0.222$, $p < 0.01$) are supported. As expected, both T (Hp3: $\beta = 0.162$, $p < 0.01$) and PLK (Hp4: $\beta = 0.099$, $p < 0.01$) positively influence ATE, but their effect sizes are small (< 0.2). Finally, conversely to the literature, INN does not approach significance in ATE ($\beta = -0.027$, $p > 0.2$), thus we reject Hp5 (Fig. 1).

5 Conclusions, Limitations and Further Research

The use of an established brand name to introduce a new product can be risky. Extension failures can damage the parent brand and reduce the sales of other products marketed under the same brand. Therefore, the decision to extend a brand, as well as its characteristics, should be subject to cautious strategic planning and management. Our findings aim to assist retailers in their brand extension decision-making and implementations, particularly when it comes to enter unusual and distant businesses. Into this perspective, our model confirms extant literature results in a retail setting too: INTB is strongly influenced by ATE and FIT is settled as the major ATE antecedents. Differently, we did not find a significant influence of INN on ATE. Moreover, our model contributes to the retail brand extension literature evidencing the good influence exerted by a relational construct, trust toward the retailer, whose empirical evidence lacks. If retailers want to be successful in extending their PL in distant product categories, they should create a positive attitude towards their product extension mainly leveraging FIT perceptions and reducing the perceived gap within NBs and PLs, as these antecedents act directly as well as indirectly on PL proneness. Stimulating trials and using communication tools retailers can also strengthen the level of trustworthiness they possess within customers and increase PLK.

This study has some limitations. It is focused on a single product category, while future research should consider also other PL extensions, such as financial services, car fuel offered through a retail branded fuel station, etc., as category characteristics can affect ATE (Hem et al., 2014). Moreover, mediation has been tested with a nested model comparison, while further analysis would also consider indirect effects. Additionally, other factors have been found to affect ATE and brand extension success, such as perceived product quality (Milberg, Goodstein, Sinn, Cuneo, & Epstein, 2013) or past purchasing behavior; these constructs could be investigated in future researches. Last but not least, in our next works we intend to survey the effect of brand extensions on the relationship equity of a parent brand (Dwivedi & Merrilees, 2013) in the grocery retail context.

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Part IV

Market Trends and Theoretical Research

Marketing Terminology Around Private Labels

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Abstract During the past three decades, brands that are managed by distributors have shown a tendency to occupy an increasing market share in many stores. However, in the academy, there is still no consensus on how to designate this phenomenon, as many terms have been used to describe it. The objective of this research is to provide elements that help to determine the most appropriate way to label this phenomenon through the review of more than 320 academic articles published from 1966 to 2013.

Keywords Private label • Store brand • Retail brand • Own brand

1 Introduction

The brands managed by distributors and sold in stores have shown an unprecedented expansion during the past three decades. This expansion has set up a radical change in the way brands have been organized within markets and it calls for an examination of the traditional roles performed by manufacturers and distributors.

A study by the consulting firm AC Nielsen (2012) shows that private labels have an average market share at the global level of 14.9 %. There are even economies, such as those of Switzerland and United Kingdom, where these products control more than 40 % of the market.

With large market shares, it becomes clear that the willingness of consumers to purchase private labels is increasing. As these brands expand, a relevant question to ask is how will they affect manufacturer brands? Manufacturers have underestimated the scope of these products for decades because the distributors' banner under which they are marketed was associated with low quality.

In recent years, distributors have developed sophisticated tactics to promote their brands. The sale of private labels not only represents greater margins of profitability for retailers, but these products are tools that, if managed properly, can increase the loyalty of customers (Ngobo, 2011).

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In short, the rise of private labels at the global level and the growing capacity of these products to penetrate new markets have stimulated interest among academics and market intermediaries within the business sector to do an in depth investigation of this phenomenon. Nevertheless, the problem of private labels semantics and the lack of consensus between academics to properly denominate it have persisted far too long. Different denominations for the phenomenon are being used, which generates a communication barrier and makes more plausible both duplicity and misguided efforts during research (Schutte, 1969; Gooner & Nadler, 2012).

This research is looking for elements that might help academics get to an agreeable consensus regarding appropriate terminology to identify the phenomenon by reviewing over 320 academic papers published between 1966 and 2013.

2 Semantics and Distributor's Brands

There are records of the private labels existence since before the 1920s (Hoch & Banerji, 1993; Puelles, Fernandez, & Albert, 1997; Moati, Mazars, & Ranvier, 2007). But, for years, this phenomenon went unnoticed or was just tangentially mentioned by academics. The first articles fully discussing private labels were published during the 1960s.

Over the course of time, hundreds of academic papers related to the subject were written. Even so, academics have not been able to overcome the obstacles blocking the way to a generalized concept of the private labels. These obstacles are mainly communication barriers, generated by the excessive use of multiple terms to discuss the same topic.

In 1969, Thomas Schutte published an article called "The Semantics of Branding". He introduces precise language use as a marketing need, especially when it is related to branding. Schutte thoughtfully considered this need because there was a special event happening at the time. He called it 'The battle of the brands', a battle in which manufacturers and distributors fought each other for development and control of their own brands in the market (Schutte, 1969, p. 5).

The problem identified by Schutte is the academics divergence regarding the terminology used to denominate both manufacturer's brands and distributor's brands, which works in detriment of the specific subject of study.

From his point of view, the problem generated by this communication barrier causes larger expenses because research is being nurtured in confusion, duplicity and wasted efforts. He concludes by recommending readers to use the term "Distributor's brand", when it comes to brands owned and controlled by organizations which priority is to be economically committed to distribute instead of manufacturing products (Schutte, 1969, p. 9).

In spite of the contributions made by Schutte, his calling to standardize marketing language by using the term 'Distributor's brand' was not heard. Nevertheless, the meaning he provided for this phenomenon has not suffered any major alterations during the last few decades.

Table 1 Academic terminology (Medina & Luque, 2013)

Term	Authors
Distributor's brand	Schutte (1969), Kapferer (2008)
Own brand	(Morris, 1979)
Own label	de Chernatony (1989), Laaksonen and Reynolds (1994), Kapferer (1995), Veloutsou et al. (2004)
Private label	Hoch and Banerji (1993), Quelch and Harding (1996), Parker and Kim (1997), DelVecchio (2001), Gabrielsen and Sjørgard, (2007), Kumar and Steenkamp (2007), Ailawadi, Pauwels, and Steenkamp (2008), Ngobo (2011)
Private label brand	Kotler (1988), Batra and Sinha (2000), Gooner and Nadler (2012)
Retail brand	Burt (2000), Carpenter and Fairhurst (2005), Esbjerg, Grunert, Bech-Larsen, Juhl, and Brunsø (2005)
Retailer own-brand	Huang and Huddleston (2009), McColl and Moore (2011)
Store brand	Sethuraman (1995), Richardson, Jain, and Dick (1996), Steenkamp and Dekimpe (1997), Corstjens and Lal (2000), Ailawadi, Neslin, and Gedenk (2001), Chintagunta, Bonfrer, and Song (2002), Ailawadi and Harlam (2004), Bonfrer and Chintagunta (2004), Pauwels and Srinivasan (2004), Sayman and Raju (2004), Mieres, Martín, and Gutiérrez (2006)

Publications like the ones written by Veloutsou, Gioulistanis, and Moutinho (2004) and McColl and Moore (2011), recognize the validity of this semantic issue. At the present time, there are still many different names used to mention the brands managed by distributors and sold in stores products (Table 1).

3 Methodology

This research aims for elements that might help us find the accurate terminology when addressing private labels. To reach this end, a consistent methodology was designed in order to search, recollect and analyze articles endorsed by the academic community in which private labels were the main subject.

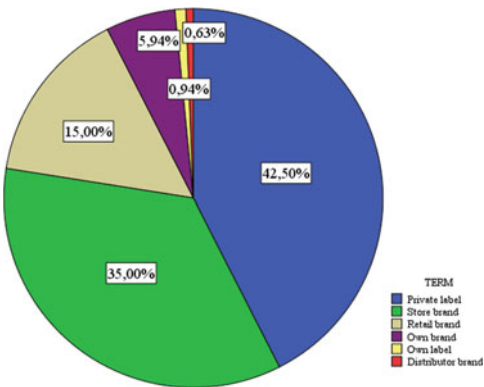
Key words for the search were: 'Distributor brand', 'Own brand', 'Own label', 'Private Label', and 'Retail Brand'. Then, a general and thorough inspection of the articles first found, was achieved. In order to determine the behavior of academic production related to this matter, three parameters were identified: publication year, citation index relevance and subject related research written by the same author.

All of these articles were found through Scopus database. Time frame was not relevant for research because the priority was a semantic evolutionary analysis of the private labels.

The bibliographic revision was complemented with some other remarkable academic studies, such as books and statistic reports indexed by the longest academic career authors who were also doing research around this phenomenon.

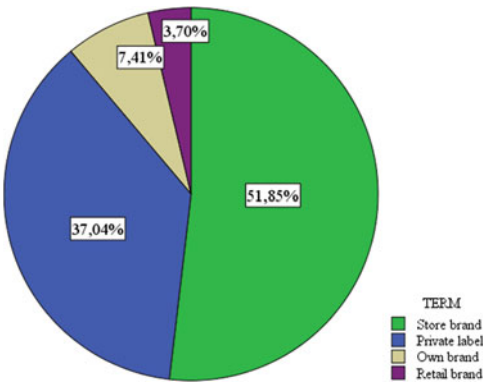
4 Most Important Findings

During Scopus’ bibliographic research, there were 320 articles found. The most used terms were: ‘Private label’ (42.5 %) and ‘Store Brand’ (35.0 %). There was also a significant use of the term ‘Retail brand’ (15.0 %). The terms ‘Distributor brand’, ‘Own label’ and ‘Own brand’ portrayed a very low percentage.



Graphic 1. Terminology used to name private labels in academic studies

Graphics 1 Terminology used to name private labels in academic studies



Graphic 2. Terminology used to name private labels in the most relevant academic articles taking into account number of quotations found

Graphics 2 Terminology used to name private labels in the most relevant academic articles taking into account number of quotations found

Summing up the highest relevancy studies and taking into account quotations, it was found that there are only four terms used: ‘Private Label’ (51.85 %), ‘Store Brand’ (37.04 %), ‘Retail Brand’ (7.41 %) and ‘Own Brand’ (3.7 %). In these data, you cannot find articles using the terms ‘Distributor brand’ and ‘Own label’. It is worth highlighting this last fact.

5 Private Labels Conceptual Foundation

Once the most frequent academic used terminology is identified, it is necessary to make an in depth investigation of each term to clearly state the meaning of every single one of them and determine if there are some essential differences.

Looking for a connection between the publishing year and the frequency of the terminology used was the first step. No connection was found between these two whatsoever. Terminology usage did not represent a chronological pattern that suggested an inclination to focus on any of these terms.

After this hypothesis was discarded, looking for the meaning of each term in the most academically relevant articles was the next step. It is important to remark how uncommon it is to find the meaning of every term used in an academic article in the article itself. This happens because most of the authors take for granted the readers capacity to recognize terminology, so, they just provide an implied explanation of the terminology used in their articles.

Nonetheless, some common ground was found: All of the articles that provided explanation of the terminology used, point out a change between the agent managing and processing the brand. This activity was previously in charge of the manufacturer only (Table 2).

The concept of ‘Private label’ given by the ‘Private Label Manufacturer’s Association’ (PLMA) and quoted in Bergès-Sennou, Bontems, and Réquillart (2004), explains that products and merchandise are sold by a retailer brand. This retailer may have either the distributors’ name or an exclusive one.

Many authors have remarked the similarity between the terms ‘Store brand’ and ‘Private labels’ at the beginning of their articles. Amongst these we will find the

Table 2 Implied meaning for: ‘Store brand’, ‘Own label’ and ‘Private label’

Term	Meaning	Source
<i>Private label</i>	“Private label brands are those sold under retailers (or wholesalers) own labels rather than the brand name of a national manufacturer”	Burton et al. (1998)
<i>Store brand</i>	“Store brands are the only brand for which the retailer must take on all responsibility—from development, sourcing, and warehousing to merchandising and marketing”	Dhar and Hoch (1997)
	“Store brand or Private labels, are brands owned controlled, and sold exclusively by a retailer”	Raju et al. (1995)
<i>Own label</i>	“Consumer products produced by or on behalf of, distributors and sold under the distributor’s own name or trademark through the distributor’s own outlet”	Morris (1979)

work of Hoch and Banerji (1993), Quelch and Harding (1996), Raju, Sethuraman, and Dhar (1995), Erdem, Zhao, and Valenzuela (2004), Pauwels and Srinivasan (2004), Batra and Sinha (2000), Burton, Lichtenstein, Netemeyer, and Garretson (1998), Choi and Coughlan (2006).

Likewise, many authors tend to coin other's terminology, even when the terminology used is not exactly referring to the same subject. Such is the case of Burt (2000), who uses the term 'Retail Brand' with Morris' definition (1979), who is actually referring to the exact term 'Own label'.

Definitions referring to 'Private label', 'Store brand', 'Retail brand' and 'Own label' identify the same phenomenon and no meaningful difference was found among them. The usage of these terms is not chronologically determined so, publishing year is indifferent. Essentially, these concepts describe the existence of brands managed by distributors and sold exclusively in their stores.

6 Conclusions

The lack of agreement between specialized academics translates into the usage of multiple terms to just name the existence of brands managed by distributors and sold in stores; it also creates a communication barrier that, not only makes the academic article search more difficult but also, harms and neglects research related to this subject.

The conceptualization of brands managed by distributors is an upcoming challenge. This phenomenon deserves to be properly addressed and named, but has not been yet. 320 academic articles were reviewed from 1966 to 2013 for detailed analysis and, in conclusion, the most used terms were 'Private Label' and 'Store Brand'.

There are no substantial differences in each of the used terms meanings ('Private label', 'Store brand', 'Retail brand' and 'Own label'). As a consequence, after reviewing the different and multiple meanings, the main contribution of this research is that the referenced terminology allows us to identify the existence of brands that are managed by distributors and sold in stores.

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Impacts of the Production of Private Labels on Food Retailing and Its Suppliers in Hungary

Gyongyi Jankune Kurthy and Gyula Dudas

Abstract The aim of this paper was to explore the spreading of Private Label (PL) food products in Hungary. We examined the aspects and strategy of both the suppliers and retailers, with special regard to the opinion of consumers in Hungary. In order to explore the strategy of Hungarian suppliers and retailers regarding PL products, we carried out in-depth interviews with experts of 5 retailers and 24 supplier companies in 2010 and 76 supplier companies in 2014. The research in 2010 concentrated on only PL producers, the research of 2014 examined the whole Hungarian food industry from many aspects, using a representative sample. According to in-depth interviews and statistical data, the Hungarian consumers more and more accept PL products. The third and fourth generations of PL products provide a very favorable price/value ratio, which is very important for the price sensitive Hungarian consumers. The increasing ratio of PL products urges the suppliers to take part in this business. According to the interviewed Hungarian food processors, the most important advantages of production of PL products are capacity utilization, calculable income and the large production volume. The most significant disadvantages are the low profitability, brand “cannibalization” and replacement of products and suppliers.

Keywords Private label • Food retailer • Food processor • In-depths interview • Survey • Comparison

1 Introduction

The share of private label (PL) sales represented a considerable proportion throughout Europe, taking 21–53 % of the total market in volume terms in 2013 (PLMA, 2014). In Hungary the share of private label sales in the food retail sector approached EUR 1.2 billion in 2012. The ratio of PL products of Hungarian food retail indicates an increasing trend; it exceeded 25 % in value terms and 34 % in

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Table 1 The share of PL products in some product groups in value terms in Hungary, per cent (ACNielsen, 2013)

Product group	2008	2009	2010	2011	2012
Pet food	47	49	49	49	52
Frozen food	31	36	44	44	45
Breakfast products	31	33	34	32	35
Basic milk and meat types	24	26	27	27	27

volume terms in 2012. Store brands are not spreading in a uniform manner in all product groups; they have the highest penetration in the so-called “utilitarian” product category, where customers have no emotional attachment and therefore these products are less suitable for branding by manufacturers. These product groups include pet food, frozen food, breakfast products, basic milk and meat types, where already more than one quarter of the market is dominated in value terms by private labels in Hungary (Table 1).

In these days alcoholic drinks and sweets, previously considered a secure stronghold of the manufacturers, is no longer exempt from the competition of private labels. The ratio of alcoholic drinks and sweets were 15 % and 19 %, respectively, in 2012 in Hungary.

The evolution of private labels has already passed through several stages, and this also meant that the value of these products has increased (Maurer, 2006). The first and second generation of PL products had low or medium quality, their price was 30–50 % lower than the price of branded products. Further development of these generations of “economic” cheap, mass products to the high standard, innovative “individual” category resulted in the third-fourth generation of PL products. These products now provide real alternatives for any possible customer demands and segments, thus becoming an efficient instrument available for the retail trade in bringing down the bargaining positions of suppliers with strong manufacturer brands.

We have identified four factors that have encouraged the spread of store brand products in Hungary. These include: concentration of the food retail trade through establishment of scale efficiency conditions; spreading of the heavy discount stores due to large volume sales of own-brand products; commercial pricing advantageously influencing the consumer price that has become a significant benefit due to the effects of the economic crisis; and finally the increasing level of acceptance by customers thanks to the constantly improving quality of private label products.

The main driving force that is promoting the spread of PL products is the demand of consumers. Though it is impossible to characterize the typical consumers of PL products by socio-demographic criteria, it is widely accepted in the available literature that the consumers of PL products are well informed, rational, price sensitive persons who avoid listening to advertisements. According to Quelch and Hardling (1996), the spreading of PL products and the economic situation moved in opposite directions. Nandan and Dickinson (1994) stated that consumption of PL products increase in economic recession. Lamey, Deleersnyder,

Dekimpe, and Steenkamp (2007) goes further stating that the consumption level never re-establish itself after the crisis.

The international and also the Hungarian literature tried to determine the typical suppliers of PL products. The three main categories: big producers, which produce both PL and branded products; middle- or small producers, which are specialized firms producing PL products; retailers and wholesalers, which within their own plants or in vertical integration, produce PL products for themselves. Two Hungarian and a French researcher confirmed that the retailers preferred the bigger companies as suppliers of PL products (Dobos, 2007; Juhasz, Jankune Kurthy, Koning, Stauder, & Tunyogine Nechay, 2010; Bunte et al., 2010). Nevertheless it is important to underline that all three researchers found that the role of middle-sized and small companies increased in production of PL products.

2 Methodology

In order to explore the strategy of Hungarian suppliers and retailers regarding PL products, we used two main methods during the research:

- Evaluation and analysis of domestic and international literature
- In-depth interviews conducted with experts of 5 retailers and 24 supplier companies in 2010, and 76 supplier companies in 2014

In the case of food processors, the research of 2010 concentrated on only PL producers; the research of 2014 examined the whole Hungarian food industry from many aspects, using a representative sample. This sample comprised 76 companies, with 31 companies taking part in PL production in 2014. In both years, we asked the same questions about advantages and disadvantages of production of PL products and we compared the results of the 2 years. In case of food industrial firms, we were successful in covering all the sub-sectors, every type of food processors (meat, milk, bakery products, sweets, fruit and vegetables, wine and beer) were represented in our sample, except the producers of pet foods who were not willing to share their views.

One of the limitations of our research is the low number of interviewed experts among the retailers. On the other hand, the chosen method (in-depth interviews with a lot of open questions intended to elicit their views and experiences about PL products as a phenomenon) stated constraints on our ability to interview a large number of experts. In case of retailers, the sample is not only small but some types of retailers are not represented at all, though their role in PL sales is important (for example foreign discount chains, foreign supermarket chains). Unfortunately, the policy of these companies usually does not allow them to give out information even for scientific researches.

3 Results

3.1 Consumers' Estimation of PL Products

Though we did not carry out own consumer market research, we solicited the views and experiences of experts about consumption trends. It is obvious from the answers that, in Hungary, the consumption of PL products increased significantly. It was also widely accepted that probably this trend will be stable as the consumers nowadays meet the third-fourth generation of PL products, these products give very favourable price/value ratio, and price sensitive consumers do not have reasons to switch back to branded products. The interviewed experts from both the retail trade and supplier side mentioned the price sensitivity of the Hungarian consumers as an important factor. Both sides agreed that the quality of private label products is improving and this strongly depends on the consumers' requirements. Also domestic customers show a growing demand for Hungarian products; as a result, an increasing number of commercial chains indicate in a distinct manner the domestic origin of the private label products.

3.2 Retailers' Strategy on PL Products

There are great differences among the rates of store brand product distribution by different commercial chains operating in Hungary, as this is strongly connected with their product range and price policies. Tesco had a leading role in selling private label products for nearly 5 years, 2003–2007. Even though Tesco doubled its rate of private label products during this period, by the end of the decade, Tesco had lost its leading position. This leading position was assumed by the quickly expanding Lidl, which sells mainly store brand products. In Hungary, the share of PL products in the case of discounts chains reached 63 % in value terms in 2012. This ratio was 23 % in the supermarkets and 14 % in the hypermarkets.

In response to the spreading of discount stores and private labels, all major domestic retailers reacted through expansion, deepening and diversification of their store brand portfolio. The “economic”, “medium price” and “premium” brand lines were offered by most companies. However as these companies realized that their lowest category of PL products was generating a bad image for retailers, they quickly made an effort to advertise their more valuable PL products.

The good image of PL products is important for the advertisement of the retailers, for increasing the sales volume and for gaining bigger market share. This is why retailers are very rigorous about the quality and safety of the PL products. Their suppliers must meet high level food safety requirements, and must invest in adaptation of food safety systems. According to experts associated with retailers, how to improve image and quality is a very important strategic question, as it determines which products are sold as PL products. Further, retailers

realize that a successful product group can invite a lot of new consumers. (For example the good quality but low-priced baby care products of Tesco increased the sales volume of the firm.) In case of international retailers, the decision on the assortment policy of PL products is also international. The centre finds the products, tests the market, and if the product is successful, it will be put to the market of other regions.

In case of regional PL products, the suppliers are usually chosen in (on-line) tenders. This can increase imports but also gives opportunity for Hungarian firms. Unfortunately most of the Hungarian food industrial firms are too small to supply a regional market, so they are rarely successful in these tenders.

In case of foods where national taste and tradition are more important, it is more common for the retailer to develop PL products, especially for the domestic market. In many cases, these products are developed in co-operation with a national supplier who is leader in the domestic market, or has a strong national brand. This gives more opportunity for the Hungarian food industrial companies.

3.3 Effects of PL Products on the Food Industrial Suppliers in Hungary

Preferences for PL products are spreading rapidly in Hungary and therefore this makes it difficult for producers to stay out from the production of them. The average share of PL products within the total companies indicated higher values in 2010 (40 %), compared to 2014 (26 %). The reason of the difference originates in the different samples. While the research of 2010 concentrated on only PL producers, the research of 2014 examined the whole Hungarian food industry from many aspects, using a representative sample. This sample comprised 76 companies from which 31 companies took part in the PL production in 2014. It means that 41 % of the Hungarian food industrial firms was involved in PL production in 2014. The share of PL products in the supply of small and medium companies represented higher ratios in comparison with large companies, where the main goal is the maintenance of their own manufacturer brand (Table 2).

According to the in-depth interviews of 2010 and 2014, the food industrial companies applied different strategies. The first strategy was called “joining in order to save my market”, meaning a defence solution. The second strategy was the opposite of this: it was typical in the case of smaller, follower firms which tried to gain market by winning the production right of PL products, imitating the products of a big food industrial firm. This is a typical offensive strategy which was called “joining in order to expand my possibilities”. The majority of firms still resisted the production of PL products (45 out of 76 in 2014), because they did not have enough production capacity and/or protected their own brands.

According to the Hungarian food industrial firms, the most important advantage of production of PL products is capacity utilization. The importance of calculable

Table 2 Share of PL products from the sales in the interviewed enterprises in value terms in Hungary in 2010 and 2014, per cent

	Small enterprises (under 50 employees)		Medium enterprises (50–249 employees)		Large enterprises (over 250 employees)		Total	
	2010	2014	2010	2014	2010	2014	2010	2014
Share of PL products								
Average rate (per cent)	47	27	47	29	32	24	40	26
Number of enterprises (piece)	6	13	7	8	11	10	24	31

Source Survey of the food chain analysis department of AKI

income ranked second place in 2014, with 32 %. This result is nearly two times better than the 2010 ranking. The continuous, predictable production volume is important for the companies, for technological and financial reasons (liquidity, predictable selling and income). It is also an advantage that, in case of those companies which produce PL products in large proportion or exclusively, there is no need for marketing activity and merchandising, resulting in lower costs for the company. Lower back conditions, closer cooperation with the retailers, advantageous in-listing of other products were also mentioned as positive effects of PL products (Table 3).

The low profitability and the brand “cannibalization” were mentioned the most frequently by the suppliers as disadvantages of PL production. It emerged several times that the store brand produced by the supplier raised competition against the supplier’s own manufacturer brand. As several experts noted: the commercial chain’s private label production “cannibalised” the market potential of their manufacturer brand. This danger is also increased by the fact that the composition and quality of the private label brand is often very similar to that of the manufacturer brand and customers quickly get to know this through the rational-minded (non brand-dependent) and “curious” consumer groups. Vulnerability and uncertainty have been cited often, caused by the full replaceability of the product and of the manufacturer. The danger of replacing supplier and de-listing product without consumers’ reactions in the case of private labels. This is especially likely where there is no improvement in quality. At the same time, losing a large volume order of store brand products may cause serious difficulties for a supplier, especially if the packaging material is bought or even private label products are manufactured and these products which are not marketable elsewhere remain in stock. In the case of on-line tenders generally used for procuring store brand products, several objective problems emerged at the domestic companies, including, for example, their insufficient capacity (Table 4).

Table 3 Advantages of production of PL products according to the suppliers in Hungary in 2010 and 2014, per cent

Advantages	Small enterprises (under 50 employees)		Medium enterprises (50–249 employees)		Large enterprises (over 250 employees)		Total	
	2010	2014	2010	2014	2010	2014	2010	2014
Capacity utilization	33	54	29	63	64	50	46	55
Calculable income	17	46	14	38	18	10	17	32
General, large production volume	17	38	43	25	45	20	38	29
Covers general costs	17	15	57	25	9	40	25	26
Less back condition	17	23	0	38	9	10	8	23
Increasing/keeping market share	0	15	0	25	27	20	13	19
No marketing cost	0	23	14	25	9	0	8	16
Logistical advantage	33	15	0	13	9	0	13	10
Number of enterprises (piece)	6	13	7	8	11	10	24	31

Source Survey of the food chain analysis department of AKI

Table 4 Disadvantages of production of PL products according to the suppliers in Hungary in 2010 and 2014, per cent

Disadvantages	Small enterprises (under 50 employees)		Medium enterprises (50–249 employees)		Large enterprises (over 250 employees)		Total	
	2010	2014	2010	2014	2010	2014	2010	2014
Low profitability	33	15	43	38	91	30	63	26
Brand “cannibalization”	50	8	0	38	36	40	29	26
Replacement of products	0	15	14	25	9	20	8	19
Replacement of suppliers	0	8	29	25	36	10	25	13
Negative price spiral	17	8	14	25	18	10	17	13
Dependence from retailers	33	8	14	13	9	20	17	13
Danger of ruining quality	0	0	0	13	36	0	17	3
No possibility for market growing	17	0	0	0	9	0	8	0
Number of enterprises	6	13	7	8	11	10	24	31

Source Survey of the food chain analysis department of AKI

4 Perspective

The primary objective of this paper was to evaluate PL products as a phenomenon from the point of view of consumers, retailers and suppliers. We wanted to determine if PL products provide value for each of the three groups within the

food supply chain. Our conclusion is that it is impossible to give a simple evaluation for PL products. Consumers obviously benefit from high-quality PL products that are priced below branded products. For retailers and suppliers, benefits seem to depend on several factors: the strategy; the characteristics of the actors; capacity utilization; logistics; etc. For some firms, producing PL products is clearly disadvantageous. Other firms have found the production of PL products to be a great success story, while some have simply lived with these products.

As it is impossible to simply judge the role of the PL products in the food economy, it is also difficult to give advices for policy makers, market actors regarding this phenomenon. Our conclusion is that the spreading of PL products is a natural tendency and most of the actors of the food economy (consumers, retailers, suppliers) benefits from it. For those suppliers for whom this trend is disadvantageous the solution is “raising consumers’ awareness”, meaning that they should emphasize the benefits of locally produced food, the importance of knowing the identity of producer and the origin of the ingredients. For this the usage of local or national trademarks could be a good instrument.

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The PLs Role in Spanish FMCG Sustainable Markets: An (Almost and So Far) Missed Opportunity?

Victoria Labajo, Carlos Martínez de Ibarreta, and Carmen Valor

Abstract The purpose of this paper is to gain insights into the retailer's and the PLs' role in the growth of the sustainable Spanish FMCG market; in particular, it will describe the current situation of sustainable third-party granted labels (Organic, Fair Trade, FSC, MSC, Rainforest Alliance, Ecolabel and Leaping Bunny), based on Nielsen retailers' panel Scan Track (2012–2013, Madrid region). To assess the current role of PLs in the sustainable market, it examines private labels and national brands' sales (units and €), numerical distribution (percentage of retailers selling the product), prices and sales in promotion (units and €). The findings show that national brands are still leading the sustainable market, but there is room for the development of growing and high-value niche markets by retailers.

Keywords Sustainable labels • FMCG • Private labels • Retailer strategy • Spain

1 Introduction

The sustainable market is booming (e.g. FIBL-IFOAM, 2014) Despite the current recession, demand for sustainable products keeps increasing, and Fast Moving Consumer Goods (FMCG) manufacturers and retailers are stating that sustainability is increasingly central to their business (BCG, 2009). In this paper sustainable products and sustainable labelled products are defined, following Carrero and Valor (2012, p. 631), as those products with a social or environmental commitment, “having achieved, or being on the way to achieving, a better level of environmental or social performance than non-labelled products”. Sustainable products or sustainable labelled products include, *inter alia*, organic, fair trade, and environmentally friendly goods; sustainable is used here as an umbrella term to include green, environmental, animal testing, and other related denominations.

The idea that PLs would help grow the sustainable market is not new and has been advanced by many authors (e.g. Cliquet, 2009; Morschett, 2009; Reynolds,

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2009); evidences have been found in the organic market (Nielsen, 2010; Organic Monitor 2010a, 2010b) of the leading role of retailers' and PLs in the market growth.

Sustainable PLs embody an opportunity for setting up a win-win strategy for both consumers and retailers. First, they may represent an affordable alternative for consumers which would overcome the problem of a premium price, as well as the availability in stores. Also, the reputation of the retailer may help overcome the problem of lack of trust in the labels. Second, sustainable PLs constitute a worthy tool for retailers to build up a superior reputation/image and quality positioning, to improve loyalty or to differentiate its offerings from competing retailers (Ailawadi & Keller, 2004; Burt, 2000; Gupta & Wilkins, 2002). Thus, retailers emerge as key agents in seizing this sustainable market, either by adding sustainable references to their portfolios or by creating their own sustainable brands—leading to a so-called accessibility model—(Dupuyet, Valor, & Labajo, 2010; Puellas, Labajo, & Valor, 2011).

In Spain, sustainable brands have yet to reach the mainstream channels. Examining the organic market, the only one for which there is available data, supercentres and supermarkets account for less than one third of total organic sales (MAGRAMA, 2012); in contrast, specialist stores play a leading role (50–60 %). This market structure is seen as a liability for the growth of organic products (Picazos, 2002; Sánchez et al. 2001; Schmid, Fontguyon, & Sans, 2007; Vega, Parras, & Torres, 2007). Moreover, it is considered the main reason why the internal market does not get developed (Spain is one of the main global producers of organic goods, but the production is exported).

This study aims to describe the participation of national brands (NB) and PLs in the sustainable market. Compared to previous studies this paper enlarges the number of analyzed sustainable labels (seven social and environmental labels are examined). It examines specifically NBs and PLs' market share, availability (numerical distribution), price, and promotion. This is an area of limited research: regarding sustainable markets, most studies have focused on price and price-related strategies, specifically for organics and fair-trade products (e.g. De Pelsmaker, Driesen, & Rayp, 2005; Hammarlund, 2002; vanHerpen, van Nierop, & Slood, 2012); beyond price, a significant part of studies concentrate on studying marketing strategies for sustainable PLs (e.g. Bezawada & Pauwels, 2013; Rivera & Sánchez, 2002). Few studies have attempted to unveil differences in sustainable markets between NBs and PLs; to our knowledge, only Ngobo (2011) examined such differences in the organic market to conclude that consumers were more likely to buy organic PLs. This paper also contributes to the development of the suggested model of accessibility, by providing insights to FMCG retailers.

2 Obstacles for Sustainable Shopping in FMCG and PLs' Opportunity

Obstacles for Consumers to Buy Responsibly The main barrier cited by consumers is the price (e.g. Jolly, 1991; Nielsen, 2010; Sánchez et al., 2001), although it is less mentioned by the most conscious consumers (e.g. Gil, Gracia, & Sánchez, 2001; Rivera & Sánchez, 2002; Sánchez et al., 2000); for some, it is even an indicator of quality, considered similar to *gourmet* products (e.g. Urbano & Temprano, 2004). Actually Ngobo (2011), in his study of organic products in France, found that demand reacts negatively to price cuts. There is also evidence that a significant group of consumers are willing to pay a premium price for sustainable products (e.g. Canavari, Nocella, & Scarpa, 2005; Deloitte and Fundación Entorno, 2013; Royné, Levy, & Martínez, 2011).

Audit studies have found that organic goods sell at premium prices, although the price differential varies across type of stores and product categories (Urbano & Temprano, 2004; Vega et al., 2007). In food, the premium price is approximately 20–40 % (Vicente, Izaguirre, & Tamayo, 2007). This premium is much higher than the one accepted by consumers—between 10 and 20 %—(e.g. CECU, 2010; Sánchez et al., 2001; Deloitte and Fundación Entorno, 2013).

Other obstacles cited in the literature are the reduced offer and availability at mainstream stores (Gottschalk & Leistner, 2012) or the distrust and lack of knowledge about these products, and limited awareness of sustainability labels (Carrero & Valor, 2012; Grunert, Hieke, & Wills, 2014).

PLs and Sustainable Products The price gap between PLs and manufacturers' brands has been found in several countries. In Spain, several researchers (e.g. Vicente et al., 2007; Puellas, Briz, & Labajo, 2008), have found that the price of organic PLs is higher than the non-organic PLs, but consistently inferior to NBs (between 15 and 20 %).

Although some authors contend that PLs are especially successful in low involvement products (Semeijn, van Riel, & Ambrosini, 2004), the truth is that PLs are migrating from a standard segment, with a strong focus on price, towards value and premium segments—the so called “fourth generation” of PLs—(Laaksonen & Reynolds, 1994; Reynolds, 2009). In fact, many recent PLs' introductions in FMCG market focus on six innovative and targeted product segments: Green/ethical; Healthy; “Geo”—local, regional, ethnic, exotic-; Kids/baby; Food-to-go; and Premium (PLMA, 2014). Sustainable products are placed in this area of premium FMCG products. Therefore, the inclusion of sustainable PLs would be consistent with this stretching strategy and would help improve the positioning of PLs as quality brands.

3 Method

Data was obtained from the Nielsen retailers' panel called Scan Track (sample of 59 superstores and 770 supermarkets, all located in the city of Madrid, although they usually have stores in other regions as well). Stores not based on free service are excluded from the universe. Also, fresh food is excluded from the analyzed categories. Aggregated observations were given by Nielsen, differentiating between product categories and between certified and non-certified products, national brands (NB) and private labels (PL). Data cover a time span of 104 weeks, from January 2012 to December 2013. Five variables were given by Nielsen: sales (units), sales (€), numerical distribution (percentage of retailers selling the product), sales in promotion (units), sales in promotion (€). Prices are calculated by dividing sales value by sales volume. Therefore, price is given as a unit value, not actual price.

Given that sustainable labels are not coded in the bar code, an audit took place to identify the SKU carrying a sustainable label. Only third-party labels were considered: Organic, Fair Trade, Forest Stewardship Council, Marine Stewardship Council, Rainforest Alliance, and Leaping Bunny. Previous studies had found that these were the third-party labels with highest penetration in the Spanish shelves (Carrero & Valor, 2012). In the results section, data was computed for a selection of product categories. These were chosen as they meet two criteria: (1) Their share over total FMCG sales is significant ($>1\%$); (2) The share of sustainable brands in these categories is above average ($>4.4\%$) (Table 1).

Table 1 Selected categories: penetration in FMCG and penetration in the sustainable market

	Share over total FMCG sales (%)	Share of sustainable brands over category (%)
Milk	6.8	21.4
Soft drinks	6.2	6.6
Yogurt	4.9	5.6
Wine	3.2	8.9
Sliced bread	1.5	4.3
Toilet paper	1.5	4.4
Roasted coffee	1.5	9.6
Soups	1.4	31.9
Juices	1.3	33.9
Ice-creams	1.3	13.2
Total	29.7	12.7

4 Results

Total share of PLs in the sustainable market is approximately 20 %. This penetration is significantly lower than that of the non-sustainable market, where PL reaches 30.8 % of the FMCG market (Nielsen, 2014). Sustainable brands account for 6.3 % over total NB, but this figure halves in the PL (2.55 %).

If we examine the share of NB and PL in each sustainable label, we conclude that NB dominates, with shares larger than 90 % in most of the labels (Rainforest Alliance, 99.3 %; Fair trade, 93.1 %; Ecolabel, 92.3 %). Yet, PLs have a larger penetration in MSC (41.2 %), Leaping Bunny (27.4 %), and FSC (25 %).

It is especially remarkable the case of Organics. PLs account for 11 % of total organic sales. However, in other OECD-countries PLs are regarded as the major drivers of the market (Jaenicke, Dimitri, & Oberholtzer, 2011). Both growth rate and market share are smaller than the figures reported in other countries, such as United States where PLs account for 25 % of the organic market (Nielsen, 2010) or Germany—40 %—(Jonas & Roosen, 2005). In contrast, sales of sustainable PLs have grown in other labels, such as Fair Trade (fivefold increase), MSC (threefold increase), and Rainforest (twofold), whereas Ecolabel has not changed and sales of PLs certified with Leaping Bunny are decreasing.¹

Zooming on product category, we reach the same conclusion: NBs are dominant in most product categories. However, PLs are over average in juices and toilet paper. Both categories should be considered close to commodities, which could explain why PLs are dominant. Even when penetration is still low, the growth rate of PLs is remarkable in categories such as coffee (25 %), wine (22 %), or soft drinks (20 %).

These results are not surprising when the numerical distribution is assessed (ND is the percentage of stores that over the period under examination has stocked or sold any sustainable brand). Most stores carry a certified NB product, although the figure drops in certain categories—one third of stores offered a sustainable alternative in toilet paper or two thirds carry a sustainable SKU in coffee. In contrast, availability of sustainable alternatives under a PL is marginal, except for wine. The only category for which availability is similar for both NB and PL is toilet paper. Pearson correlation coefficients show that there is a significant, positive correlation between distribution and sales for both NB and PL in most categories (Table 3).

Apart from availability, the other main barrier to increased sales is price premiums. This study confirms previous evidence that there is a price premium for sustainable brands (even as much as three times the price of non-sustainable SKU in

¹ Leaping Bunny label has a very limited penetration in categories related to body care; its market share is marginal if calculated over the sustainable market (0.23 %) or over total market (0.01 %). Moreover, Leaping Bunny certification in Spain has lost relevance since a full ban by European Commission on cosmetics that have been tested on animals entered into force since March 2013. The ban, announced by the European Commission, extends previous restrictions and now outlaws the sale of products tested on animals outside Europe.

Table 2 Availability and price differential

	NB numerical distribution	PL numerical distribution	NB price	PL price	Differential price (NB/PL)	Change in differential (2013/2012)
Ice cream	85.9	5.4	9.89	5.32	1.86	0.45
Juices	88.2	30.2	1.15	0.80	1.45	−0.14
Milk	95.1	26.3	1.01	0.78	1.29	−0.06
Roasted coffee	66.5	4.1	27.18	11.70	2.32	−0.34
Sliced bread	93.5	1.7	3.57	6.26	0.57	−0.07
Softdrinks	99.8	16.2	1.45	0.82	1.78	0.03
Soups	99.9	9.8	1.07	1.20	0.89	0.16
Toilet paper	29.6	11.2	0.25	0.17	1.53	−0.10
Wines	99.9	97	1.81	1.02	1.78	−0.05
Yogurt	99.8	4.4	4.36	3.44	1.27	−0.04

roasted coffee or ice-cream), although there is no premium in certain categories such as wine and toilet paper. Moreover, the price of sustainable brands, on average, has reduced compared to 2012 by 3.62 % whereas prices of non-sustainable brands are stable (+0.7 %).

As expected, the premium is mostly found in NBs rather than in PLs, except in soup and bread. PLs sustainable brands are up to 41 % cheaper than NBs. Differences in prices between the two may reach 167 % in coffee, 75 % in soft drinks, 41 % in ice-creams or 30 % in yogurts. Even more, in some categories—e.g. soft drinks, ice-creams, milk, and juice—the sustainable PLs are cheaper than the non-sustainable NBs. Yet, the difference in price is shortening. The change in price differential suggests price convergence in most categories (only in ice creams price differential shows a significant growth).

Correlation coefficients are not consistent across categories. Therefore, it cannot be stated that there is a consistent negative relationship between price and sales; rather, this relationship differs when we compare NB and PL. In sliced bread, for instance, the correlation is negative for NB which suggests that sustainable brands are normal goods, whereas it is positive for PL, suggesting they are luxury goods. In some categories, the sign of the correlation coefficient is the opposite in NB and PL, whereas in other categories is the same. Variations are probably due to the product category which suggests that intrinsic features of the category or its market structure explain the differences in consumers' reaction to sustainable SKUs price. The findings of Bezawada and Pauwels (2013) or Ngobo (2012) show that sales of organic goods are higher in high purchase frequency, virtue goods, or those that come directly from the farm; conversely, sales were lower in concentrated categories and promotional categories (i.e. that feature prominently in store flyers) (Tables 2 and 3).

Even when there is a price premium, promotional intensity is similar to that of non-sustainable brands (23 vs. 22 %). Wide differences are found between NBs and

Table 3 Correlations between price, numerical distribution and sales

	NB price–sales	NB ND-sales	PL price–sales	PL ND-sales
Ice cream	0.17	0.29*	−0.55*	0.80*
Juices	0.18	0.20*	−0.37*	0.33*
Milk	0.29*	0.34*	−0.57*	−0.40*
Roasted coffee	0.50*	0.62*	−0.75*	0.62*
Sliced bread	−0.21*	0.63*	0.47*	−0.03*
Soft drinks	−0.10	0.09	−0.36	0.36
Soups	0.34*	−0.23*	0.05*	0.46*
Toilet paper	−0.55*	−0.04	−0.77	0.44
Wine	0.17	0.40*	0.15*	−0.04*
Yogurts	−0.50*	0.48*	−0.04*	0.47*

Pearson correlation coefficients; *significant at the 5 % level

Table 4 Promotion intensity: promotion width and reach

	Promotion width (% units sold in promotion over total sales)		Promotion reach (% of stores stocking or sold in a sustainable SKU in promotion)	
NB	PL	NB	PL	
Ice cream	36.6	1.4	47.7	0.2
Juices	10.7	4.6	27.2	5.3
Milk	14.3	10.9	49.2	10.4
Roasted coffee	37.4	0.2	23.6	0.3
Sliced bread	23.7	2.0	45.7	0.3
Soft drinks	31.6	2.1	57.9	3.4
Soups	25.4	27.4	42.6	1.4
Toilet paper	77.3	29.6	21.4	5.3
Wine	17.2	4.5	58.2	5.4
Yogurts	25.4	2.2	38.9	1.0

PLs: one third of NBs sales are in promotion, whereas this figure amounts to 10 % among PLs. There are only NB-led promotions in labels such as Ecolabel, MSC and Rainforest. The only exception is soups: PLs sell more under promotion than NBs.

Unsurprisingly, promotional reach of PLs is lower than that of NBs; actually, promotion of PLs is almost marginal (milk is the category with the highest reach and can be found in 1 out of 10 stores). There are important differences label wise; organic goods could have been found in promotion in 7 out of 10 stores distributing these goods. In contrast, reach of promotion is marginal for both Fair Trade or MSC-certified goods (Table 4).

5 Concluding Remarks and Managerial Implications

Retailers in Spain are missing the opportunity to drive the development of the sustainable market following the path of countries like Germany, Switzerland, or US. It is a fact that sustainable labels account for a great deal of FMCG growing: data shows that, in 2013, sustainable goods growth is ninefold higher than that of non-sustainable labels. This opportunity is seized by NBs, whose leadership in the sustainable market is beyond doubt. Market share of PLs is much lower than the one observed in other countries. The percentage of stores carrying sustainable brands reinforces the idea that only a minority of retailers are introducing them in their portfolios and that these retailers are in all likelihood not the leaders in the industry.

This situation could be due to retailers failing to see a competitive advantage in adding sustainable goods in their portfolios or in creating their own sustainable PLs. Previous studies, as mentioned, confirm that added-value PLs (fourth generation) provide retailers with great opportunity to differentiate and improve quality/and responsible-conscious positioning. Sustainable PLs constitute, indeed, an innovative product segment. The offer of sustainable PLs allows retailers' response to new market requirements through new values (environmental and social consciousness, workers' rights defense, healthy), thus improving their own image and reputation in comparison with that of the NBs.

Besides, data shows a good demand reaction to lower prices for PLs; this suggests that retailers have an opportunity to tap on the price barrier in sustainable labels. Nevertheless, wide differences across categories can be observed. This suggests that intrinsic features of the category and/or its market structure explain differences in consumers' reaction to sustainable SKUs price. Further studies should focus on identifying these features and their influence on sales.

The great centralization in distribution in most developed countries contributes to an advantageous position for PLs in big retailers' portfolio by the substitution of NB with PLs. There are also gains for small or local suppliers due to direct contracts with retailers to produce PLs (Guptill & Wilkins, 2002). Centralization and globalization implies that retailers could foster the sustainable market by means of portfolio strategies, offering the same assortment in different countries. This appears to be the case in the Spanish market: retailers introducing sustainable labels in their portfolios do so as a result of a global strategy for their portfolio (Carrero & Valor, 2012).

Future lines of research should attempt to estimate panel data models to determine elasticities to price and ND, and assess if there are significant differences between PLs and NBs, as well as modelling consumer choice between PLs and NBs, identifying key factors driving demand for each type of brand. Also, differences across countries should be examined, as the positioning of PLs seem to differ, together with the demand reaction.

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Part V
Consumer Behaviour II

Do Private Labels Lead to Store Loyalty? An Integrated Framework of Analysis Using a Structural Equation Modeling Approach

Rita Coelho do Vale, Pedro Verga Matos, and Jorge Caiado

Abstract In this study we follow an integrated approach- combining in-store characteristics and economic factors- to assess the role of private labels (PLs) as a driver of store loyalty, across different types of retailers. We apply structural equation modeling to a large survey collected online, with results at aggregate level indicating that PLs loyalty indeed seems to contribute to store loyalty. However, when analysis takes into consideration the different types of supermarket (low-cost, medium-cost, and premium), findings suggest that PLs play a critical role in generating consumers' loyalty behavior exclusively in medium and premium supermarkets.

Keywords Store loyalty • In-store drivers • Economic factors • Private labels

1 Introduction

The retail industry suffered significant changes in the last decades (Ailawadi & Keller, 2004). From the evolution of traditional direct trade to self-service trade, to a significant raise in the competition between players, retailers have been forced to adopt new strategies to differentiate themselves (Kim, Lee, & Park, 2014). One strategy retailers often use to enhance customers' preferences towards their stores is the introduction of store brands (Steenkamp & Dekimpe, 1997; Kumar & Steenkamp, 2007). Indeed, private labels (PLs) have been gaining increasing importance throughout the world (Sethuraman & Gielens, 2014) with store brands being present in almost every product category (Geyskens, Gielens, & Gijsbrechts, 2010; Nielsen, 2012). Some of the advantages referred to by this phenomenon is that private labels offer retailers a mechanism to reach differentiation in the

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consumers' market by providing a set of distinctive products to its customers (Sayman, Hoch, & Raju, 2002), as well as to help retailers strengthen consumer loyalty (Ailawadi, Pauwels, & Steenkamp, 2008; Corstjens & Lal, 2000). However, the strategy of introducing private labels is not a "lonely action".

Notwithstanding almost all retailers started including their own private labels in their assortment (Dawes & Nenycz-Thiel, 2013; Geyskens et al., 2010), this strategy was also accompanied, in time, by the implementation of several other differentiation factors. Hence, the impact of PLs differentiation may be residual. Although the presence of competitive PLs can positively influence store loyalty (Ailawadi et al., 2008), there are many other factors that may contribute likewise to it, namely convenience (Sawmong & Omar, 2004), service quality (Bloemer & De Ruyter, 1998) and supermarket appearance (Ray & Chiagouris, 2009). Therefore, in order to analyze the impact of private labels' loyalty on store loyalty, it is important to develop an integrated framework of analysis that encompasses all different factors that may influence consumers' shopping experience and store loyalty (Kim et al., 2014).

In the present research we include not only the most commonly studied driven-factors for store loyalty as stores' appearance, service environment and service quality, but also other factors that can significantly influence consumers' store loyalty and that are not so commonly studied, such as economic factors (e.g., existence of store loyalty programs) and consumers' loyalty towards the store brand. Moreover, because each retailer can invest in specific differentiating factors, we run our analysis across different types of retailers, following a classification that combines both pricing policies as well as levels of services offered (Low-cost: EDLP strategy, minimum level of services-; Medium-cost: hi-low pricing strategy, medium level of services; and Premium: high pricing policy, high level of services), in order to assess which factors lead to store loyalty and to what extent PLs contribute to them.

2 Theory

One of the reasons often elicited by past research to justify the massive introduction of PLs across retailers has been the increase in store loyalty, supposedly helping to distinguish the chains from other chains (Ailawadi et al., 2008; Steenkamp & Dekimpe, 1997). However, despite previous work that tried to assess relationship between PLs adoption rate and consumers' loyalty towards the stores, it is yet inconclusive what the relationship is between private labels' loyalty and store loyalty (Ailawadi et al., 2008). That is the aim of the present research.

2.1 *Store Loyalty*

Regarding the conceptualization of store loyalty, there is no universal agreement on its definition (Blut, Evanschitzky, Vogel, & Ahlert, 2007; Kumar & Shah, 2004). Some authors propose it can be measured focusing on consumers' intentions to continue purchasing (Sirohi, McLaughlin, & Wittink, 1998), while others suggest it can also be measured focusing on consumers' behavioral characteristics as frequency of store visits or average volume spent (Ailawadi et al., 2008; Sawmong & Omar, 2004). In the present research we define store loyalty as the propensity for consumers to use a store (McMullan & Gilmore, 2008) with this propensity translating simultaneously into consumers' attitudinal and behavioral characteristics (Blut et al., 2007; Oliver, 1999). We build on Oliver's (1999) four-stage loyalty model assessing loyalty through four items that tap cognitive, conative, affective, and action loyalty.

2.2 *Explanatory Factors and Hypotheses*

Different factors related to the store's physical characteristics can play an important role when determining the customers' store choices. When the store's atmosphere, comfort and overall presentation are able to create a pleasant purchase experience, customers tend to shop with more ease (Dabholkar, Thorpe, & Rentz, 1996; Mesquita & Lara, 2007; Ray & Chiagouris, 2009). Customers also value the convenience of shopping positively influencing their store (Dabholkar et al., 1996; Sawmong & Omar, 2004) and appreciate employees who transmit confidence and have a strong ability to develop social relationships with them (Blut et al., 2007). Finally, customers tend to be more loyal to stores that fit their reference groups or that suit groups they aspire to join (White & Dahl, 2006). This leads to the following hypothesis:

H1: The higher the consumers' evaluation of retailers' in-store characteristics (store appearance and environment, store convenience, store employees, merchandising, services quality, and store social groups) the higher their loyalty towards the store.

Besides the previously described in-store characteristics, there are also economic drivers that can influence consumers' store choice. Previous research has outlined the importance of price and promotions (Bell, Ho, & Tang, 1998; Pan & Zinkhan, 2006), the relevance of switching costs on consumers' intentions to stay with their current preferred store (Burnham, Frels, & Mahajan, 2003) and the influence of loyalty programs on in-store satisfaction and store loyalty (Bridson, Evans, & Hickman, 2008; Demoulin & Zidda, 2008; Dorotic, Bijmolt, & Verhoef, 2012). Thus, we hypothesize the following:

H2: The higher the consumers' evaluation of retailers' distinctive store economic drivers (store pricing policy, store switching costs, store loyalty scheme, and store promotions), the higher the consumers' loyalty towards the store.

Additionally, since PLs are exclusive products of a specific retailer (Kumar & Steenkamp, 2007), we propose that when consumers are loyal to PLs, they are also likely to be loyal to the store. This happens because customers know that they cannot find the same brand in other store, with PLs being an additional way of store differentiation (Hoch & Banerji, 1993). Therefore, we hypothesize that:

H3: The higher the consumers' loyalty towards retailers' store brand, the higher their loyalty towards the store.

Moreover, due to the fact that PLs have gained increasing importance throughout the world (Sethuraman & Gielens, 2014) with store brands present in almost every product category (Geyskens et al., 2010; Nielsen, 2012), we also try to identify in our integrative framework, the underlying factors that influence consumers' loyalty towards the store brands developed by retailers. Previous research identified store image (Liu & Wang, 2008), trust in retailers store brand (Kumar & Steenkamp, 2007), PLs quality perception (Steiner, 2004), and PLs competitive price as possible contributing factors of PLs loyalty. We therefore hypothesize that:

H4: The higher the store brand products' image, the level of trust in PLs, the PLs perceived quality and PLs price competitiveness, the higher the consumers' loyalty towards the private label products.

Finally, we propose that depending on the type of supermarkets that consumers are loyal to, different factors will be perceived as relevant by consumers when deciding where to shop. In a similar vein to the work developed by Gauri, Trivedi and Grewal (2008), we classify supermarkets' positioning based on a services and pricing strategy combination, analyzing to what extent this will lead to the identification of different loyalty-driving factors. We classify as *low-cost retailers* all those that tend to follow an everyday low price strategy (EDLP) and offer minimum level of services, *medium-cost retailers* are those that follow a high-low pricing strategy (Hi-Low) and offer medium level of services and *premium retailers* are categorized as those that follow a high level pricing policy, offering simultaneously high level of services. Thus we propose that:

H5: The impact of each of the factors proposed in H1, H2, and H3, on store choice behavior, will differ depending on the type of retailers' market positioning strategy (Low-cost, Medium-cost, and Premium).

3 Methodology and Results

Data was collected through an online survey in Portugal, where the retailing market is moderately concentrated and where PLs market share represent about 32 % (Nielsen, 2012). A total of 1403 participants opened and viewed the link, but only 824 started the survey. 264 participants dropped out after starting, leaving a total sample of 560 completed surveys (response rate of 67.96 %).

Out of these, only 469 reported to be the household member who had primary responsibility for grocery shopping. The final sample reported an average age of 42 years old, with 69.9 % of the respondents being female. In terms of household structure, the majority of them have at least 3 elements (56.3 %), with an average of 1.76 children. 59.9 % of the respondents reported to shop primarily on the two retailing chains with highest market share (which together represent about 50 % of the market), indicating that our sample was representative of the grocery purchase patterns of the market under analysis.

In order to assess each of the main constructs identified in the literature as possible store loyalty driving factors, we adapted both items from previous studies and also created some new items. All items were measured using 7-point scales (1 = totally disagree; 7 = totally agree) and reported adequate reliability indicators (all α s > 0.69). Regarding our dependent variable- Store Loyalty- we adapted four items developed by Blut, Evanschitzky, Vogel and Ahlert (2007), each one measuring different types of loyalty, in accordance with the model proposed by Oliver (1999).

3.1 Measurement Model

We used structural equation modeling (SEM), to analyze the relationship between in-store characteristics, economic drivers, private label loyalty factors and store loyalty, using a two-stage procedure proposed by Acock (2013) and Hair et al. (2006). First, we conducted a measurement model which specifies the rules of correspondence between latent and observed (measured) variables, followed by the analysis of the structural path model, which examines all the relationships among the constructs or latent variables.

In the first stage, a confirmatory factor analysis (CFA) was performed to test how well the observed variables represented the underlying latent constructs. The factor loadings estimates were computed by the maximum likelihood method, identifying which standardized loading estimates were 0.5 or higher, indicating convergent validity (Hair, Black, Babin, Anderson, & Tatham, 2006). We then computed the fraction of variance explained by each observed indicator (coefficient of determination) and the overall coefficients of determination for each model.

In the second stage, we performed the analysis of data using the structural path model, by specifying the relationships between the in-store, economic, private label

loyalty factors and store loyalty constructs, just including the variables with significant loadings identified by the CFA.

Lastly, in order to test H5, where we proposed that the relationship between the explanatory factors and store loyalty could differ depending on each retailers' market positioning, we performed a multi-group analysis dividing the sample into three different groups of retailers (Low-cost, Medium-cost, and Premium). We fit the model constraining the measurement coefficients of all the indicator variables, along with their covariances to be equal across groups (for more details see Acock, 2013).

3.2 Statistical Analysis and Results

We ran separately the measurement models for each relevant group of constructs (in-store characteristics, economic drivers, private label loyalty factors and store loyalty measure). Table 1 contains the significant results of SEM estimation in the final model. The fit measures indicate a good model fit ($\chi^2/df=2.14$, RMSEA = 0.049; CFI = 0.962 and TLI = 0.951). As we can observe in this table, from the initial proposed 11 latent constructs that could influence store loyalty, the final model indicates that only five constructs are statistically significant at conventional levels (all $p < 0.01$).

In terms of differentiating in-store characteristics, the service provided by the retailer seems to be the one most valued by consumers ($\beta = 0.283$), followed by convenience associated to the store ($\beta = 0.227$) and the characteristics of consumers shopping in that store ($\beta = 0.186$), partially supporting our hypothesis 1. Regarding economic driving-factors, with the exception of stores' pricing policy ($\beta = 0.250$), all other factors are not relevant when trying to understand store loyalty, just partially supporting our hypothesis 2. Regarding our H3, this hypothesis is fully supported, highlighting the importance of private labels' development as a differentiation strategy. In our final model, loyalty towards the private label offered by each retailer was the most relevant explanatory factor associated with store loyalty ($\beta = 0.289$). This is in line with the growing importance of private labels in the majority of countries, with most retailers investing heavily in their own store brand development. Interestingly, when testing H4, findings reveal that the private labels

Table 1 Standardized estimates in the final model

Path	Estimate	S.E.	z-statistic
Store loyalty ← Private label loyalty	0.289	0.068	4.26*
Store loyalty ← Price policy	0.250	0.051	4.88*
Store loyalty ← Convenience	0.227	0.065	3.49*
Store loyalty ← Service	0.283	0.059	4.81*
Store loyalty ← Social groups	0.186	0.048	3.88*
Private label loyalty ← PL quality	0.746	0.026	28.44*

Notes *Significant at the 1 % level

perceived quality is the most important factor explaining consumers' loyalty towards PLs, with both the direct effect of quality on private label loyalty ($\beta = 0.746$) and the indirect effect of quality on store loyalty ($\beta = 0.216$, $p < 0.01$) being positive and significant, revealing that PLs quality is a critical factor for PLs sustainable penetration.

When testing our hypothesis 5, findings suggest that depending on the type of supermarket participants are loyal to, different factors determine their choice. Findings indicate that consumers' loyalty towards the private labels is not always a critical store loyalty factor, depending on the type of supermarket of consumers' election.

4 Discussion

The contributions of this paper are threefold. First, when analyzing at aggregate level all the different supermarkets in the sample, we identify that the most relevant in-store and economic driving-factors that contribute positively to consumers' store loyalty are the level of convenience, the service offered by each store, the level of identification with other consumers shopping in that store (social groups) and also the pricing policies adopted. Interestingly, despite no previous work highlighting the importance that other consumers shopping in the store can play on consumers' loyalty behavior, in our current framework this factor reveals to be significant and of major importance. Second, findings suggest that consumers' loyalty towards private labels is mostly driven by its quality. This is interesting because the initial positioning strategy of store brands was based on low price, while our results suggest that the adoption of private labels is no longer dependent on its initial pricing strategy, but has shifted towards quality, as suggested by Kumar and Steenkamp (2007). Third, results stress the importance of consumers' loyalty towards the PLs offered by each retailer on consumers' store loyalty, when taking into consideration all the other proposed driving factors. However, when analysis is run across different retailing strategic groups, private labels seem to play a relevant role only on those supermarkets belonging to the medium-cost and premium group. This result is of major relevance for retailers since it highlights that despite the growing importance of PLs in retailers' assortment, its impact on loyalty may not always be significant, depending on retailers' market positioning.

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Attitude, Quality and Satisfaction Toward Distributor Brands in Durable Goods: The Influence of Consumers' Price Consciousness

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and Carmen Perez-Cabañero

Abstract This study analyzes how consumers' general attitude towards distributor brands, the perception held by the individual on the quality differences between distributor and manufacturer brands, as well as the anticipated satisfaction with the product are key variables for explaining the intention to purchase durable goods with distributor brands. As a significant contribution the influence of consumers' price consciousness as a moderating variable is tested.

Keywords Distributor brand • Attitude • Price consciousness • Durable goods • Anticipated satisfaction

1 Introduction

Distributors' brands¹ (DB) market share expands during recessions and recedes only partially during subsequent economic expansion (Gooner & Nadler, 2012). Price is not any more the main factor considered by consumers when buying DB in frequently product categories; others factors like attitude toward DBs, perceived quality or previous experience with them emerge. In durable goods, price is usually an indicator of quality, so price differences between brands give rise to significant differences in perception of quality. In the current situation of economic crisis consumers' price sensitivity changes (Jones, 2014) so price becomes relevant again. However, not all consumers attach the same importance to the price variable. Price consciousness is understood as the degree to which a consumer focuses exclusively on paying as little as possible (Lichtenstein, Ridgway, & Netemeyer, 1993).

¹ We use the terms Distributor Brand to include in the same concept all the strategies develop by the distributors to sell their own products, i.e., Store Brands and Private Labels.

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The present study attempts to analyse the determinants for successful DB strategies in the category of durable goods. This analysis pays particular attention to the influence of consumer price consciousness as a moderating variable between DB attitude, DB quality perception, anticipated satisfaction with DB goods and the intention to purchase DB in durable goods.

2 Literature Review and Research Hypotheses

The premise for the proposed model is that the individual general attitude to DBs, the perception of quality differences between DBs and national brands (NBs) and the individual level of anticipated satisfaction with DB in the category contribute directly to the intention to purchase DB in durable goods. Likewise the difference in perceived quality indirectly influences DB purchase intention through attitude and anticipated satisfaction. In this set of relationships, price consciousness acts as a moderating variable, increasing or decreasing the contribution of those variables to purchase intention. The theoretical basis for the proposed relationships is developed below.

Previous studies in consumer products show that a positive attitude towards the DB increases purchase intention (Garretson, Fisher, & Burton, 2002; Vahie & Paswan, 2006). Distributors expect that customers' repeat experiences with the brand will help to create a positive brand attitude and reduce perceived risk in new categories (Richardson, Jain, & Dick, 1996). Even if consumers have no previous experience with DBs in durable product categories, the attitude already generated by prior consumption of DB products in other frequent purchase categories will positively influence DB purchase intention in durable products (Zielke & Dobbstein, 2007). Therefore:

H1: *General DB attitude directly and positively influences intention to purchase DB durable goods.*

As distributors manage to transmit to consumers that the price differential between NBs and DBs is due to cost savings rather than a lower quality product, the likelihood of purchasing DBs will increase as it will be considered an equivalent alternative. This idea gains particular strength in categories where quality is a key criterion in the purchase decision (González, Díaz, & Trespalacios, 2006). Thus:

H2a: *Lower perception of differences in quality between DBs and NBs directly and positively influences the intention to purchase DB durable goods.*

Various studies have found that when differences in perceived quality between DBs and NBs are small, DB attitude improves and purchase intention is therefore higher (Hoch & Banerji, 1993), although the significance of the relationship may depend on product category (Apelbaum, Gerstner, & Naik, 2003). Consequently:

H2b: *Lower perception of differences in quality between the DBs and NBs directly and positively influences general DB attitude.*

In the marketing literature there is no consensus on the causal relationship between quality and satisfaction (Cronin, Brady, & Hult, 2000). As consumer perception of lower product quality in DBs is a significant source of uncertainty over product performance, it may directly affect the anticipated satisfaction with the decision (González et al., 2006). Therefore:

H2c: *Lower perception of differences in quality between DBs and NBs directly and positively influences anticipated satisfaction with DBs.*

In the purchase of durable goods where a long time elapses between purchases, anticipated satisfaction may exert an important influence. According to Jones and Suh (2000), this definition of satisfaction explains behavioral intentions better. Consumers may choose considering the anticipated satisfaction with the product based on the available evidence (Weiner, 2000). Consumers make purchase decisions as a consequence of a cognitive procedure linked with a future period (Simintiras, Diamantopoulos, & Ferriday, 1997). In the case of DB durable goods, consumers' knowledge of others DBs and their own experience with them will be used to anticipate the perceived level of satisfaction on purchasing the product (Vahie & Paswan, 2006; Zielke & Dobbelsstein, 2007).

If the consumer is satisfied with the product being offered, this experience can be expected to be transferred to other products. Anticipated satisfaction is therefore related to the intention to purchase the product under consideration and the intention to purchase other products from the same brand. Thus:

H3: *Anticipated satisfaction with DBs directly and positively influences intention to purchase DB durable products.*

This work proposes that in the case of durables, price consciousness acts as a moderating variable for various reasons. Firstly, price differentials between non-leading NBs and DBs are not as great as in other frequent consumer categories; secondly, if we consider the variable price consciousness as a personality characteristic, it will affect all consumer decisions, acting as a filter to interpret the stimuli received; and thirdly, as mentioned before, price consciousness has been used as a segmentation (and therefore moderating) variable. In view of the above, we posit:

H4: *The positive influence of DB anticipated satisfaction on intention to purchase DB products is greater in high price conscious consumers.*

H5: *The positive influence of lower perception of quality differences between DBs and NBs on DB purchase intention is less in high price conscious consumers.*

H6: *The positive influence of general DB attitude on intention to purchase DB durable products is greater in high price conscious consumers.*

3 Methodology

A structured questionnaire was designed to gather the information required to test the model. The questionnaire focused on the study of a specific durable product category. Plasma television was the product category chosen in the analysis because of the wide offer of DBs in this category. Interviewees were randomly intercepted at the street. The sample consisted of 20–70 year old residents in Barcelona, Madrid and Valencia (Spain). Sampling was based on age and gender quotas, seeking the most representative. Finally, 303 questionnaires were correctly answered.

We asked about their general attitude to DBs without specifying any product category in order to analyse their attitude towards such brands, the role that price usually plays in their purchase decision processes (price consciousness), and their level of satisfaction expected with the purchase of a DB plasma TV.

The variables in the theoretical model were measured on seven point Likert scales, with scales obtained from the literature review. The psychometric properties of the measurement model were confirmed by running CFA with EQS 6.1.

4 Results

Results indicate that the three antecedents of DB purchase intention analysed in this study are significant. First, general DB attitude has a significant but low intensity influence on purchase intention ($\beta = 0.17$; $p < 0.01$; H1 accepted). A lower perception of difference in quality between DBs and NBs also has a direct ($\beta = 0.48$; $p < 0.01$; H2a accepted) and indirect influence on behavioural intention because this indicator improves general DB attitude ($\beta = 0.34$; $p < 0.01$; H2b accepted) and brand anticipated satisfaction ($\beta = 0.58$; $p < 0.01$; H2c accepted). Finally, DB anticipated satisfaction is also an important antecedent of DB purchase intention ($\beta = 0.32$; $p < 0.01$; H3 accepted).

Multigroup Analysis (MGA) was run to verify the moderator effect of price consciousness on the antecedents to distributor brand purchase intention. Firstly, the sample was divided into two groups of individuals in relation to high or low price consciousness when purchasing. After confirming scale reliability ($\alpha = 0.760$), a price awareness index was created by averaging the scale items. The cut-off point used to divide the sample was the median of that index ($m = 5.6$). This division produced one group of 161 individuals with high price consciousness (Price consciousness = 6.10) and another of 142 consumers with low price consciousness (Price consciousness = 4.63). The t test on independent samples confirms the significant difference of price consciousness indicator average between both groups ($t = 20.884$; $p < 0.001$). Finally, the model was estimated through multigroup analysis (EQS 6.1) (Table 1).

As observed through the significance of the χ^2 difference, the positive influence of DB anticipated satisfaction on purchase intention is stable between high and low

Table 1 MGA: Verification of the moderator effect of price consciousness

H ^o	Structural relation	G1: High PC		G2: Low PC	χ^2 diff.	Verification
		Load (t value)		Load (t value)		
H4	DB anticipated satisfaction \Rightarrow PL purchase intention	0.388 (4.88**)		0.273 (3.22**)	0.92	Rejected
H5	DB-NB quality difference \Rightarrow DB purchase intention	0.355 (4.23**)		0.618 (7.01**)	3.91*	Accepted
H6	DB attitude \Rightarrow DB purchase intention	0.255 (4.12**)		0.038 (0.62)	5.54*	Accepted
S-B χ^2 (170) = 352.83 (p = 0.00)		BBNFI	BBNNFI	CFI	IFI	RMSEA
		0.880	0.916	0.932	0.933	0.086

* $p < 0.05$
** $p < 0.01$
Note: PC price consciousness

price consciousness consumers, rejecting the H4 moderation hypothesis. However, significant differences can be seen in the influence of the other two variables in the predicted direction. Firstly, the quality differential between DBs and NBs is a much more powerful antecedent to purchase intention in individuals with low price consciousness (H5 accepted). Secondly, the influence of DB attitude on DB purchase intention is higher in consumers with high price consciousness (H6 accepted).

5 Conclusions, Limitations and Future Lines of Research

DB customers are thought to be particularly price consciousness in recession times. The results of the proposed model show that the price consciousness variable influences the effect of perceived DB and NB quality differences and attitude. Thus, the positive influence of the lower perception of DB and NB quality differences on DB television purchase intention is less in high price consciousness consumers than in low price consciousness consumers. In other words, the purchase intention of consumers most concerned about obtaining the best price is less influenced by differences in perceived DB and NB quality. And the opposite is also true: consumers who are unconcerned about obtaining the best price attach less importance to DB and NB quality differences in their intention to purchase a DB television. Therefore the acquisition of DB durables does appear to be exclusively related to price and quality.

Results also show that the positive influence of general DB attitude on DB television purchase intention is greater in high price consciousness consumers. That is, for high price consciousness consumers, the influence of general DB attitude on purchase intention is reinforced in comparison to low price consciousness consumers. For high price consciousness consumers DB proposals are always

appropriate as they are usually cheaper than NB proposals. Their attitude is therefore positive and the influence of this attitude is greater in these consumers. Alternatively, low price consciousness individuals do not generate a positive attitude that significantly influences DB television purchase intention. Price is not a relevant attribute for low price consciousness consumers and nor does general DB attitude influence their intention to buy a DB television.

This research has focused on a particular category of DB durables (plasma televisions) and so it would be interesting to replicate the study with other categories of DB durables to generalise the conclusions. Comparative studies with different product categories would also be interesting, as recent studies focus on the effect of product category on DB purchase decisions (Batra & Sinha, 2000; Jin & Suh, 2005). Different purchase situations of DB durables could also be analysed.

Acknowledgments The previous version was revised for Rajeev Batra, Professor of Marketing, University of Michigan, USA.

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Loyalty to Private Labels/National Brands and Prices Paid: Are Highly Loyal Customers Paying More?

Magda Nenycz-Thiel and Giang Trinh

Abstract The latest trend in the private label world are premium private labels, often more expensive than standard national brands (ter Braak, Geyskens, & Dekimpe, 2014). The question arises, are those who are already buying a lot of private labels a potential target for more expensive private labels? This paper aims to answer this question by examining the relationship between the loyalty to private labels and national brands and the average price paid. We utilized the UK Kantar TNS panel data and looked at purchasing of ten product categories between 2008 and 2012. The findings show that the higher the loyalty to private labels the lower the average price paid for private labels. In contrast, the more loyal consumers are to national brand the higher the average price paid for national brands. The findings provide important implications for retailers wanting to target shoppers with their premium private label offers in different categories.

Keywords Private labels • Loyalty • Pricing • Premium private labels

1 Introduction

Private labels (herein referred to as PLs) are brands owned by retailers and distributed selectively in their stores (Kumar & Steenkamp, 2007). Currently a permanent feature of competitive retail landscapes worldwide, the latest growth predictions for PLs suggest that their global share will reach 50 % by 2025 (Freeman, 2012). These PLs are now a major competitor for national brands (herein referred to as NBs), particularly at the medium and value end of the spectrum. The size of the PL market and the significance of PLs in retailers' strategy make the group of brands interesting and important to study.

There are two trends in retailers' PLs strategies that prompt more research into the PL buyer behaviour. First, there is the introduction and rise of premium PLs, which are not necessarily cheaper than NBs (ter Braak et al., 2014). Secondly the

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prices of PLs have been steadily increasing, while at the same time NBs price promotional activity has been increasing, which leads to a narrowing price gap between PLs and NBs (IRI, 2013).

The question of who PL buyers are was a central focus of a number of studies in the past (Sethuraman, 2006). Past research examined the demographic and psychographic variables that describe a PL buyer, leading to a conclusion that the direct effect of such variables on PL usage is relatively weak (Ailawadi, Neslin, & Gedenk, 2001; Baltas & Argouslidis, 2007). As a result, the research moved towards more behavioural variables to describe the PL prone buyer.

However to our knowledge, there is no study that looks at the loyalty levels for PL and the average prices paid for these brands. Examining this relationship is crucially important in this context, as retailers introduce premium PLs and increase prices of their standard PLs. Therefore, a question arises about whether those consumers who are very loyal to PLs are a good target for those more expensive PL offers. One can assume that familiarity with PLs should make PL loyals an attractive segment for any new PLs. Given mixed results found in past literature (Wieseke, Alavi, & Habel, 2014), we also post similar question in relation to NBs— are those who are very loyal to NBs paying on average more or less for those brands in comparison to those less NB loyal?

2 Background

The question of who is most likely to buy PLs has been one of the oldest research questions in the PL literature, with 26 studies published between 1965 and 2004 (Sethuraman, 2006) and the interest continues. Especially now, with the introduction of premium PLs which challenge the historical positioning of PLs around good value and high quality, the question arises whether those who are already buyers of PLs are a good target for the more expensive and better quality extension. Findings around price sensitivity and private label purchasing are mixed. While some authors found that consumers who buy PLs exhibit higher price sensitivity (e.g. Ailawadi et al., 2001; Baltas, 1997), there is also strong evidence that those who buy PLs are equally quality sensitive (e.g. Batra & Sinha, 2000). Several early studies (Coe, 1971; Fitzell, 1982) suggest that low household income is a likely indicator of PL proneness. However, recent studies show that lower income customers buy less PLs because consumers with lower incomes usually have lower education levels and stronger price-quality associations, leading to greater trust in NBs.

The mixed results about PL prone shoppers have led to researchers advocating the use of behavioral variables, such as the frequency of shopping to understand shopper potential for PL buying (Ailawadi et al., 2001; Baltas & Argouslidis, 2007). One such avenue is the investigation of the relationship between the loyalty to brand types and average price paid. The aim of this paper is to examine this relationship for both types of brands.

While to our best knowledge, no research on average price paid and loyalty to PLs exists, we draw on research on loyalty to PLs in general. Looking at data from

the UK grocery market Dawes and Nenycz-Thiel (2013) show that those who buy PLs (value and mid tier) from one retailer are more likely to also buy PLs from other retailers which indicates higher than expected competition between these types of brands. This intense cross buying between PLs from different stores, is likely due to the fact that PL buyers are often merely looking for the cheapest price regardless of the brand being a PL or a NB. This lack of differentiation among the low and middle tiers has also been supported by a number of recent studies (Szymanowski & Gijsbrechts, 2012). Since a cohort of shoppers exists who tend to look for the cheapest price in a category, and PLs are often the cheapest option in the category (Hansen & Singh, 2008), their basket is likely to consist of mostly PLs.

Therefore, we would expect that: *H1: The relationship between the loyalty level to PLs and the average price paid for PLs will be negative—the higher the loyalty the lower the average purchasing price.*

Findings in the area of loyalty to NBs and price paid are mixed (Wieseke et al., 2014). On one side a number of studies found that loyal customers are less sensitive to prices (Guadagni & Little, 1983). However a number of studies provide conflicting results (Mela, Gupta, & Lehmann, 1997). Krishnamurthi and Raj (1991) found that brand loyal customers are interested in promotions only for their preferred NBs, which is then further supported in studies showing that loyal customers are generally less deal prone (Mela et al., 1997). Since one has to be in a buying situation to act upon a promotion, which happens only at a particular time, national brand loyals are likely to buy their NB at any price.

Therefore, we would expect that: *H2: The relationship between the loyalty level to NBs and the average price paid for a NB will be positive—the higher the loyalty the higher the average purchasing price.*

3 Method and Analysis Approach

In order to examine the relationship between purchasing price and loyalty to PLs and NBs, we split customers into four groups based on share of category requirement (SCR): very high loyalty ($SCR \geq 75\%$), high loyalty ($75\% > SCR \geq 50\%$), medium loyalty ($50\% > SCR \geq 25\%$) and weak loyalty ($25\% > SCR > 0$). We define SCR as the percentage of category purchasing devoted to PLs (NBs) over a period of time, in this case 1 year. Then we examine the average price paid by these segments for PLs and NBs.

The data used in this paper is superpanel household consumer data provided by Kantar Taylor Nelson Sofres (TNS) from 2008 to 2012. The panel consists of approximately 35,000 households across the UK. The panel is drawn from only full-time residents. The sample is demographically and regionally balanced in order to represent the UK population. Data is collected from panel participants twice weekly via electronic terminals in the home, with purchases being recorded via home-scanning technology. As such it represents a very large, valid and reliable data source. For each year from 2008 to 2012, we calculate SCR and average price

paid of each loyalty group. We use ANOVA test of significant difference across the four loyalty groups. In order to remove the effect of differences in scale across product categories in the ANOVA test, the average price paid of each loyalty group was indexed over the average price of all four groups. We investigate ten product categories covering both food and non-food products with a total of 50 category-year combinations. These categories are shampoo, toothpaste, toothbrush, mouthwash, washing capsules, flavour drinks, fruit juice, tea bag, standard instant coffee, and sweet biscuits.

As a check of the industry literature claims on PL price increases, before conducting the main analysis, we also looked at the development of PL and NB prices over the time period. Indeed, in all categories studied, PL prices increased, on average by 20 %. NB prices increased slightly in some categories and decreased in others, with the average effect being +12 %. This confirms that PL prices grow at a faster rate than NB prices.

4 Results

Figure 1 presents the relationship between purchasing price and loyalty to PLs for all ten categories. The results are generally consistent for all categories. The average difference in the price paid for PLs between the very loyal and weakly loyal segment is 16p (12 %). The highest difference was in the mouthwash category (22p or 26 %) and the lowest in the tea bag category (6p or 4 %).

Table 1 shows the ANOVA test for all 50 category-year combinations. The difference in purchasing price across the four groups is statistically significant with p -value <0.01 . The results support H1, the higher the loyalty to PLs, the lower the average price paid. This confirms past findings that the PLs prone segment is very sensitive to price, and that price, not necessarily the brand type itself is one of the main factors that drives consumer loyalty to PLs—PLs tend to be the cheapest brands in a category. Those who are not highly loyal to PLs, on average, tend to buy PLs at higher prices, possibly buying mid and premium ranges as these PLs can be seen as substitutes to NBs.

Figure 2 shows the relationship between purchasing price and loyalty to NBs. Contrary to PLs, we found that the higher the loyalty to NBs, the higher the average price paid for NBs. The result is consistent across all categories. The average difference in the price paid between very loyal and weak loyal segment was 51p (19 %), ranging from 11p (11 %) for sweet biscuits to 112p (52 %) for tea bag.

ANOVA test also shows significant difference across group with p -value <0.01 (see Table 2). The results support H2, the higher the loyalty to NBs, the higher the average price paid. The results confirm the general belief that the NBs-prone segment is less sensitive to price. On the other hand, the results indicate that the lower loyalty segment tends to buy cheaper NBs and/or buy NBs when they are promoted.

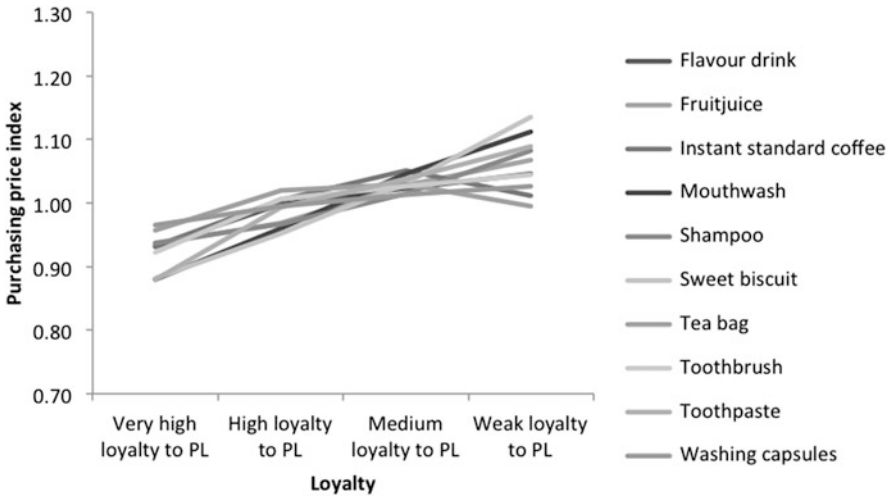


Fig. 1 Relationship between purchasing price and loyalty to PLs

Table 1 ANOVA test of significant difference in purchasing price for PLs across loyalty groups

Groups	Average	Variance
Very high loyalty to PL	0.922	0.0012
High loyalty to PL	0.987	0.0006
Medium loyalty to PL	1.030	0.0004
Weak loyalty to PL	1.061	0.0022
<i>F</i>	<i>p-value</i>	<i>F crit</i>
163.17	0.00	2.65

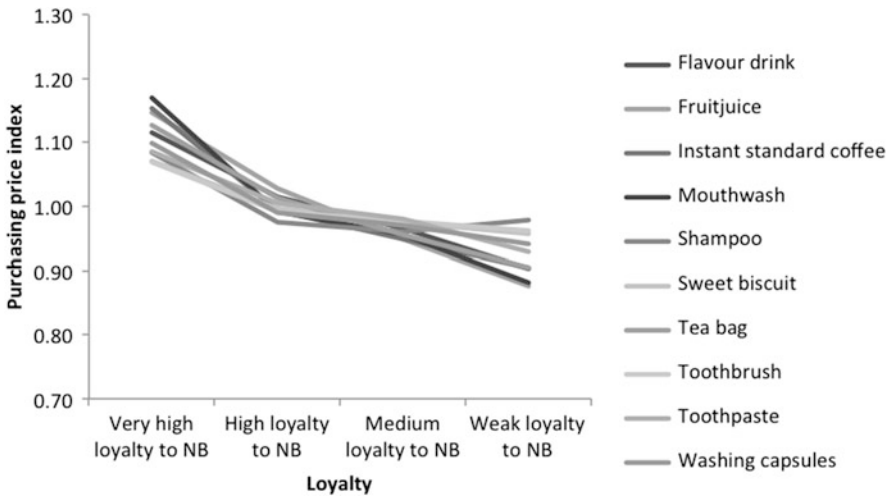


Fig. 2 Relationship between purchasing price and loyalty to NBs

Table 2 ANOVA test of significant difference in purchasing price for NBs across loyalty groups

Groups	Average	Variance
Very high loyalty to NB	1.112	0.0014
High loyalty to NB	1.000	0.0004
Medium loyalty to NB	0.964	0.0005
Weak loyalty to NB	0.924	0.0019
<i>F</i>	<i>p-value</i>	<i>F crit</i>
303.93	0.00	2.65

5 Conclusions, Implications and Future Research

The aim of this paper was to examine the relationship between the loyalty to PLs and NBs and the average prices paid for those brands. With the current advances in loyalty schemes and in turn in the ability for retailers to target their shoppers with specific offers, knowledge on the average prices paid by different shopper groups provides important implications for targeting. Further, the high investment behind the premium PL ranges; and retailers' strategy to increase PL prices make it crucial to understand the potential for more expensive PLs in a market place.

We find that the higher loyalty to PLs, the lower the prices paid for PLs. This implies that highly PL loyal consumers buy the brands mostly because they will always look for the cheapest option and PLs are often the cheapest in the category. This finding has important implications for retailers trying to target their shoppers with premium PLs. Since those who buy a lot of PLs buy them at the lowest prices, this makes them a less attractive target for more expensive premium PLs. Premium PLs are therefore more suited to those who buy both PLs and NBs. Retailers should use this information when sending out coupons or other offers to their loyalty scheme members. Further, as PL loyals are very sensitive to price, retailers have to ensure that prices of PLs are not higher than prices of some NBs. Since it seems that among this group there is more loyalty to price rather than to a type of brand, PL loyal consumers will likely switch to the cheapest option in a category. With the increase in NB price promotional activity (IRI, 2013) and hence price gap between PLs and NBs narrowing, there is a risk that PLs will start to loose share to NBs on promotion. The question arises, at what point does the price increase become noticeable, given the strong beliefs that PLs are always good value for money (Nenycz-Thiel & Romaniuk, 2010)?

Regarding NBs, as expected the data shows that the higher the loyalty, the higher the average price paid for NBs. This suggests that the highly NB loyal segment is neither likely to buy a PL, nor prone to buy cheaper NBs. This segment is also not likely to buy NB on deal, except if their favorite brands that are on special (Krishnamurthi & Raj, 1991). Since one has to be in a buying situation when such a promotion is on, NB loyal customers are likely to pay high average prices for their NBs. This finding implies that those who do not buy PLs at all are not good targets for this type of brand. Not only are they not familiar with PLs but they are also prepared to pay a high price just to buy a NB. However, a question arises on the size of the segment. The data shows that this segment is much larger in non-food

products, where 83 % of NB buyers are very loyal to NBs and much smaller in food products, where it is 60 %. This indicates the difficulty for retailers when introducing premium PLs in some non-food products where NBs are strong.

The main limitation of this research is that includes a limited number of categories and focuses on one market only. In order to establish sound empirical generalization, replications in other categories and markets are needed. The UK is the most sophisticated and mature PL market and we may expect differences when looking at PLs in other less developed countries (Nenycz-Thiel, 2010). Further, while the finding form PL is predictable and easily explained by the price sensitivity of the PL loyal segment, this is not the case with the NB only loyal segment. Future research should examine the reasons for this group of consumers not buying PLs. Such research would provide retailers with insights on the strategy to attract this group of consumers to buy PLs.

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The Role of Previous Experience and Marketing Policy on Consumer Behaviour Towards Different Private Label Categories

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Abstract This paper analyses the role of previous experience and marketing policy in explaining consumer behavior towards Private labels (PLs) in expansion and crisis. In order to do this, several multinomial logit (MNL) models using purchase records from scanner data in two categories (butter and yoghurt) are estimated. Our results highlight that previous experience is relevant in explaining purchasing behaviour for the local origin PL in expansion; however, during crisis period, previous experience seems to be relevant for both standard PL and local origin PL. Retailers, therefore, should no longer manage PLs as a homogeneous range of products. In addition, retailers are advised to carefully monitor the macro-economic situation, as the relationships between PL purchasing behavior and its antecedents strongly differ during expansion and crisis situations

Keywords Private label • Previous experience • Marketing policy • Crisis • Expansion

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1 Introduction

Prior studies show that Private labels (PLs) have had tremendous developments over the last decade with a significant increase in market share in different product categories (Lamey, Deleersnyder, Dekimpe, & Steenkamp, 2012; Sethuraman & Gielens, 2014). Globally, these brands generate approximately 15 % of retail revenue in FMCG (Nielsen, 2011). But in main European countries, PLs have a value share of 36.7 % and a 47.1 % slice of unit sales (IRI, 2013). At the same time, the price of standard and premium tier solutions is increasing steadily in many countries and the price gap with national brands (NBs) narrowing as manufacturers look to protect their market share with aggressive promotions (IRI, 2013).

Previous research on PLs has focused on marketing-mix variables (Ngobo, 2011), retailer-related factors (Diallo, Chandon, Cliquet, & Philippe, 2013), consumer characteristics (Richardson, Jain, & Dick, 1996), or perceived risk (Liljander, Polsa, & Van Riel, 2009). However, such research usually focused on standard PLs. But, retailers are currently more interested in understanding what factors drive consumer behaviour toward different PLs in line with their diversification approach. Indeed, there is an increasing sophistication of PLs which also leverage on social trends (organic or made in local products), offering more choice to consumers. Furthermore, because market turbulence affects significantly PL market share (Lamey et al. 2012), and consumer spending (Kaswengi & Diallo, 2015), retailers need to understand how to manage different PLs in changing macroeconomic conditions.

The aim of this study is to investigate how previous experience with PLs and marketing policy variables affect PL purchasing behavior in two specific time periods (expansion and crisis). This research contributes to existing research in two main ways. First, a few number of prior studies investigated the relationship between previous experience with PL and consumer behavior (Gijbrenchts & Szymanowski, 2012). However, they did not show how consumer prior experiences affect consumption behavior of different PL lines. In the current study, we aim to explore how previous experience with PL (derived from panel data) and marketing policy variables (price, display and feature) determine consumer purchasing behavior of different PL lines (standard, organic and local origin). Second, prior studies investigating the relationship between the business cycle and PL purchasing behaviour (e.g., Kaswengi & Diallo, 2015; Lamey et al., 2012) focused either on market share or on standard PL. This research intends to extend these studies by considering different PL categories.

2 Determinants of PL Purchasing Behaviour

Several studies have investigated the determinant of PL consumption behaviour. Sethuraman and Gielens (2014) have recently found 20 determinants of PL share including NBs-PL price differential, consumer demographics, consumer

perceptual, product-market characteristics, etc. Specifically, Ngobo (2011) shows that households tend not to purchase organic products when buying in concentrated categories whereas they tend to buy organic PLs more than the organic NBs on average. Clearly, these findings incite to further understand purchasing behavior toward different PLs over NBs.

2.1 Previous Experience with PLs

Prior studies underlined that previous experience with brands (sometimes referred to as brand loyalty or previous preference) affects positively consumer purchasing behavior. More specifically, Zielke and Dobbstein (2007) indicated that those individuals with higher PL previous experience buy new PL products because they evaluate the risks of buying such products somewhat lower. Furthermore, Gijbrecchts and Szymanowski (2012) found that consumers adjust beliefs about PL quality on the basis of consumption experience. They provide clear evidence that the presence of cross-learning (based on previous experiences) benefits PLs and enhances their market position relative to NBs. Thus, we anticipate a positive effect of previous experience with PLs on purchasing behavior of different PL lines.

2.2 Marketing Policy Variables (Price, Feature and Display)

Price is a major positioning tool to differentiate a PL product. On average, PLs are less expensive than NBs in grocery product classes and gain sales by offering a lower price than that of the NBs (González-Benito & Martos-Partal, 2012). Academic research also showed that as consumers are exposed to promotions (e.g. feature) more frequently, they develop brand awareness, more positive perceptions and brand purchase (Balachander & Ghose, 2003; Yoo, Donthu, & Lee, 2000). Retailers use increasingly promotions to strengthen their market position and increase PL purchase. For instance, according to Sethuraman (1995), at least in some instances, PL promotion is quite effective in taking share to NBs. Consequently, a positive effect of price and promotion on purchasing behavior of different PL lines is expected.

2.3 Macroeconomic Situation

Previous studies have examined the impact of marketing variables on consumer choice of PLs in two contexts: expansion and contraction (Kaytaz & Gul, 2014; Lamey et al., 2012). Millet, Lamey, and Van den Bergh (2012) found that consumers' motivational orientations differ across economic expansion and contraction periods. Because PLs have an advantage over NBs on price, consumers are likely to buy PLs when the macroeconomic situation deteriorates. This leads to the

prediction that the macro-economic situation will affect how previous experience with PL and marketing policy influence consumer choice of different PL lines.

3 Methodology and Results

We use purchase records from MarketingScan's Behavior Scan panels (a GFK & Mediametrie company) in Angers (France). Purchase records lasted for 286 weeks (2004 until mid-2009), which were divided into three subperiods: (1) an initial period (week 1 to week 130) (i.e., 2004 until mid-2006) for initialising the loyalty (previous experience) variable; (2) an expansion period (week 131 to week 208) (i.e., mid-2006 until 2008), and (3) a crisis period (week 209 until week 286) (i.e., 2008 until mid-2009). Expansion and crisis periods were used for estimating the model parameters and were selected based on official figures from INSEE (French national statistical department). To avoid bias from infrequent consumers, the study considered only those individuals who made at least two purchases in the initial period and the expansion (crisis) sub-periods (Sivakumar & Raj, 1997). We focus on two product categories (butter and yoghurt), classified as high-frequency and low-frequency, respectively, according to purchase records. Using two categories is in line with previous authors who emphasized the role of product category on PL purchasing behavior (e.g., Sinha & Batra, 1999). The butter dataset consisted of 94 households who made a total of 869 purchases (expansion) and 888 purchases (crisis), whereas the yoghurt dataset consisted of 169 households who made a total of 2604 purchases (expansion) and 3368 purchases (crisis). Average household size¹ was 2.61 (butter) and 2.5715 (yoghurt). To model choice within the category, the study adopted the classical MNL expression:

$$pc_{ijt} = \frac{\exp(U_{ijt})}{\sum_j \exp(U_{ijt})} \quad (1)$$

in which pc_{ijt} is the probability that household i chooses brand j from the category on week t (given incidence), and U_{ijt} is the utility of brand j for household i in t

$$U_{ijt} = +\phi_k X_{ijt} \quad (2)$$

$\Phi_{k(k=1,2,3,4)}$ is a vector of response coefficients for variables X_{ijt} . To capture heterogeneity in choice probabilities, this vector included marketing variables (price, feature and display) and household-specific variables (loyalty). Hence, U_{ijt} can be expressed in the following manner:

¹ More details on the composition of the datasets are available upon request to the corresponding author.

$$U_{ijt} = \phi_1 price_{jt} + \phi_2 feature_{jt} + \phi_3 display_{jt} + \phi_4 loyalty_{ijt} \quad (3)$$

Purchase records refer to the French retailer Carrefour. In 2013, Carrefour was the third retailer (behind Wal-Mart and Costco) in the world and the leader both in Europe and in France (LSA, 2014; National Retail Federation, 2015). In 2014, its market share has increased by 2.9 % in the World and by 1.2 % in France (LSA, 2015). France is the principal market of the company where it generates about 47 % of its revenues and buys 75 % of its grocery products from local producers. Carrefour now offers 13,000 private label SKUs for all of its brands in France, Spain, Belgium and Italy. Carrefour is focusing much of its attention on its premium brands, namely *Selection*, *Reflets de France*, *Carrefour Bio* and *Les Cosmetiques*. The group is improving more and more its price image thanks notably to the EDLP strategy that was established in 2011 (Le Monde, 2013).

The first dataset, which pertained to butter purchases, involved three PL lines (standard, organic and local-origin) and local-origin NBs. The second dataset, which pertained to yoghurt purchases, involved three PL lines (standard, organic and local-origin) and three NB lines (standard, organic and local-origin). Price referred to regular everyday shelf price (€) of brand j in period t . Feature and display were measured using a dummy variable equal to 1 if the brand j was featured (displayed) in period t , 0 otherwise. Analyses were performed using Stata 12.0.

Tables 1 and 2 show the estimation of MNL models (expansion and crisis) for butter and yoghurt categories, respectively.

Regarding butter, Table 1 shows that during crisis periods, previous experience seems to be relevant for Standard PL and Local PL, although risk ratios are very small. Promotions (both feature and display) are not relevant in explaining consumers' PL purchasing behaviour; however, such promotions play a significant—although extremely small—role during expansion economic periods. Loyalty parameter is in line with promotions. In yoghurt category (Table 2), results are substantially different. Thus, loyalty plays a more significant role. In crisis periods, previous experience is relevant for explaining Standard PL's consumer purchasing behaviour; on the contrary, in expansion situations loyalty is significant for explaining consumer purchases in the local-origin PL category. The role of promotions (both feature and display) is similar to that of loyalty for both PL lines.

4 Conclusions and Managerial Implications

Compared to earlier studies, this paper shows that consumer purchasing behavior of PLs depends not only on the macro-economic situation and the product category, but also on the PL variety. Three main theoretical contributions can be associated with this research. First, our results highlight that previous experience is relevant in explaining purchasing behavior for the local origin PL in expansion. But during crisis period, previous experience seems to be relevant for both standard PL and local origin PL. These results complement previous research focusing on PL

Table 1 Estimation results (butter category)

Period	Brand ^a	Variables	Relative risk ratio (Std.error)	Sign.
Crisis ($n = 888$; Log likelihood = -287.326 ; Pseudo $R^2 = 0.6042$)	Standard PL	Price	0.3031 (0.073)	0.000
		Feature	0.2637 (0.3241)	0.278
		Display	1.08e – 07 (0.0004)	0.997
		Loyalty	6.73e – 05 (6.51e – 05)	0.000
	Organic PL	Price	0.1642 (0.1897)	0.118
		Feature	3.74e – 08 (3.619e – 04)	0.999
		Display	1.39e – 06 (0.020)	0.999
		Loyalty	2.97e – 58 (1.78e – 54)	0.982
	Local PL	Price	1.094 (0.2504)	0.694
		Feature	0.1174 (0.1575)	0.110
		Display	6.0057 (6.9475)	0.121
		Loyalty	0.103e – 05 (0.114e – 05)	0.000
Expansion ($n = 869$; Log likelihood = -197.3406 ; Pseudo $R^2 = 0.6702$)	Standard PL	Price	0.5101 (0.1873)	0.067
		Feature	0.0018 (0.0028)	0.000
		Display	0.0287 (0.0654)	0.119
		Loyalty	7.04e – 06 (8.54e – 06)	0.000
	Organic PL	Price	2.0752 (1.1223)	0.177
		Feature	1.12e – 10 (7.88e – 07)	0.997
		Display	4.48e – 10 (3.05e – 06)	0.997
		Loyalty	1.46e – 31 (4.52e – 28)	0.982
	Local PL	Price	1.4994 (0.5280)	0.250
		Feature	0.0004 (0.0007)	0.000
		Display	1.71e – 10 (6.40e – 07)	0.995
		Loyalty	1.28e – 06 (1.71e – 06)	0.000

^aLocal NB (base outcome)

learning process (e.g. Gijsbrechts & Szymanowski, 2012) or experience with PLs (e.g., Zielke & Dobbelsstein, 2007). Second, we stress significant differences between PL lines in terms of purchasing behavior. This result adds richness to existing research which tends to focus standard PLs (Ailawadi, Pauwels, & Steenkamp, 2008) or one specific line (Ngobo, 2011). Third, we show that most established relationships between PL purchasing behavior and its antecedents differ when the macroeconomic situation changes (from expansion to crisis). Therefore,

Table 2 Estimation results (yoghurt category)

Period	Brand ^a	Variables	Relative risk ratio (Std.error)	Sign.
Crisis ($n = 3368$; Log likelihood = -2604.03 ; Pseudo $R^2 = 0.1622$)	Standard PL	Price	1.1297 (0.2109)	0.514
		Feature	8.1236 (8.2729)	0.040
		Display	5.7902 (4.2281)	0.016
		Loyalty	3.3105 (1.0887)	0.000
	Organic PL	Price	0.738 (0.1485)	0.131
		Feature	2.244 (2.3467)	0.440
		Display	1.0783 (0.8405)	0.923
		Loyalty	0.0499 (0.0228)	0.000
	Local PL	Price	2.6992 (2.1986)	0.223
		Feature	1.75e + 09 (1.01e + 13)	0.997
		Display	2.4618 (45870.08)	1.000
		Loyalty	5.64e – 43 (3.64e – 39)	0.988
	Standard NB	Price	2.3581 (0.4300)	0.000
		Feature	7.1856 (7.2722)	0.051
		Display	2.1964 (1.5956)	0.279
		Loyalty	0.2237 (0.0733)	0.000
Expansion ($n = 2604$; Log likelihood = -1967.2329 ; Pseudo $R^2 = 0.2547$)	Standard PL	Price	0.7715 (0.1767)	0.257
		Feature	0.2455 (0.2005)	0.086
		Display	0.6326 (0.3695)	0.433
		Loyalty	2.0279 (1.0581)	0.175
	Organic PL	Price	0.696 (0.1785)	0.158
		Feature	0.2685 (0.2454)	0.150
		Display	0.2037 (0.1562)	0.038
		Loyalty	0.0002 (0.0007)	0.001
	Local PL	Price	0.2191 (0.1675)	0.047
		Feature	15.7341 (20.0563)	0.031
		Display	8.3441 (9.7014)	0.068
		Loyalty	9.0210 (9.7791)	0.042
	Standard NB	Price	1.3643 (0.3055)	0.165
		Feature	0.9716 (0.7400)	0.970
		Display	0.4428 (0.2545)	0.156
		Loyalty	0.132 (0.0693)	0.000
	Organic NB	Price	1.2410 (0.2975)	0.368
		Feature	7.37 (6.3559)	0.021
		Display	0.7186 (0.4712)	0.614
		Loyalty	206.816 (140.8973)	0.000

^aLocal NB (base outcome)

this paper complements prior studies on the businesses cycle adopting a general approach (Kaytaz & Gul, 2014) or a specific period (Kaswengi & Diallo, 2015).

Based on our results, retailers should no longer manage PLs as a homogeneous range of products. In fact, we show that previous experience and marketing policy variables differently influence consumer purchasing behaviour of different PL lines. In addition, the macro-economic situation should be monitored carefully based on product category characteristics. Finally, retailers are also advised to monitor more strongly consumer previous experiences with PLs. Indeed, this variable is significant in explaining consumer PL purchasing behavior either in expansion or in crisis and both for low and high frequency categories.

Our research has some limitations and these provide suggestions for future research. First, our analysis has concerned one market in France. Many countries of the world, especially developed countries also faced slowdown and economic depression. Therefore, including more countries and other cultures could be of interest, as culture differences may moderate the effect of marketing variables on PL choice. Second, our model tested only behavioural factors. Additional research should incorporate perceptual factors. Third, because PL policies differ across stores and chains, future research needs to account for the heterogeneity of the retail chain format.

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The Effect of Smart Shopping on Attitudes Towards Store and National Brands: The Influence of Individual Values in A Cross-Cultural Context

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Abstract The term “smart shopper” is used to describe a type of shopper the number of whom is on the increase in today’s socioeconomic environment. Given the absence of works which study the similarities and differences between smart shoppers of different countries, the aim of this research is to analyze the effect smart shopping feelings have on attitudes towards store brands and promoted national brands within a multicultural environment. The results show that in the US, the values representing tradition and self-expression are seen to have a greater influence on smart shopping feelings and the attitude towards brands. In Spain smart shopping feelings are influenced by values related with fun, curiosity and creativity.

Keywords Values • Store brand • National brand • Smart shopper • Multicultural

1 Introduction

This concept “smart shopping” could have different effects in accordance with the economic and cultural environment. For example, is the definition of a smart shopper the same in Spain as it is in the United States? Does the attitude towards brands differ by country due to the influence of smart shopper feelings and individual values of consumers from different cultures? It is the aim of this paper to answer these questions. With the reduction of incomes, consumers have become experts in managing their scarce household resources. This implies making extra efforts to seek out and compare promotional information and to plan their purchases carefully (Mano & Eliot, 1997). Broadly speaking, where fast moving consumer goods are concerned, consumers seeking to save money have two options. They can either look for a national brand being marketed on promotion or they can opt for a store brand that is typically priced below non-price promoted nationally branded goods (Garretson, Fisher, & Burton, 2002). However, purchase motivation might

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not only be price driven. A reduction of disposable income also includes an affective component: the emotion felt by the individual when making a good purchase. In academic literature this phenomenon has become known as “smart shopping feeling” (self-perception or smart shopper association). Smart shopper self-perception represents more ego-related benefits such as a sense of accomplishment, a boost in self-esteem, and pride in shopping *savoir fare* (Garretson et al., 2002). In this research we shall observe the effect that smart shopper feelings have on the attitude of consumers towards two types of brand (store and national) taking into account the cultural environment.

2 Literature Review and Conceptual Proposal

The smart shopping self-perception concept refers to a positive affective reaction that is generated in certain shopping situations which bestow utilitarian and hedonic benefits upon the consumer. Smart shopping generates an emotion (or a feeling of satisfaction) derived from choosing the best possible alternative. (Garretson et al., 2002). In the academic literature a certain controversy exists as regards the origin of this affective reaction. The pioneering works of Mano and Eliot (1997) and Schindler (1998) attribute it almost exclusively to the obtaining of a good purchase price. Mano & Eliot (1997, p. 504) defined smart shopping as “a tendency for consumers to invest considerable time and effort in seeking and utilizing promotion-related information to achieve price savings”. Schindler (1989) used smart shopping feelings to describe “the ego-related aspect (i.e. self concept) of consumer emotions and excitement generated by price promotions” Later studies, however, consider that the smart shopping feeling or self-perception is a psychological variable whose internal recompense originates not only from price savings, but also from (1) choosing the brand with the best quality-price ratio (Burton, Lichtenstein, Netemeyer, & Garretson, 1998) and (2) from spending less time and effort on the shopping process (Atkins & Kim, 2012). The motivations underlying the behavior of smart shoppers might vary within the same economic context in accordance with the product categories considered (Labbe-Pinlon, Lombart, & Louis, 2011). According to these authors, as far as durable products are concerned, the motivations would appear to be more hedonic than economic: smart shoppers obtain greater pleasure from the fact of buying a bargain than from the actual amount saved. However, for frequently consumed products it would appear that the smart shopper’s motivation is more economic than hedonic. Regarding this second type of products, they seek to limit the impact of the purchase on their budget and benefit from the price reductions. Smart shopper self-perception represents ego-related benefits such as a sense of accomplishment, a boost in self-esteem, and pride in shopping *savoir fare* (Garretson et al., 2002). Therefore, the shopper who feels he or she has made a good buy converts this feeling into a positive emotion that favors word-of-mouth communication and influences their future shopping intentions (Bicen & Madhavaram, 2013). Very few previous academic studies have analyzed the impact of the smart shopper’s self-perception on attitude

towards the brand (Burton et al., 1998; Garretson et al., 2002; Liu & Wang, 2008; Manzur, Olavarrieta, Hidalgo, Farías, & Uribe, 2011). In order to clarify the definition, there is not a smarter or a less smart shopper. There is a need to understand not only the feeling but also the smart shopper impression. Therefore it does not depend only of a specific shopping occasion. It relates to a general situation. Moreover, smart shopping is not only relating to getting low prices but also with best-value for money and time savings.

Regarding individual values and culture, there is an extensive literature examining the influence of cross-cultural differences on consumption orientation (Aakerman & Tellis, 2001). For example, Moore, McGowan, and Fairhurst (2003) and Meng (2011) find a different price/quality schema across cultures. Therefore, different cultural dimensions serve to analyze the dissimilarities with respect to the attitude towards distinct types of brand. The previous works reviewed do not assess the impact of individual values on the smart shopping process, namely the questions which form the purpose of this study. Individual values are “*desirable situational goals, varying in importance, that serve as guiding principles in the life of a person*” (Schwartz, 1994). We rely on Schwartz’s value system (2006) to identify the values deemed important in a given country. Laroche, Nepomuceno, and Richard (2014) highlight the novelty of testing models with this framework in marketing, particularly when studies have shown that it performs as well as or better than that of Hofstede. Schwartz (2006) organizes them into seven motivational values. This updated framework will be used in order to propose our conceptual framework. We first propose the model shown in Fig. 1. We have not formulated a working hypothesis because previous literature only exists with respect to the relationship between smart shopping and the attitude towards each type of brand.

3 Methodology and Discussion of Results

There are two studies. The first one explores the differences between the two countries regarding smart shopping and the attitude towards brands via in-depth interviews. The main study uses a survey to determine what type and degree of influence individual values have on smart shopping and on the attitude towards the two types of brand. Relating the first study, sixteen in-depth interviews were held in urban areas with similar characteristics in the United States and Spain, specifically Chicago and Madrid. Three stratification variables were used to choose the sample: gender, age (older/younger than 40) and education (university and non-university). The field work was undertaken in November 2011. The main result obtained is that smart shopping represents the careful choice of products that offer a better quality-price ratio combined with good service from the retailer. This type of behavior represents an emotional benefit that is transformed into a feeling of happiness, stimulation, self-esteem, wisdom and gratification. It is also associated with the highest quality at the best price, with acquiring the goods needed for the value provided by the brand and the time spent making the purchase. It is an organized

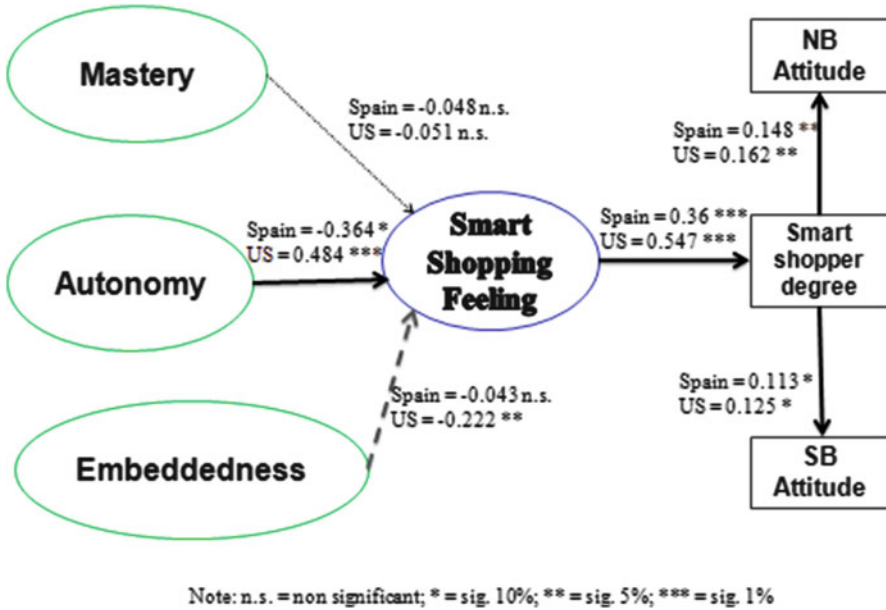


Fig. 1 Multi-group analyses for Spain and US

and planned purchase that contrasts with the impulsive purchase made by a “non-smart” shopper. Differences are observed between the consumers of the two countries, with one of the main ones being that the Spanish interviewees do not see themselves as being smart shoppers while most of their US counterparts do. This means that a cultural factor exists related with the modesty or humility that initially makes the Spanish reluctant to see themselves as smart, although they do recognize they possess a number of smart shopping characteristics. The US interviewees have no qualms as regards considering themselves to be smart shoppers. On the other hand, the US consumers have a less favorable attitude towards store brands basically due to less experience and to the greater perceived risk. Furthermore, in the United States store brands are identified with inferior low-cost alternatives, whereas in Spain more consumers associate them with a good value for money.

The principal study is based on a survey carried out on people of over 18 years of age who are responsible for the purchase of fast-moving consumer goods within their respective households. The final size of the sample is 400 individuals (200 in Spain and 200 in the United States). For this study we worked with three types of variables contained in the applied questionnaire: attitude, smart shopping and values. To evaluate the *attitude* towards the brand, two brands of shampoo (H&S and a generic store brand) are presented and the subject is asked to indicate which of them he or she prefers. The degree of overall attitude (favorable or unfavorable) with respect to both brands is also evaluated using a seven-point Likert-type scale. *Smart shopping feeling* is measured using five concepts (‘When I shop smartly, I

feel like a winner', 'I get a real sense of joy when I make wise purchases', 'Making smart purchases makes me feel good about myself', 'When I go shopping, I take a lot of pride in making smart purchases', and 'I have a feeling of achievement when I feel I have made the best buy') taken from the scales of Garretson et al. (2002) and Manzur et al. (2011). The degree of overall smart shopper self-perception is also evaluated using a seven-point scale. An adaptation of the scale applied by Schwartz (2006), which uses nine positions to measure the degree of importance, was used for the *cultural values*. First, we run a principal component analysis (PCA) in every country with cultural values. The basis for the empirical model will be the following value types: autonomy (intellectual and affective), embeddedness and mastery. The descriptive measurements, the ANOVA and the factor analyses carried out can be provided upon request.

Second, we perform a confirmatory factor analysis with the motivational types and the construct that reflects the five smart shopping feeling items using the AMOS 21.0 program. The results show a satisfactory fit in the global model of the estimation of the four factors proposed. We also confirmed the discriminant validity. As well, we have checked the discriminant validity for price and value consciousness and deal proneness. In the three cases, the results of square root of AVE are higher than the correlation between these constructs and smart shopper feelings. Third, we perform a multi-group confirmatory analysis. We impose the restriction of equality of parameters for the two samples and compare the results for goodness of fit for the restricted model with the goodness of fit results for the unrestricted model ($DX2 = 31.74$; $Ddf = 12$). We also show that the differences between the CFI obtained for the unrestricted and restricted models is 0.006, lower than 0.01, the maximum threshold recommended. Since we do not see significant worsening in the model's fit, this result guarantees that measurement invariance is fulfilled.

Thus, the differences that we observe between the causal relationship models will be due to the causal relationships themselves and not to the measurement of the constructs. We then perform a multi-group structural analysis for the two countries. We compare the results of the two models: the first, the unrestricted model, and a second model, on which we impose the restriction of equality for the structural parameters in the two countries (restricted model). The results for goodness of fit show a significant worsening in the model when we impose the restrictions of equality on the structural relationships. This suggests that some restrictions cannot be sustained.

Figure 2 shows the structural parameters for each country. As far as individual values are concerned, the impact of the mastery value type (ambitious, influential and successful) is statistically significant in neither of the two countries. The value that summarizes the autonomy items (enjoying life, curiosity and creativity) has a positive effect on the smart shopping feeling that is significantly greater in the United States than in Spain. Embeddedness (humble, moderation, respect for tradition and honoring parents and elders) is also different in both countries, with it not being significant in Spain. This is not the case in the United States, where it has a positive effect on smart shopping self-perception. Smart shopping feeling has a significant effect on the degree to which a shopper considers him-/herself to be

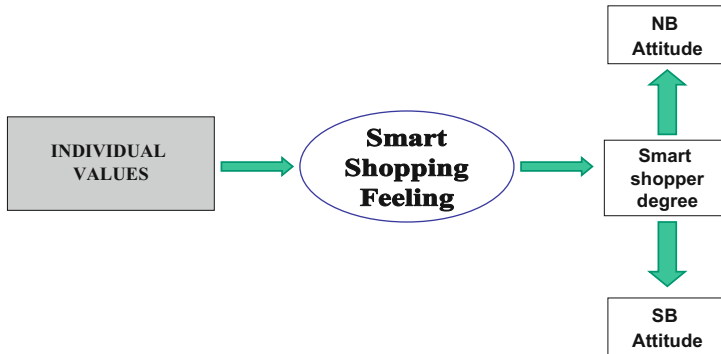


Fig. 2 Conceptual proposal

smart, with this being lower in Spain. The impact of this variable on the attitude towards the national brand is greater and more significant than it is towards the store brand, thus confirming the results obtained in the literature. The relationship is positive and significant in both countries, with the United States having slightly higher parameters. As regards the indirect relationships, in the United States the indirect effect of autonomy and embeddedness is greater on the positive attitude towards national brands than it is towards store brands. In Spain, only autonomy has an indirect influence, with the effect being less on store brands than it is on their national counterparts.

4 Conclusions, Limitations and Future Lines of Research

The results obtained from the first study carried out show that the smart shopping mechanism produces various effects in the shopping behavior of consumers related with the search for prior information: they are looking to make savings, to optimize their budgets; they have better price recall and make reflexive brand comparisons that maximize quality-price ratio. On the other hand, there is a cultural factor related with modesty that makes Spanish shoppers reluctant to label themselves a priori as smart despite attributing to themselves characteristics that are clearly associated with smart shopping in the literature. In contrast, US consumers have no qualms in describing themselves as smart.

The second study analyses the mediating effect smart shopping has on the individual values that represent the cultural orientation and the attitude towards brands, showing that (1) in both countries smart shopping feeling and degree of self-perception affect, both directly and positively, the attitude towards the two types of brand; (2) in both countries the effect of the individual values associated with culture positively and indirectly affect favorable attitudes towards the two types of brand; (3) differences exist between both countries as regards the effect of the individual values on the smart shopping feeling and degree of self-perception

and, therefore, on the attitude towards the brands. Principally, in the United States a greater influence exists in the case of the representative values of tradition (embeddedness) and self-expression (autonomy), not only on smart shopping feeling, but also on the degree thereof, and on the favorable attitude towards the two types of brand.

As far as the managerial implications of these results are concerned, knowing that smart shoppers have a positive attitude towards store brands and, to a greater degree, towards promoted national brands will enable the manufacturers and distributors (stores) to develop and implement more effective communications activities. Given the fact that the smart shopper invests time and effort in evaluating alternatives, all those actions performed by manufacturers and distributors aimed at minimizing the effort expended on buying alternatives will be appreciated by this segment. On the other hand, brands can attract smart shoppers by encouraging them to believe they are getting the best prices as a result of their evaluative efforts. Consumers who perceive themselves as being responsible for obtaining a discount have a tendency to feel happier and more self-confident than consumers who attribute price discounts to external reasons. Therefore, price promotions that are designed to evoke attributions of responsibility could become critical to retailer strategies. Given that this study reveals that differences in cultural values have a different effect on the smart shoppers of different countries, the manufacturers and/or retailers who sell brands on the international markets should apply different strategies in accordance with the shopping scenario. Specifically speaking, those companies who target both the Spanish and the US market and want to attract smart shoppers have to place a greater emphasis on the quality-price ratio in Spain while in the United States they have to make greater use of the hedonic and brand-based approach with actions that highlight the traditional value of the brand and the pleasurable experience resulting from its consumption. In the USA both the manufacturers and distributors should provide smart shoppers with the ways and means that enable them to share the good buys they make with their social circles as they would appear to be proud to consider themselves as smart shoppers while showing a greater predisposition to word-of-mouth communication.

The principal limitation lies in having chosen only one product type (shampoo) to represent the purchase process. Therefore, future studies would have to analyze how the smart shopping mechanism is activated using several product categories by reproducing more realistic conditions in which different shopping baskets are chosen. Another fruitful research direction would be to replicate the smart shopping study for online shopping. A replication in the online context would enable a comparison to be made between different smart shopper profiles and knowing their attitude towards the brands in terms of the channels used to access them. Furthermore, an investigation of smart shopping related to mobile commerce would be beneficial as m-commerce is continuing to gain momentum in the US and Europe. In addition, the study can be replicated by expanding the sample with other countries that present an even greater cultural distance, such as other European, Asian or Latin American countries. Another issue to research is to understand the differences of the markets in terms of the SB offerings taking into

account that SB available in Spain is higher quality and better value for money, whereas in the U.S. they really are inferior. Moreover, smart shopper feelings relate to the choice for specific brands. If the quality and perception of brands as well as the retail landscape vary significantly across both countries, a next study could understand these differences. Alternatively, it would be interesting to study how the feelings of smart shopping influence store choice and how the assortment composition at the retailer can benefit from a new study results. Finally, there could be a bias based on usage and the choice of brand of shampoo. A future research could be designed in order to understand how it could affect to the results. However, this is the first empirical work to be undertaken in a cross-cultural context and to include individual values. With it we are paving the way for future studies in which the smart shopper continues to be the star. Analyzing his or her beliefs, attitudes or behavior will provide the keys to approaching this new type of consumer who is more critical and selective, better informed, and more confident as regards his or her purchasing power and capacity to influence others.

Acknowledgments This research was carried out within the framework of the research project (ECO2012-3151) financed by the Spanish Ministry for Education.

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