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Advances in National Brand and Private Label Marketing

Third International Conference, 2016

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Editors

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Preface

After a long period of recession, the economic climate has begun to show encouraging signs of recovery. As the economy begins to regain strength, both national brands and the majority of retailers need to recover some of the ground lost during the last four years, especially in those countries where individual consumption took a downturn during the crisis. To ensure this recovery, it is essential that both manufacturers and retailers know the behaviour of the ‘new’ consumer emerging from the recession.

Marketers are facing a consumer with a different shopping behaviour, especially in the context of the fast-moving consumer goods (FMCG) industry. This ‘new’ consumer visits the store more often but with a fewer number of items per basket. In addition, today’s consumer is hypersensitive to price and actively looks for special offers and discounts before entering the store, although more decisions seem to be taken ‘on the shelf’. It is becoming increasingly difficult to predict how consumers are going to react to manufacturers’ and retailers’ decisions. Whilst during times of recession it generally has been easy to forecast how shoppers will respond to marketing decisions, as most markets recover, behaviour is becoming more unpredictable than ever.

Without a doubt, this new scenario offers new insights and opportunities for the whole industry. Manufacturers are advised to plan jointly with their retail partners, sharing information and working together, in an effort to convince them that stocking national brands benefits the store in terms of volume and sales. Retailers must focus on increasing their value, as the private label seems to be losing its attractiveness in many countries. Retailers have to improve consumers’ shopping experience, adopting a shopper-centric approach. This value has to be developed both in the store and online. E-commerce is being relied upon to complement the offline context, and its growth in FMCG is expected to be as strong as in other industries like travel or technology.

Looking at the aspects underlying this new marketing context offers exciting opportunities for researchers. It is with this goal in mind that this Third International Conference on Research on National Brand & Private Label Marketing (NB&PL

2016) has been launched and organized. Following the success of the two previous editions, this third edition aims once again to be a unique international forum to present and discuss original, rigorous and significant contributions, especially in regard to national brand and private label issues.

Each paper submitted to NB&PL 2016 has gone through a stringent peer review process by members of the Programme Committee, comprising 44 internationally renowned researchers from 14 countries.

A total of 19 papers have been accepted, addressing diverse areas of application such as value co-creation, assortment decisions, private label proneness, sales promotions, tourist services, the online channel, anthropomorphism, retail brand extension and price differentials, among others. A wide variety of theoretical and methodological approaches have been used in these areas.

We believe that this third edition has upheld the goals of the two previous editions: to promote, stimulate and publish high-quality contributions on national brands and private labels that could help retailers and manufacturers deal with a diverse range of issues. We hope this conference is one of many, as we aim for it to become an international benchmark for advancing this promising research field.

Finally, we wish to acknowledge the support of the sponsors: the Universitat Oberta de Catalunya, Information Resources Inc. (IRI), AECOC and ESADE Business School. We would also like to thank all the contributing authors, the members of the Programme Committee and the rest of the Organizing Committee for their highly valuable work in ensuring the success of this third edition of NB&PL. Thanks for your generous contribution; NB&PL 2016 would not have been possible without you.

Granada, Spain
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Francisco J. Martínez-López
Juan Carlos Gázquez-Abad
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Part I
Consumer Behaviour I

Determinants of Consumer Evaluations for Private Label Brands

Paul C.S. Wu

Abstract This research aims to investigate the integrating effects of product characteristics, consumer characteristics, and store characteristics on consumer evaluations of private label brands (PLB). The results show that category risk and its antecedents negatively affect purchase intention of PLB. Quality variance and manufacturing difficulty affect perceived quality of PLB. Extrinsic cue reliance negatively affect purchase intention of PLB. Category risk attenuates the positive effect of price consciousness on purchase intention of PLB.

Keywords Private label brands (PLB) • Category risk • Extrinsic cue reliance • Price consciousness • Service quality • Store types

1 Introduction

Private label brands (PLB) have come to represent better selection, value and savings for many consumers, and have become increasingly essential in the marketplace. Previous studies have individually investigated the effects of category risk, product attributes, product knowledge, price consciousness, and store image on consumer evaluations of PLB (Collins-Dodd and Lindley 2003; Garretson et al. 2002), however, emphasize specific factors only. This study aims to integratively examine how the characteristics of products, consumers, and stores affect consumer evaluations of PLB.

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2 Theory and Hypotheses

2.1 *Category Risk: A Product Characteristic*

Category risk is the uncertainty and risk of making a wrong decision consumers experience when purchasing products (Dowling and Staelin 1994). PLB marketing generally employs a low-cost strategy by reducing advertising and marketing costs, therefore the brand equity of PLB is often lower than that of national brands. Consumers thus take a higher risk when purchasing PLB (Sethuraman and Gielen 2014). Wu et al. (2011) finds that category risk has a negative effect on consumer intention to purchase PLB. Consumers take various risks when purchasing and consuming goods (Dowling and Staelin 1994). These risks can be attributed to the characteristics embedded in a product category. The level of manufacturing difficulty of and the degree of quality variance among different brands for a product category can cause consumers functional and physiological risks, and affect their perceived quality of PLB (Glynn and Chen 2009). The longer the interpurchase time of a product, the higher the possibility of making a wrong purchase decision (Aqueveque 2006). It indicates higher time risk, and hence, lower perceived quality. Hedonicity refers to the symbolic or hedonic level of the product benefits (Batra and Ahtola 1990). Consumers take a higher social risk and perceive a lower quality in purchasing higher hedonicity level PLB because these products may be inconsistent with a consumer's social status or values. Relative price refers to the price level, compared to income/wealth level or the price of other categories, of a PLB category. The higher the relative price of a PLB category, the higher the financial risk and the lower the quality consumers perceive (DeVecchio 2001). The following hypotheses synthesize these arguments.

H1 Category risk negatively affects consumers' purchase intention of PLB.

H2 Antecedents of category risk, including (a) manufacturing difficulty, (b) quality variance, (c) interpurchase time, (d) hedonicity, and (e) relative price level, all positively affect category risk.

H3 Antecedents of category risk, including (a) manufacturing difficulty, (b) quality variance, (c) interpurchase time, (d) hedonicity, and (e) relative price level, all negatively affect the perceived quality of PLB.

2.2 *Consumer Characteristics*

2.2.1 **Price Consciousness**

Price consciousness refers that consumers tend not to buy a product with a distinguished characteristic, if the price for the distinguished characteristic is too high (Sinha and Batra 1999). A national brand label is a type of distinguished

characteristic. Previous study has demonstrated that consumers with higher levels of price consciousness are more likely to purchase PLB (Wu et al. 2011). Furthermore, Lichtenstein et al. (1988) suggest that when category risk is higher, the positive relationship between consumer price consciousness and the intention to purchase PLB decreases because consumers hope to avoid the risk of making a wrong purchase decision. Therefore,

H4 Consumer price consciousness positively affects purchase intention of PLB.

H5 Category risk attenuates the positive effect of price consciousness on purchase intention of PLB.

2.2.2 Extrinsic Cue Reliance (ECR)

This study defines ECR as the extent to which consumers rely on extrinsic cues to make purchase decisions. Consumers with higher ECR tend to purchase national brand more frequently (Richardson et al. 1996), as PLB often have a lower price, lower brand equity, and less attractive packaging. This study proposes three antecedents of ECR. *Price-quality association* and *brand-quality association* are defined as the correlation between the price/brand awareness and perceived quality of a product (Lichtenstein et al. 1993), and *inclination toward brand symbolism* is defined as the extent to which consumers consider purchasing a brand-name product as expressing a belief or value (DelVecchio 2001). Garretson et al. (2002) find that price-quality associations negatively affect consumer evaluations of PLB. DelVecchio (2001) proposes that if consumers do not show a stronger belief that the products produced by well-known brands are of better quality, their intentions to purchase PLB would increase. As national brands generally develop more advertisements containing symbolic images (Nenycz-Thiel and Romaniuk 2014), this study asserts that consumers show greater preference for national brands if they have a higher inclination toward brand symbolism. Furthermore, degrees of ECR for the same consumer may vary for different categories. Sinha and Batra (1999) and DelVecchio (2001) discover that when category risk is higher, the negative relationships between *price-quality association/inclination toward brand symbolism* and consumer purchase intentions for PLB become stronger, respectively. Therefore,

H6 Consumers' extrinsic cue reliance (ECR) negatively affects purchase intention of PLB.

H7 The antecedents of ECR, (a) price-quality association, (b) brand-quality association, and (c) inclination toward brand symbolism, positively affect ECR.

H8 The antecedents of ECR, (a) price-quality association, (b) brand-quality association, and (c) inclination toward brand symbolism, negatively affect purchase intention of PLB.

H9 Category risk will reinforce the negative effect of ECR on purchase intention of PLB.

2.3 *Store Characteristics*

2.3.1 *Service Quality*

Service quality is the degree of perfection consumers perceive when they experience service (Rust and Oliver 1994) and is positively related to consumers' retail patronage intentions (Lee and Yang 2013), which should also increase their intention to purchase PLB. Therefore,

H10 Service quality in retail stores positively affects purchase intention of PLB.

2.3.2 *Store Types*

Consumers perceive different images for different stores due to practitioners' varying marketing strategies (d'Astous and Saint-Louis 2005). Consequently, the store type can be a moderator in consumers' purchasing behavior. Retail businesses selling PLB in Taiwan mainly include hypermarkets, supermarkets, and convenience stores. When consumers demonstrate higher levels of price consciousness, they may find their habit of comparing prices reinforced in hypermarkets or supermarkets, but not in convenience stores. This phenomenon occurs because hypermarkets and supermarkets emphasize price, but convenience stores emphasize convenience. Furthermore, promotions for national brand products offered in hypermarkets or supermarkets reduce the association between the low price and low quality of PLB. Hence,

H11 The positive effect of price consciousness on purchase intention of PLB becomes stronger in hypermarkets and supermarkets than in convenience stores.

H12 The negative effect of price-quality associations on purchase intention of PLB becomes weaker in hypermarkets and supermarkets than in convenience stores.

Last, consumers' perceived quality of PLB is an important factor in predicting their purchase intention (Vo and Nguyen 2015). Hence,

H13 Consumers' perceived quality of PLB positively affects their intention to purchase PLB.

Figure 1 displays the structural model for the direct effects of the hypotheses.

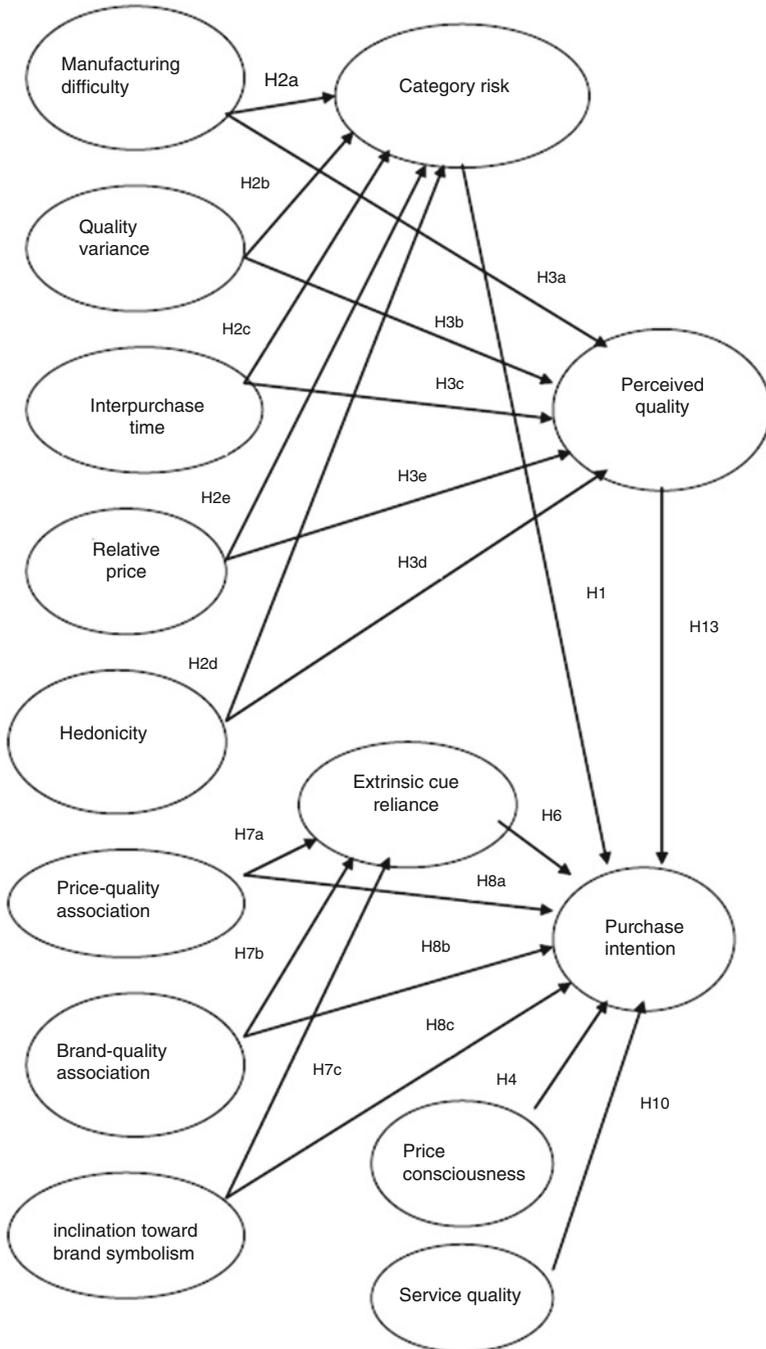


Fig. 1 Linear structural model

3 Methods

This study adapts scales of previous studies¹ to measure all the variables based on a five-point Likert scale anchored by “1 = strongly disagree” and “5 = strongly agree” except interpurchase time and relative price which are measured based on depth interviews with three marketing practitioners. The study conducts field surveys to choose nine product categories. Questionnaires are designed to investigate one product category in one type of stores, resulting in nine versions of surveys. Table 1 shows the product-store combination. Forty-five copies of each version are distributed to consumers at the entrances of each randomly selected store. The specific stores surveyed are the largest three chain stores of each type in Taiwan. The totally 377 effective samples (hypermarkets 128, supermarkets 121, convenience stores 128) are selected using a systematic design and are skewed toward young women (female: 59.4%; age below 30: 68.5%).

4 Results

This study uses structural equation modeling to analyze the data and adopts the two-stage analysis (Anderson and Gerbing 1988). For the measurement model, we use LISREL to perform CFA for the 46 items of 14 latent variables and that returns the following good fit results: $\chi^2 = 1179.72$ ($df = 848$, $p = .00$), $C^2 = 1.39$, $GFI = 0.91$, $AGFI = 0.90$, $NFI = 0.90$, $CFI = 0.96$, $RMSEA = 0.03$ and $RMR = 0.04$. Moreover, reliability, convergent validity and discriminant validity of the scales are all demonstrated with relevant standards. For the structural model, LISREL analysis suggests a good model fit: $C^2 = 1.42$, $GFI = 0.92$, $AGFI = 0.91$ and $RMSEA = 0.03$ (Table 2).

Regarding the antecedents of category risk, manufacturing difficulty (H2a), quality variance (H2b), hedonicity (H2d), and relative price level (H2e) all positively affect category risk, supporting relevant hypotheses. For the antecedents of ECR, price-quality association and brand-quality association positively affect ECR, supporting H7a and H7b. Regarding the effects of the antecedents of category risk on perceived quality of PLB, quality variance has a negative effect, supporting H3b. Manufacturing difficulty (H3a) positively affects the perceived quality of PLB, which contradicts the proposed hypothesis. This unexpected finding may have occurred because the difficulty for manufacturing the surveyed products is not high (mean = 2.8). Therefore, consumers may believe that retail stores are more capable if they can provide PLB that are more difficult to manufacture. This finding is similar to empirical results of Aaker and Keller (1990). Because the findings of this study and Aaker and Keller opposite to those discovered by DelVecchio (2001), the relationship between manufacturing difficulty and perceived quality of PLB

¹ Remark: Academic references and survey items are available upon request.

Table 1 Research design of product-store combination

No.	Product	Store type	No.	Product	Store type	No.	Product	Store type
1	Mineral water	Hypermarket	4	Raincoat	Hypermarket	7	Extension wire	Hypermarket
2	Orange juice	Supermarket	5	Toilet paper	Supermarket	8	Pen	Supermarket
3	Preserved milk	Convenience store	6	Underwear	Convenience store	9	Eraser	Convenience store

Table 2 Structural model and hypotheses tests

Variables	Category risk	Extrinsic cue reliance	Perceived quality	Purchase intention
Manufacturing difficulty	0.27 ^a (0.07) ^b		0.15(0.07)	
	3.90*** ^c		2.13*	
Quality variance	0.42(0.08)		-0.67(0.09)	
	5.05***		-7.94***	
Interpurchase time	0.042(0.07)		-0.051(0.08)	
	0.64		-0.61	
Relative price	0.37(0.09)		0.058(0.08)	
	4.33***		0.73	
Hedonicity	0.11(0.06)		0.089(0.07)	
	1.95*		1.28	
Price-quality association		0.27(0.07)		-0.14(0.08)
		4.04***		-1.84*
Brand-quality association		0.17(0.08)		-0.22(0.09)
		2.32**		-2.57**
Inclination toward brand symbolism		-0.079 (0.06)		0.23(0.07)
		-1.30		3.42***
Price consciousness				0.11(0.06)
				1.72*
Service quality				-0.049(0.06)
				-0.86
Category risk				-0.11(0.06)
				-2.06*
Extrinsic cue reliance				-0.092(0.06)
				-1.67*
Perceived quality				0.33(0.08)
				4.42***
R^2	0.37	0.14	0.59	0.25
Hypotheses tests	Supported: H2a, H2b, H2d, H2e;	Supported: H7a, H7b;	Supported: H3b;	Supported: H1, H4, H6, H8a, H8b, H13;
	Not supported: H2c	Not supported: H7c	Not supported: H3a, H3c, H3d, H3e	Not supported: H8c, H10

$\chi^2 = 1237.16(df = 872, p = 0.00), C^2 = 1.42, GFI = 0.92, AGFI = 0.91, CFI = 0.95, RMSEA = 0.03, RMR = 0.06$

^aAll coefficients are standardized; ^bStandard errors; ^ct values

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

may be quadratic. A following regression analysis demonstrate this, as its result indicates that the relationship is not linear but quadratic and of a reverse U-shape.

Regarding factors influencing intention to purchase PLB, category risk (H1), price consciousness (H4), perceived quality (H13), ECR (H6) and its antecedents,

price-quality association (H8a) and brand-quality association (H8b), have hypothesized effects, supporting the relevant hypotheses. Inclination toward brand symbolism (H8c) has a positive effect, which contradicts the proposed hypothesis but is similar to the findings of DeIVecchio (2001). This result may emerge because the retail stores under investigation in this study are all chain stores for which brand equity is well established and functions as an umbrella brand and facilitates consumer intention to purchase PLB.

To test the moderating effects of category risk (H5/H9), two sub-samples are obtained on mean-split of high and low category risk consumers. The multi-group analysis fits well. Equality constraint analyses show that only the “price consciousness—purchase intention” relationship is attenuated by category risk, thus supporting H5, but not H9. To test the moderating effects of store types (H11/H12), the sample is divided into two groups. The first group includes hypermarket and supermarket consumers, and the second group includes convenience store consumers. Although the multi-group analysis fits well, the invariance tests result in insignificant increases in χ^2 for both price consciousness and price-quality association, thus not supporting H11 and H12.

5 Conclusion and Discussions

5.1 *Discussions and Implications*

This study examines the integrating effects of the characteristics of products, consumers, and stores on purchase intention of PLB. The results show that, for product characteristics, antecedents of category risk affect consumer intention to purchase PLB in two ways. One is manifested through category risk; the other through perceived quality. For consumer characteristics, ECR and its antecedents negatively affect purchase intention of PLB and being robust against category risk. Price consciousness positively affects purchase intention of PLB, but this effect is attenuated by category risk. As for store characteristics, service quality does not affect consumer intention to purchase PLB. The relationships between price consciousness/price-quality association and purchase intention of PLB are robust against store types. These phenomena suggest that, compared to store characteristics, product and consumer characteristics more fully explain consumer intention to purchase PLB. Practitioners of PLB should choose categories that possess a low-level of manufacturing difficulty, low quality variance among the category, low hedonicity, or low relative price level and target consumers with high price consciousness, low-level price-quality association, low-level brand-quality association, or little extrinsic cue reliance to facilitate consumers’ purchase intention of PLB.

5.2 Limitations and Future Research

The present study offers following directions for future research. First, this study demonstrates similar result of DeVecchio (2001) that inclination toward brand symbolism has a positive effect on purchase intention of PLB. This finding may have resulted from the moderating effect exercised by the brand equity of retail stores. Furthermore, this study finds that service quality does not affect purchase intention of PLB. However, previous study has shown that service quality in stores increases store equity (Hartman and Spiro 2005), thereby increasing consumer intention to purchase at the store (Aaker 1996), which may increase intention to purchase PLB. Store equity, of chain versus non-chain or high- versus low-equity, should be included in future studies to investigate its influences on attitude toward PLB. Second, store types do not moderate the relationships between price consciousness/price-quality association and purchase intention of PLB. However, these findings may be averaged across product categories and stores. Future studies should control for store types or product categories to purify these relationships.

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The Impact of Private Labels on Different Stages of Store Loyalty: An Empirical Study

Rita Coelho do Vale and Pedro Verga Matos

Abstract Despite the accelerating growth of private labels, little previous research offered an integrated approach of its role as a driver of store loyalty. In this research we offer an integrative model that includes both consumers' loyalty towards the private labels, as also other identified store loyalty driven-factors (both in-store and economic factors), in order to assess its relative importance on building store loyalty. Importantly, our framework builds on the four-stage loyalty model (Oliver, *J Market*, 63: 33–44, 1999) making a distinction between different phases: cognitive, affective, conative, and action.

We run multilevel regression models on a survey data collected online to identify the critical loyalty factors that influence each loyalty stage and the specific contribution of private labels to each loyalty stage. Findings show that there is: (1) a positive contribution of private labels on consumers' loyalty, across all different loyalty stages, both attitudinal as behavioral, and (2) no homogeneity in terms of driving factors across different loyalty stages, highlighting the importance of our integrative perspective.

Keywords Private labels • Store loyalty • Four-stage loyalty model • Multilevel regression

1 Introduction

The fast moving consumer goods (FMCG) retail industry has suffered significant changes in the last decades (Ailawadi and Keller 2004). From the evolution of traditional direct trade to self-service trade, to a significant raise in the competition

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between players, retailers have been forced to adopt new strategies to differentiate themselves (Kim et al. 2014). One strategy retailers often use to enhance customers' preferences towards their stores is the introduction of store brands (Kumar and Steenkamp 2007). Over the past years, the private labels phenomenon and its proliferation has extended to all over the world (Ailawadi et al. 2008), becoming a threat to manufacturing brands (Corstjens and Lal 2000). Compared to national brands, private labels can play a critical and distinctive role among different retailers since they are exclusive and cannot be purchased elsewhere (Collins and Burt 2003) with each retailer having exclusive rights on the products that are sold under its store brand (Ailawadi et al. 2008). 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 and 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 is the relationship between private labels' loyalty and store loyalty.

Because private labels are retailer specific, they affect competition between retailers and offer an additional way of differentiation (Hoch and Banerji 1993). It seems then reasonable to assume that loyalty towards the PLs of a specific retailer may affect loyalty towards the retailing chain itself (Martos-Partal and González-Benito 2009). In fact, aligned with the recent PLs growth explosion registered in most product-categories, retail chains have improved the quality of its store brand products, supposedly to encourage consumers-loyalty (Kumar and Steenkamp 2007; Geyskens et al. 2010).

Importantly, not only has loyalty to private labels been suggested to play a role in store loyalty, as also past research in retailing has outlined that specific store's characteristics, most notably product assortment, location, service quality and store atmosphere, can also affect consumers' store evaluations and store choices (Yoo et al. 1998). In addition, besides the in-store characteristics, there are also economic drivers that can influence consumers' store choice (e.g. switching costs; Bell et al. 1998). Therefore, in order to analyze the impact of private labels on consumers' store loyalty, it is important to develop an integrated framework of analysis that encompasses most factors that may influence consumers' shopping experience and store loyalty (Kim et al. 2014). Moreover, previous research has highlighted the limitations inherent to analyze loyalty as one-single dimension construct (Evanschitzky and Wunderlich 2006; Oliver 1999), stressing the importance of making a distinction between attitudinal and behavioral dimensions when assessing loyalty.

We build on this and analyze the impact of private labels offer on consumer loyalty towards the store, taking into consideration not just the multiple loyalty factors identified by previous studies, as also taking into consideration the multi-dimensional characteristics of loyalty.

2 Background

One of the first issues raised in previous studies is that there is no universal agreement on the consumer loyalty concept (Blut et al. 2007; Evanschitzky and Wunderlich 2006; Kumar and Shah 2004). While initial research on consumer loyalty assessed it as a simple repurchase behavior or share of total purchases, it quickly became obvious that consumer loyalty is a complex issue that deserves special attention (Day 1976). According to Dick and Basu (1994), loyalty should be analyzed as a combination of individuals' relative attitude together with their repeated patronage (towards a brand, service, or store), being important to distinguish and analyze the different possible antecedents of attitude since they can contribute differently to loyalty (cognitive, affective, and conative antecedents). Oliver (1999) proposed a four-stage loyalty model that since then has been widely used in the literature when studying loyalty related issues (Evanschitzky and Wunderlich 2006, Harris and Goode 2004). In the present research we build on this four-stage loyalty model (Oliver 1999) making a distinction between the four proposed loyalty stages: cognitive, affective, conative, and action.

According to the model proposed by Oliver (1999), loyalty is considered to be a deeply held commitment to re-buy a preferred product or service, proposing that different aspects of loyalty emerge consecutively over time. In the first stage—cognitive loyalty, loyalty is driven by the information available related to advantages and disadvantages of a brand, service, or store. It can be based on previous or second hand knowledge, or recent experiences. It is the weakest type of loyalty since customers are loyal to brand performance rather than to the brand itself, which increases the likelihood of switching, once they perceive other offers with better attributes. Once this first stage is fulfilled, it follows the affective loyalty stage which is characterized by favorable attitudes towards a brand and where loyalty develops based on various brand satisfying usage experiences. It reflects the positive feelings experienced by consumers about a specific brand or service provider. The third stage—conative loyalty—is influenced by repeated episodes of positive affect towards a brand and implies customers' commitment to re-buy it, reflecting consumers' purchase intentions and being akin to motivation. Finally, after evolving through all these stages, consumers reach the action loyalty stage, where their intentions are converted into actions and willingness to buy the favorite offer, abandoning any other alternatives. This last stage completes the loyalty attitude-based model, reflecting consumer commitment to the action of re-buying.

In order to explain what drives consumers loyalty towards a specific store or retailer, some authors point out as differentiating factors the store service quality (Bloemer et al. 1999), some stress the fixed and variable total costs of shopping (Bell et al. 1998), while others found that many different variables, such as parking facilities or store opening-closing times, can play an important role (Sawmong and Omar 2004). Therefore, because today's marketplaces offer consumers a lot of shopping options, both in terms of number and type of stores available as in terms of products offered, we propose it is important to adopt an integrated approach where

all the factors that may affect consumers' intentions to repurchase at a certain store are considered, including consumers' loyalty towards the private labels. Moreover, since at each loyalty stage different loyalty factors can be detected (Evanschitzky and Wunderlich 2006), we argue that is also important to make a distinction between these to assess the specific contribution of each factor. As highlighted by Evanschitzky and Wunderlich (2006), relatively little research has focused on testing the total four-stage model, especially in a retail setting. Also Han and colleagues (2008) stressed that models that try to explain loyalty behavior in services rarely go beyond the traditional quality-value-satisfaction models, being important a more challenging and integrative perspective to identify loyalty determinant factors. That is the aim of the present research.

3 Method

3.1 Data and Sample

Data was collected through an online survey in Portugal, where the retailing market is moderately concentrated and where PLs market share represent about 32%. 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 three 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.

3.2 Survey Design

The survey was divided in three main sections: screening and supermarket characterization, main constructs measurement, and socio-demographic assessment.

Regarding the screening and supermarket characterization section, participants were asked to indicate if they were the primary household groceries shopper as also to indicate in which supermarket they spent the highest amount on monthly grocery purchases. Participants were then informed that they should answer all questions bearing this supermarket in mind. This procedure assured that all the data collected was related to a specific retailing chain.

3.3 Measurement of Main Constructs

Regarding private label loyalty construct, we created four items to assess the level of loyalty expressed by consumers towards the store branded products (e.g., “I like to purchase the private label of this store” and “There are some categories in which I just consume the private label of this store”; $\alpha = .87$).

To assess the different stages of loyalty we adapted four items developed by Blut and colleagues (2007), each one measuring each type of loyalty. In line with the four-stage loyalty model proposed in the literature (Evanschitzky and Wunderlich 2006; Harris and Goode 2004; Oliver 1999), we collected data on: (1) *cognitive loyalty*—measured by “from the group of stores I know, this store is the one with better quality/price ratio”; (2) *affective loyalty*—assessed by “based on all my experience with this store, I am very satisfied”; (3) *conative loyalty*—measured by “Given your experience with this store, please indicate the probability to recommend it to someone else”; and (4) *action loyalty*—which was assessed by asking participants to indicate “Out of each 10 times you choose a store to shop, please indicate how many times on average you choose this store” (adjusted later on to a 7-points scale).

In order to assess each of the main constructs identified in the literature as possible store loyalty driving factors, we adapted items from previous studies. All items were measured using 7-point scales (1 = totally disagree; 7 = totally agree) and reported adequate reliability indicators.

4 Statistical Analysis and Results

In a 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 et al. 2006). We then computed the fraction of variance explained by each observed indicator (coefficient of determination). Results from this analysis indicate an overall good validity of the items used to assess each construct. Using the threshold of ± 0.5 to identify significant loadings, we can see that all but five items (conv1, conv2, conv3, conv8 and conv10) in the CFA have significant loadings. Since the deletion of these items would only marginally contribute to an improvement of the reliability of the scale (from $\alpha = .732$ to $\alpha = .735$), we decided to keep the original 10 items of the scale.

In a second stage, we run multilevel regression models to estimate each loyalty model. Multilevel regression analysis takes into account the hierarchical structure of the data, when data are nested in multiple groups (in our case nested in 10 retailers). Four separate multilevel regression analyses were performed (using the “mixed” command in STATA 13.0) with respectively each loyalty level of

individual i on retailer j as the dependent variables (SLcog_{ij}, SLaff_{ij}, SLcon_{ij}, SLact_{ij}). As explanatory variables we included all the assessed loyalty factors: (1) store appearance and environment (App_{ij}), (2) convenience (Conv_{ij}), (3) store employees (Empl_{ij}), (4) merchandising (Merc_{ij}), (5) store service (Serv_{ij}), (6) social groups (Sogr_{ij}), (7) switching costs (SwCo_{ij}), (8) promotions (Prom_{ij}), (9) store loyalty programs (SLpr_{ij}), (10) price policies (Prpo_{ij}), (11) private label loyalty (PLlo_{ij}).

Additionally, we also included all the variables assessed at individual level to control for participant characteristics (gender, age, education, family members, level of spending on supermarket purchases), all the variables assessed at retailer level to control for its characteristics (number of outlets, turnover per store), and finally an error term for each participant's deviation from the overall average (u_i) and an error term for each participant's deviation from their own mean group level of loyalty (e_{ij}). The following four models were estimated (the four dependent variables separated by a comma):

$$\begin{aligned} \text{SLcog}_{ij}, \text{SLaff}_{ij}, \text{SLcon}_{ij}, \text{SLact}_{ij} = & \beta_0 + \beta_1 \text{App}_{ij} \\ & + \beta_2 \text{Conv}_{ij} + \beta_3 \text{Empl}_{ij} + \beta_4 \text{Merc}_{ij} + \beta_5 \text{Serv}_{ij} \\ & + \beta_6 \text{Sogr}_{ij} + \beta_7 \text{SwCo}_{ij} + \beta_8 \text{Prom}_{ij} + \beta_9 \text{SLpr}_{ij} \\ & + \beta_{10} \text{Prpo}_{ij} + \beta_{11} \text{PLlo}_{ij} + \beta_{12} \text{Gend}_i + \beta_{13} \text{Age}_i \\ & + \beta_{14} \text{Educ}_i + \beta_{15} \text{Fam}_i + \beta_{16} \text{Spend}_i + \beta_{17} \text{Out}_j \\ & + \beta_{18} \text{Turn}_j + u_i + e_{ij}. \end{aligned}$$

Model 1—Cognitive Stage Results from the application of the full model to the cognitive loyalty fully support the underlying reasoning for the existence of this loyalty stage. The multilevel regression findings indicate that at this stage, besides the positive explanatory power of private label loyalty ($\beta = .113, p < .01$), the factors that seem to play a more significant role when estimating cognitive loyalty are store price positioning ($\beta = .572, p < .001$), followed by store service ($\beta = .188, p < .05$), and promotions policy ($\beta = .124, p < .01$). This reveals the high importance of economic factors (price and promotional positioning) on consumers cognitive loyalty, supporting the idea that in this loyalty stage consumers are more likely to adopt a costs and benefits approach (Oliver 1999), instead of a brand affective relation approach.

Model 2—Affective Stage This loyalty stage is typically related with the experience of emotions towards the brand or service supplier. Results from the multivariate regression run for this model identify several new distinctive factors (compared with model 1), in line with the theoretical positioning of this stage. This time, results indicate store appearance to be the most important factor ($\beta = .212, p < .001$), followed by price positioning ($\beta = .196, p < .001$), store service ($\beta = .183, p < .001$), merchandising ($\beta = .161, p < .01$), social groups ($\beta = .082, p < .05$), and finally, private labels loyalty ($\beta = .055, p < .05$), which reveals to have a modest contribution in this loyalty stage. Compared with model 1, it is obvious a stronger predominance of in-store loyalty factors (appearance,

merchandising, store service, and social groups), indicative of a more affective and emotional relationship with the store, versus a more price and promotional orientation, as observed in the cognitive stage.

Model 3—Conative Stage This stage, often referred as the behavioral intention stage (Oliver 1999) is considered to be the most important stage that anticipates behavioral loyalty (next stage- action), implying an expressible commitment to repurchase. Results reveal price positioning as the main explanatory variable ($\beta = .278, p < .001$), followed by five in-store loyalty factors: store appearance ($\beta = .247, p < .001$), store service ($\beta = .190, p < .01$), store employees ($\beta = .181, p < .001$), merchandising ($\beta = .159, p < .05$), and social groups ($\beta = .128, p < .01$). Private labels are once more a significant factor ($\beta = .065, p < .05$), indicating to also contribute to build consumer loyalty.

Model 4—Action Stage This last stage of the loyalty model describes the phase in which the attitudes, beliefs, and intentions assessed in the previous loyalty stages are converted into action, expressing consumers' commitment to the action of re-buying (Oliver 1999). At this stage, loyalty is mostly influenced by convenience ($\beta = .181, p = .055$), and loyalty towards the private label ($\beta = .073, p = .055$), not being influenced by any of the other in-store and economic factors. This reveals that when consumers reach this stage they are no longer evaluating overall aspects of the store (e.g., service quality) and/or specific economic factors (e.g., store price positioning) since these were already evaluated and taken into consideration in the previous loyalty stages.

Hopefully the current volume will be instrumental in bringing marketing and AI closer together.

5 Discussion

Overall, the application of the proposed integrative model of loyalty to each of the four-stages loyalty model, indicates that this is a critical analysis, since each stage revealed to be influenced by different loyalty factors. This implies that depending on the loyalty stage consumers are in, different factors will enhance his/her loyalty towards the retailing chain. More importantly, findings indicate that consumers' loyalty towards the private labels is a significant loyalty factor, in *all* the different loyalty stages, highlighting the relevant role that retailers' brands can have on establishing both attitudinal and behavioral loyalty. This is in line with the increasing importance of private labels on retailers' assortment (Geyskens et al. 2010) constituting a distinctive characteristic of each chain. In fact, although not predominant in each stage (i.e., always in the lower tier of significant parameters), private labels seem to consistently influence consumers' loyalty along its different stages.

The contributions of this paper are threefold. First, it highlights the importance of distinguishing between attitudinal and behavioral loyalty, with our results

indicating that there is no homogeneity in terms of loyalty driving factors across different loyalty stages. Second, it stresses the positive contribution of private labels on consumers' loyalty, across all different loyalty stages. In fact, even when all other possible identified loyalty driven factors are considered and included in the analysis, consumers loyalty towards the specific private labels offered by each retailer, seem to play a role determining consumers' loyalty towards a specific chain. Third, findings emphasize the complexity of the consumer loyalty construct and that multiple factors can positively contribute to it. Besides the private label assortment characteristics, several other factors influence attitudinal and behavioral loyalty, and its importance should not be disregarded.

Further research can try to develop a model that also captures possible causal relationships among the different loyalty stages, determining the relative impact of consumers' loyalty towards PLs, while adopting the proposed integrative perspective.

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An Application of Consumer-Based Brand Performance Model to Global Brands and Private Labels

Sebastian Molinillo, Yuksel Ekinici, and Arnold Japutra

Abstract The aim of this study is twofold: firstly to introduce and test a consumer-based brand performance model and secondly to compare global brands' performance with private labels'. The two surveys were conducted with the help of a Spanish marketing research company. In total 454 respondents participated in the Private Labels survey and 435 respondents participated in the Global Brands survey. The study used structural equation modeling approach to test the conceptual model and the five research hypothesis. All of the research hypotheses were supported. The standardised path coefficients of the global brands data were greater compared to the private labels' except for the link between brand satisfaction and brand loyalty intentions, where the standardized path coefficients were greater in the private labels data. Theoretical and managerial implications of the study are discussed.

Keywords Brand performance measurement • Brand equity • Global brands • Private labels • Brand trust • Brand loyalty

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1 Introduction

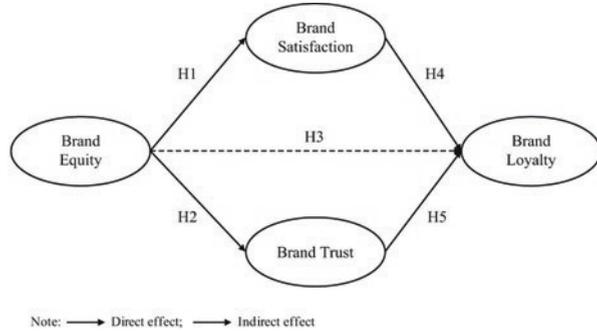
Building a strong brand and enhancing its performance is crucial for business success (Aaker 1991; Lee et al. 2008). Brand performance is defined as a relative measurement of brand success in the marketplace (O’Cass and Ngo 2007). Brand performance is affected by numerous factors. Some of these influencing factors (e.g. firm characteristics, marketing spending, product innovation, product availability at the store, etc.) differ for global brands and private labels. Private labels are often thought of as being of inferior quality and price. They usually have smaller promotion budget than mainstream brands (Sethuraman and Gielens 2014). However, retailers are introducing premium private labels and adopting different positions to serve different market segments (ter Braak et al. 2014). As a result, recent industry studies show that consumer perceptions of private labels have been improved over the years especially in Europe and America (Deloitte 2014, 2015; Euromonitor International 2013; Private Label Manufacturers Association 2015). Nevertheless, private label market share seems to be anti-cyclical as economic hardship drives market share growth. Given that the global economy has been recovering, a growing number of consumers see private labels as a sacrifice to global brands. Hence they are less willing to try them (Deloitte 2015). Lamey et al. (2012) argue that private-label share gained during market contractions is permanent. Therefore, the competition between global brands and private labels brands remains an important subject for research (Rossi et al. 2015). Despite the growing interest on brand performance, most of the existing studies focus on the investigation of national or global brand performance. To the best of our knowledge, there are no studies comparing private label and global brand performance from the consumer point of view.

The aim of this study is twofold: firstly to introduce and test a consumer-based brand performance model and secondly to compare global brands’ performance with private labels’. This study differs from previous studies by comparing validity of the brand performance model and contributes to the branding literature by advancing understanding of consumer-based brand performance dimensions and their relationships with loyalty intentions. The research paper starts with a review of brand performance measurements. Then, the methodology and the findings of the study are presented. Finally, this paper discusses the theoretical and managerial implications for the industry.

2 Conceptual Framework: Brand Performance Measures

Business performance measurements are diverse; broadly speaking they include metric or non-metric systems as well as tools (Laitinen 2002). Thus, not surprisingly, there is not a universal approach for measuring brand performance (De Chernatony et al. 2004). Due to the fact that marketing practitioners are

Fig. 1 The consumer-oriented brand performance model



under pressure to show how marketing expenditure adds to shareholder value, they use financial and market performance metrics to assess brand performance (Doyle 2000). However, existing financial metrics have proved inadequate to measure marketing productivity, leading to the development and increasing use of nonfinancial metrics (Rust et al. 2004). As a result, no single measure captures the depth of brand performance (Farris et al. 2008). The growing number of brands needs development of a valid and reliable brand performance measures. Several studies have measured brand performance through brand loyalty (e.g. Coleman et al. 2015; De Vries and Carlson 2014; Lee et al. 2008), due to the fact that customer performance positively influences financial performance (Lee et al. 2008). Accordingly, the model proposed in this study (see Fig. 1) suggests that consumer based brand performance measures are formed with four variables: consumer-based brand equity, brand trust, brand satisfaction and brand loyalty intentions. Furthermore, brand trust and brand satisfaction mediate the brand equity's effect on brand loyalty intentions.

As shown in Fig. 1 and previous literature, brand equity is essential for assessing brand performance and gaining competitive advantage in the marketplace (Tolba and Hassan 2009). Keller (1993) posits that evaluating the brand in the minds of consumers is a prerequisite for market performance. Customer-based brand equity is defined "as the differential effect of brand knowledge on consumer response to the marketing of the brand" (Keller 1993, p. 8). As brand equity positively associates with customer equity and brand success, brand equity receives significant attention from researchers and marketing managers (Kim et al. 2003).

Building from Aaker's (1991) and Keller's (1993) models of brand equity, Nam et al. (2011) argue that brand loyalty is one of the components of brand equity, but that it is also an outcome. Furthermore, Buil et al. (2013), Pike et al. (2010), Tolba and Hassan (2009), and Molinillo et al. (2015) acknowledge a causal relationship between brand equity and brand loyalty. Oliver (1999, p. 34) define brand loyalty as a "deeply held commitment to rebuy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour".

Also it is well established the positive influence of brand equity on brand satisfaction and brand trust (e.g. Ekinci et al. 2008; Kumar et al. 2013; Lam and Shankar 2014). Bloemer and Kasper (1995, p. 314) define brand satisfaction as “the outcome of the subjective evaluation that the chosen brand meets or exceeds the expectations”. Brand trust is defined as the willingness of the average customer to rely on the brand’s ability to perform its function (Chaudhuri and Holbrook 2001).

Accordingly, the model proposes five research hypotheses with regards to the relationships among the consumer-based brand performance measures:

H1: Brand equity has a positive relationship with brand satisfaction

H2: Brand equity has a positive relationship with brand trust

H3: Brand equity has a positive relationship with brand loyalty

H4: Brand satisfaction has positive relationship with brand loyalty

H5: Brand trust has positive relationship with brand loyalty

3 Methods

The two surveys were conducted in Spain, where a Spanish marketing research company collected the data. In total 454 respondents participated in the Private Labels survey and 435 respondents participated in the Global Brands survey. At the beginning, respondents were asked to think about brands in either fashion or sportswear category. Afterwards, on each survey (private labels and global brands) the respondents were given a list of 30 different fashion and sportswear. These brands were chosen taking into account brand rankings such as Interbrand Best Global Brand, Interbrand Best Retail Brand, L2 Digital IQ Index of Fashion and L2 Digital IQ Index of Sportswear, as well as their presence in the Spanish market. Respondents were asked to choose a brand that they are familiar with from the list.

The measures were adapted from previous studies and administered using 7-point Likert scale, except for brand satisfaction (measured on a 7-point semantic scale). Overall brand equity, brand satisfaction, brand trust and brand loyalty were measured using four, five, three and three items respectively. This study measures overall brand equity by adopting the scale proposed by Yoo and Donthu (2001). To measure overall brand satisfaction the study employs the scale of Spreng and Mackoy (1996). Overall brand trust was measured using the scale developed by Lassar et al. (1995). Finally, the study measures overall brand loyalty intentions using the scale proposed by Molinillo et al. (2015) and Çifci et al. (2016-forthcoming).

For the Global Brands survey, most of the respondents were female (56.8%). Their level of education were mostly undergraduate degree (40.7%), and their annual income were mostly less than 6,000 (12.9%). Regarding their age-group, 26.7% were in the 15–24, 28.5% were in the 25–34, 19.8% were in the 35–44, 16.8% were in the 45–54, 7.8% were in the 55–64 and 0.5% were in the 65 or above age-group. For the Private Labels survey, most of the respondents were

female (52.9%). Their level of education were mostly undergraduate degree (30%), and their annual income were mostly between 12,000 and 17,999 (15.2%). Regarding their age-group, 17.8% were in the 15–24, 16.1% were in the 25–34, 19.4% were in the 35–44, 18.1% were in the 45–54, 13.2% were in the 55–64 and 15.4% were in the 65 or above age-group.

4 Findings

Normality tests were conducted based on the value of skewness and kurtosis of each item. The distribution of the data is normal since the values of the skewness and kurtosis were around the absolute value of -1 and $+1$ (Hair et al. 2010). Next, confirmatory factor analysis were conducted to check the validity and reliability of the constructs. Table 1 displays the composite reliability (CR) values and the correlations.

As can be seen from Table 1, all of the constructs are reliable since the CR values were above the 0.70 threshold (Hair et al. 2010). Following Fornell and Larcker (1981) by using the average variance extracted (AVE) values, it can be concluded that these constructs achieved discriminant validity since the AVE values were above the squared inter-correlations. Next, two structural models were created. Table 2 displays the fit statistics of the structural models.

The results of the fit statistics show that the two models produce good fit. Afterwards, the research hypotheses were tested. Table 3 displays the results of the hypotheses testing.

Based on the results of the hypotheses testing, all of the research hypotheses were supported. However, it should be acknowledged that the standardised path coefficients (SPCs) of the global brands data were greater compared to the SPCs of the private labels data. Except for the link between brand satisfaction and brand loyalty, where the SPC was greater in the private labels data. In order to confirm whether there are significant differences between each constructs between global brands and private labels, independent samples t-test were conducted. The scores of

Table 1 Descriptive statistics, reliabilities, correlations and validities

	Global brands					Private labels				
	CR	1	2	3	4	CR	1	2	3	4
1. BE	0.92	0.73	0.14	0.44	0.47	0.90	0.69	0.10	0.34	0.33
2. BS	0.93	0.38	0.73	0.22	0.30	0.84	0.32	0.52	0.20	0.38
3. BT	0.84	0.66	0.46	0.64	0.59	0.74	0.58	0.45	0.49	0.48
4. BL	0.81	0.69	0.55	0.77	0.59	0.76	0.57	0.62	0.69	0.54

Note: BE: Brand Equity; BS: Brand Satisfaction; BT: Brand Trust; BL: Brand Loyalty; The diagonal values in bold indicate the average variances extracted (AVE). The scores in the lower diagonal indicate inter-construct correlations (IC). The scores in the upper diagonal indicate squared IC (SIC)

Table 2 Fit statistics

	n	χ^2	Df	χ^2/df	GFI	NFI	TLI	CFI	RMSEA	SRMR
GB	435	226.49	85	2.67	0.94	0.95	0.96	0.97	0.06	0.07
PL	454	222.37	85	2.62	0.94	0.93	0.95	0.96	0.06	0.07

Table 3 Result of structural equation analyses for the research model

	Relationships	Global brands		Private labels	
		SPC	t-value	SPC	t-value
H1	Brand equity → Brand satisfaction	0.39	7.71***	0.34	6.13***
H2	Brand equity → Brand trust	0.67	11.08***	0.59	8.65***
H3	Brand equity → Brand loyalty	0.39	5.81***	0.21	3.70***
H4	Brand satisfaction → Brand loyalty	0.23	4.96***	0.41	8.55***
H5	Brand trust → Brand loyalty	0.51	7.10***	0.43	6.67***
Variance explained (R ²)					
Brand satisfaction		0.16		0.11	
Brand trust		0.45		0.35	
Brand loyalty		0.88		0.62	

Note: SPC: Standardised Path Coefficient; Df: Degrees of freedom; RMSEA: Root Mean Square Error of Approximation; SRMR: Standardised Root Mean Residual; GFI: Goodness of Fit Index; NFI: Normed Fit Index; TLI: Tucker Lewis Index; CFI: Comparative Fit Index; *** $p < 0.001$

Table 4 Mean scores global brands and private labels

Brand performance measures	GB (N = 435)		PL (N = 454)		t-value
	Mean	SD	Mean	SD	
1. Brand equity	3.95	1.62	4.23	1.44	2.72**
2. Brand satisfaction	4.91	1.42	5.29	0.92	4.73***
3. Brand trust	4.25	1.29	4.70	1.11	5.64***
4. Brand loyalty	4.57	1.35	4.66	1.23	0.99 ^a

^aNot significant

** $p < .01$, *** $p < .001$

each constructs were summated. Table 4 displays the result of the independent samples t-test.

5 Conclusions

The present study introduces and tests a consumer-based brand performance model. The results show that brand equity, brand satisfaction and brand trust are prominent variables to explain overall brand loyalty intentions—an important construct for a firm’s success (e.g. Ekinici et al. 2008; Nam et al. 2011). These three constructs

explain 88 % (GB) and 62 % (PL) of the variance in brand loyalty. Hence, firms should measure the performance of their brands periodically focusing on the three constructs. Out of these three constructs, we find that brand trust is the most important predictor of brand loyalty intentions for both GB and PL.

As it has been discussed earlier in the paper, PL has been considered an alternative to GB during economic hardship, although some argues that part of this boost in private-label share achieved during contractions will be permanent (Lamey et al. 2012). However, our study displays that even after economy hardship has passed, PL perform better than GBs. The results show that the mean scores of the three brand performance constructs of PL were higher than GB. This explains further the study of Deloitte (2015), which states that consumers see PL as sacrifice to GB during hardship. Consumers start to consider PL not only as alternatives. This might be due to the fact that PL has improved their quality by introducing more premium line (ter Braak et al. 2014). GB brand managers should pay attention to this otherwise they could lose to the performance of PL.

Although this study compared GB and PL from two different surveys, the respondents have similar demographic profiles. However, it would be worthwhile to compare the performance of GB and PL from the same respondents. It would also be interesting to measure the performance of GB and PL over a period of time. A longitudinal study will help explain whether PL brand performance is in fact better compared to GB brand performance. Finally, it would be interesting to include some moderating variables into the analysis such as retailer loyalty and price sensitivity among others.

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Psychographic Traits Influencing Private Label Proneness in the Product's Life Cycle Growth Stage

Hanna Gendel-Guterman and Shlomo Lampert

Abstract The share of PL in various markets differs according to PL relative positioning and its stage in the brand life cycle. This research explores factors influencing the proneness of buying a PL product during its growth stage. Marketers in this stage prefer using price and in-store promotion, while neglecting brand advertising. This paper proposes a conceptual framework for PL proneness that integrates psychographic traits—advertising lover, leaner on extrinsic cues, and early adopter, with variables of PL image and familiarity. This model has been empirically tested. Data were collected through a survey of 914 adult grocery store shoppers. The study employs a factor analysis method following path analysis using structural equation modeling (SEM). The results show the significance of creating a strong and sustainable PL brand through advertising. They also indicate the importance of approaching early adopters. Practical implications: Marketers are advised to change their budget and allocate more to advertising their PL brand, along with their in-store promotions. They should also use advanced tools like data mining to identify potential customers according to their psychographic traits.

Keywords Private label • Advertising • Adoption • Brand image • Brand life cycle

1 Introduction

Private labels (hereafter PL) are defined as products produced on behalf of retailers, and sold under the retailers' own name or trademark, through their own outlet. Lately, PL market share, in volume, has expanded in 14 out of 20 countries, according to PLMA's 2015 international PL yearbook, based on Nielsen data. PL market shares differ according to the PL's relative positioning and its stage in the

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brand life cycle. Switzerland (53 %) and Spain (52 %) have recorded the highest volume shares. Five countries—the United Kingdom, Germany, Austria, Belgium, and Portugal—achieved volume shares of 40 % or more, while in Italy, Greece, and Turkey the volume share was about 22 %.

Our research concentrates on a market that is still in the PL brand growth stage, where the PL volume share is about 10 %.

It is widely accepted by most researchers that some variables have a major influence on PL buying proneness, regardless of PL's life cycle stage: *perceived quality*, *value for money* and *familiarity* (Richardson et al. 1996; Baltas 1997; Sethuraman and Gielens 2014). However, other unique factors could be related to any specific stage. In this research, we try to explore the factors relevant to the growth stage.

One of the first questions is: “Could one actually refer to PL products as ‘new products’ in their early stages of development?” Usually, PL products are similar to national brand products in their mature stage and differ only by brand name; therefore, we chose to consider PL products as having a Brand Life Cycle. As Horvat and Dosen (2013) claim: “Brand life cycle is as acceptable a concept as is product life cycle and mainly based on consumers’ attitudes and behavior”. Accordingly, this research examines consumer psychographic traits which might influence their frame of mind, attitude, and behavior toward a PL brand during its growth stage. Thus, we focus on the following recognized variables: the consumer traits of ‘early adopter’, ‘advertising lover’, ‘leaner on extrinsic cues’ and ‘frequent shopper’.

The paper begins with a look at the theoretical background and research hypotheses, and then describes the conceptual model. Next, the Methodology section presents the data and measurements, followed by the Results section. Finally, the Discussion section illuminates the findings, describes theoretical and practical implications, and suggests directions for future research.

2 Theoretical and Empirical Background

Research of the private label product life cycle should first answer/resolve the following question: “Are PL brands really new products?” Obviously, similar national brand products with similar features exist in the market. The only difference is that PL products carry a different brand name, and this brand name and its connotations are unfamiliar to consumers when they are first introduced to the market. Thus, it is more suitable when dealing with PL products to use the term *Brand Life Cycle* (hereafter BLC) than product life cycle. As claimed by Horvat and Dosen (2013), *Life Cycle* can be discussed in several contexts: demand level, industry level, product category level, product class level, product level, and brand level (Wood 1990). Some studies doubt the application of the product life cycle concept at the brand level; however, according to Horvat and Dosen (2013) and based on Vranešević (2007), “brand life cycle is a much more stable concept because the brand is not based only on satisfying generic consumer needs, but also

on the development of long-term relationships based on value". Thus, *brand life cycle* is mainly based on consumers' attitudes and behavior, while *product life cycle* is generally based on market success. Accordingly, this research examines consumer psychographic traits which might influence their frame of mind, attitude, and behavior toward PL brand products during the growth stage.

Based on these observations, we assume that BLC and product life cycle have similar stages. Next, our study examines the factors that affect PL proneness during the growth stage, specifically consumer traits including early adopter, advertising lover, believers in extrinsic cues, and frequent shopper.

In this research, *PL proneness* refers to a customer's inclination to consider buying and using PL products (see Richardson et al. 1996). Previous research studied factors that influenced this proneness' for example, Richardson et al. (1996) referred to extrinsic cues, risk aversion, and intolerance of ambiguity as psychographic traits that can affect PL proneness. Horvat and Dosen (2013) emphasized PL risk aversion during the product's growth stage. We claim that the proneness to buy PL products during their BLC growth stage might be related to other factors as well, such as the tendency to adopt new products; the tendency to get information from external sources, such as advertising and other extrinsic cues; and shopping frequency (hereafter referred to as Early adopter, Advertising lover, Leaner on extrinsic cues, and Frequent shopper).

In the beginning or during the growth stage of the product life cycle, it is essential to identify the factors that can either positively influence or hinder consumer acceptance. *Familiarity* is one of the most important factors, as is evident from Consumer Adoption theory. Rogers (2003) shows that the adoption of new products depends on factors such as awareness of the products, their perceived value, and perceived risk. In addition, branding and other marketing promotion tools support the diffusion of the new products by providing potential customers with information about them. Imperfect and asymmetric information about the new product arouse uncertainty, create risks, and result in costs (information-gathering and information-processing) for consumers (Erdem and Swait 1998 in Füller et al. 2013). Thus, consumers need to make use of extrinsic cues such as price, packaging, advertising, and brand name to reduce this uncertainty (Erdem et al. 2006).

Kim and Parker (1999) show there are two types of consumers—store brand seekers, who appreciate low prices, and those who tend to rely highly on advertising as regards their brand perceptions and preferences ("advertising lovers"). Thus, they are willing to pay a premium for advertised products. The "advertising lovers", search for advertisements in the media, talk with friend about commercials and frequently are convinced to buy a product which was advertised. However, Contrary to national brands, which manufacturers advertise extensively, PL marketers use minimal advertising, especially during the growth stage, recoiling from dealing directly with the problematic uncertainty and perceived risks of PL products (Lamey et al. 2012). Lack of advertising is a source of difficulty for PL, especially during times of expansion. During expansionary periods, consumers have little incentive to search for alternatives to NB. Yet, even in times of contraction, while consumers become more price-sensitive, their switch to PL brands is relatively delayed, caused by a lack of advertising (Lamey et al. 2012; Lamey 2014).

Insufficient investment in the advertising of PL products can lead to improper familiarity or undesired emotion towards PL products, particularly among ‘high’ advertising lover consumers, who tend to rely highly on advertising as regards their brand perception and preferences (Levy and Gendel-Guterman 2012). Moreover, it was also found that non-user perceptions of PL show deviations from normal patterns. PL non-users are less likely to associate an attribute with a PL, compared with advertised NB non-users with an NB of the same size. This deviation is potentially attributed to a lack of out-of-store advertising for PLs (Nenycz-Thiel and Romaniuk 2014). Thus, we propose the following hypothesis:

H1a Advertising lovers will be negatively correlated with PL buying proneness, as a result of insufficient PL advertising.

On the other hand, according to Lopez et al. (2015), manufacturer advertising has spillover effects on the demand for PL brands, increasing their demand by aggregating the demand for the entire category. Therefore, we can assume that advertising lovers, in general, who are exposed to national brand advertising, will buy more from a category including PL products. Furthermore, seekers of new information and further details are also considered advertising lovers (Thorell et al. 1976). Therefore, we propose the opposite hypothesis:

H1b Advertising lover will be positively correlated with PL buying proneness.

Extrinsic cues are product-related attributes, such as brand name, packaging, advertising, country of origin, and price, which are not actual parts of the physical product (Richardson et al. 1994, 1996). Extrinsic cues, especially perceived advertising expenditures and advertising creativity, can convey high quality because an expensive and intensive advertising campaign is a signal of high quality (Kirmani and Wright 1989; Kirmani 1990). PL products are usually sold at a lower price than national brands. For those who rely mostly on low prices as an extrinsic cue, especially in the case of a lack of advertising, low prices can create a negative effect on a PL’s perceived quality; it seems that consumers who use extrinsic cues as criteria for judging product quality and eventually buying, will perceive a low-priced PL product as inferior, relative to national brands (Richardson et al. 1996). Thus, we propose the following hypothesis:

H2 Leaner on extrinsic cues will be negatively correlated with PL buying proneness.

The innovative tendency of “Early adopter” can be defined as “the predisposition to buy new and different products and brands, rather than remain with previous choices and consumption patterns” (Steenkamp et al. 1999). People who like and appreciate new, innovative products will evaluate brands accordingly. We assume the existence of a group of early adopters in the PL BLC (brand life cycle), as was found in Rogers’s (2003) product life cycle model. We further assume that this group will be willing to adopt PL brands during the growth stage, regardless of whether they are advertised or not, just because they like trying new products and brands and prefer to eliminate risks. Thus, we propose the following hypothesis:

H3 Early adopter will be positively correlated with PL buying proneness.

Frequent shoppers are identified by the number of times per month they shop in the same store. Frequent shoppers in the chain that own the PL will probably tend to have a positive proneness to purchase PL brands, as during their visits to the chain, they are exposed to PL products on the shelf and, sometimes, even to in-store PL promotions. Previous research has found a positive relationship between frequency of shopping in a store and the purchasing of PLB (Sudhir and Talukdar 2004; Bonfrer and Chintagunta 2004). Sethuraman and Gielens (2014) found that store loyalty increases the tendency to buy PLB products. Thus, we propose the following hypothesis:

H4 Frequent shopper will be positively correlated with PL buying proneness.

As mentioned, researchers have recognized that there are key antecedents in the store brand buying processes, (Richardson et al. 1994, 1996). Therefore, we included the antecedents brand Familiarity, PL Quality perception, and VFM (value for money) perception in the conceptual model:

Regarding *perceived quality*, PLs traditionally offer consumers lower and fairly-priced products, very similar in quality to national brands (Koschate-Fischer et al. 2014). Yet, consumers consider PL brands as being inferior to national brands—low-quality products or, at least, of lower quality than national products. As a result, PL products are regarded as second-rate alternatives (Richardson et al. 1994; Mieres et al. 2006).

Brand familiarity represents the consumer's direct experience with the products and was found to have decisive importance in consumers' decisions to choose PL products over national brands (Richardson et al. 1996; Baltas 1997). In addition, Familiarity reduces reliance on external cues and perceived risk in the PL buying process, and enhances PL proneness (Richardson et al. 1996; Mieres et al. 2006). *Value for Money* (VFM), as an assessment function of quality compared to price, is another key factor in PL buying process (Ailawadi et al. 2001). Consumers will prefer to buy PL if they perceive the PL to promise a relative better value than national brands (Sethuraman and Gielens 2014). Thus, we propose the following hypotheses:

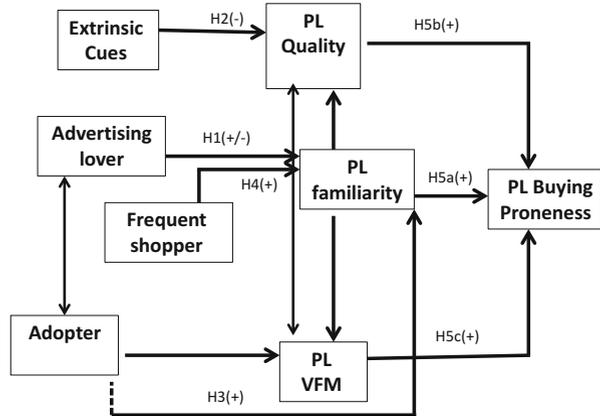
H5a Familiarity with PL will be positively correlated with PL buying proneness.

H5b Quality perception of PL will be positively correlated with PL buying proneness.

H5c VFM perception of PL will be positively correlated with PL buying proneness.

3 Conceptual Model (Fig. 1)

Fig. 1 A proposed model of psychographic-related factors that might influence PL buying proneness



4 Methodologies

Sample Survey data were collected in which participants were randomly recruited from among adult grocery chain store shoppers. Overall, 914 usable responses were analyzed in this study; most were female (64%). Ages mostly (91%) ranged between 26 and 65; about a half possessed a full high school education or above (49%); an average income or above (65%); and approximately all subjects said they usually participate in family shopping trips (95%). The sample’s external validity was confirmed by comparing it to the socio-demographic traits of the total cumulative population of the chain’s customers.

Measurement A preliminary pretest survey was conducted among 343 respondents, in order to construct the statements that define the psychographic variables, which were included in the main research. The items were partly gathered from multiple studies (Richardson et al. 1994, 1996; Ailawadi et al. 2001; Jin and Suh 2005), as well as statements taken from an ongoing survey concerning life-style habits and T.V. advertising audits (TGI—Consumerism and Communications Survey [1999] 2014). Respondents were asked to indicate their level of agreement with different statements. A five-point Likert scale was used, ranging from 1 = strongly disagree, to 5 = strongly agree. The final questionnaire for the main study was then composed after factor analysis and Cronbach reliability tests were performed.

5 Results

Validity and reliability: Items were subjected to two exploratory factor analyses with Varimax rotation, one for psychographic scales (explaining 56% of the cumulative variance) and one for PLB dimensions—quality image, and buying proneness (explaining 68% of the cumulative variance). A Confirmatory Factor

Analysis (CFA) was conducted to confirm the psychographic traits used in the study—advertising lover, early adopter, and leaner on extrinsic cues, resulting in (χ^2 value = 177(60), $p = 0.0$ CMIN/DF = 2.952; Comparative Fit Index (CFI) = 0.957; Normed Fit Index (NFI) = 0.937; Root Mean Square Error of Approximation (RMSEA) = 0.046). Internal consistency was examined using Cronbach’s alpha. The coefficients’ range was 0.62–0.80, displaying an acceptable reliability of the measurements. Means were then calculated and examined for each factor.

Model testing: path analysis was conducted using AMOS 21 and Structural Equation Modeling (SEM), based on the maximum likelihood approach; the overall fit statistics (goodness of fit measures) exhibit an acceptable level of fit (χ^2 value = 30(15), $p = 0.01$, CMIN/DF = 2.060); Comparative Fit Index (CFI) = 0.980; Normed Fit Index (NFI) = 0.964; Root Mean Square Error of Approximation (RMSEA) = 0.034), indicating that the path model is valid. The path model, regression standardized coefficients, and their significance are illustrated in Fig. 2. The model demonstrates the variables’ direct and indirect effects on PL buying proneness (see also Table 1). These model variables accounted for 42 % of the total variance of PL buying proneness intention ($R^2 = 0.42$).

Findings confirm earlier research; there are significant positive, direct (β_d) and indirect (β_i) relationships between PL familiarity and PL buying proneness (total $\beta_t = 0.539$, $\beta_d = 0.410$). VFM has a positive direct relationship with PL buying proneness ($\beta_d = 0.357$), while relative perceived PL quality has a direct, positive relationship to PL buying proneness ($\beta_d = 0.102$), but only a small total relationship ($\beta_t = 0.037$) with PL buying proneness, due to a negative, indirect relationship between perceived quality and VFM ($\beta_i = -0.065$). Familiarity has a positive, direct relationship with VFM ($\beta_t = 0.406$, $\beta_d = 0.377$) and direct negative relationship with perceived quality ($\beta_d = -0.156$).

Regarding the psychographic traits, Advertising lover has positive direct and indirect relationships with PL buying proneness ($\beta_t = 0.125$, $\beta_d = 0.088$), Early

Fig. 2 Path analysis results of the conceptual model

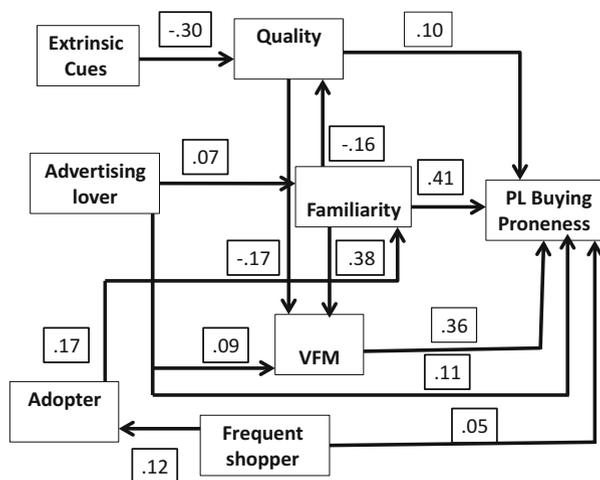


Table 1 Psychographic and PL image variables' direct and indirect significant relationships

Relationships	Standardized effect			Regression weights (direct)		
	Total	Direct	Indirect	Estimate	C.R.	p
Advertising lover—PL proneness	0.125	0.088	0.037	0.094	3.268	<0.01
Advertising lover—Familiarity	0.069	0.069	0.000	0.087	1.995	<0.05
Advertising lover—VFM	0.028	0.000	0.028			
Adopter—PL proneness	0.124	0.000	0.124			
Adopter—VFM	0.156	0.086	0.070	0.105	2.685	<0.01
Adopter—Familiarity	0.173	0.173	0.000	0.220	5.028	<0.000
Extrinsic cue—PL proneness	-0.011	0.000	-0.011			<0.000
Extrinsic cue—PL quality	-0.299	-0.299	0.000	-0.286	-9.057	<0.000
VFM—PL proneness	0.357	0.357	0.000	0.309	12.322	<0.000
Familiarity—PL proneness	0.539	0.410	0.129	0.344	14.322	<0.000
P.L. quality—PL proneness	0.037	0.102	-0.065	0.113	3.844	<0.000
P.L. quality—VFM	-0.181	-0.181	0.000	-0.232	-5.990	<0.000
Familiarity—VFM	0.406	0.377	0.028	0.365	12.252	<0.000
Familiarity—PL quality	-0.156	-0.156	0.000	-0.118	-4.917	<0.000
Frequent shopper—Adopter	0.125	0.125	0.000	0.021	3.588	<0.000
Frequent shopper—PL proneness	0.069	0.053	0.015	0.010	2.085	<0.05

adopter also has a direct relationship with PL buying proneness ($\beta_d = 0.124$), but Leaner on extrinsic cues only has an indirect, negligible relationship with PL buying proneness. The findings also confirm a small but positive relationship between Frequent shopper and PL buying proneness ($\beta_t = 0.069$, $\beta_d = 0.053$).

Thus, Hypotheses H1b, H3, H4, H5a, H5b, H5c were accepted, while Hypothesis H1a—which proposed a negative correlation between Advertising lover and PL proneness—was rejected As well as Hypothesis H2 about Leaner on extrinsic cues.

6 Discussion and Implications

The aim of this study was to empirically test the factors that affect PL acceptance by consumers during the BLC's growth stage. Although, in many European countries PL brands have reached the maturity stage; in other countries—like Eastern Europe, the Far East, and Australia and New Zealand—PL brands are still in their growth stage. Thus, in these countries this issue has great relevance for both industry and academia.

The results confirm that Familiarity, VFM and, in a small measure, Perceived quality have a positive influence on PL buying proneness. However, the negative correlations found between Perceived quality and the factors of perceived VFM and Familiarity, imply that PL and national brand products do not enjoy equal image and acceptance levels, especially during the PL brand's growth stage.

Not surprisingly, early adopters equally accept national brands and PL brands during their growth stage.

Consumers who rely on extrinsic cues have not exposed an inclination to adopt PL products, due to the signal of the lower price.

The central findings show that advertising lovers tend towards PL buying proneness, even in the case of limited advertising. Using immediate extrinsic cues, like in-store promotions or demonstrations, are not affective enough to upset the negative impact of the relative low prices of PL brands on the perception of quality. This negative relation is due to the absence of sustainable, strong PL brands, usually built up through advertising (Milgrom and Roberts 1986; Kirmani and Wright 1989), which has a much longer and more lasting effect. As Füller et al. (2013) emphasize, the term *brand* is reserved for a name or symbol that has created a certain amount of awareness, reputation, and prominence in the marketplace and positive associations are linked to these names within the minds of potential consumer (Keller 2008). In order to create a real brand during the introduction and growth stages, one must invest money in advertising, promotion campaigns, sponsorships, and testimonials. Real enforcement of the value of advertising is the *PL umbrella advertising* factor described by Anderson and Simester (2013): As new private label products are being launched in the growth stage, it is easier for consumers who were exposed to PL advertising to become aware of them. Furthermore, advertising spillover has a positive influence on the adoption of already existent PL products (Abril and Martos-Partal 2013; Balachander and Ghose 2003).

From a theoretical point of view, this research demonstrates that Psychographic traits have direct and indirect influences on PL buying proneness. Moreover, it is more difficult for research that relies on accumulated data from point of sales to examine consumers' psychographic traits. Therefore, using tools like consumer survey enables understanding different dimensions of PL proneness.

From an empirical point of view, during the PL growth stage, marketers usually develop economy PL products. However, it is essential for retailers to begin by planning PL portfolio strategies that will accelerate growth rates. Thus, the next step should include introducing premium PL which meets the demand for gourmet type products, i.e., the desire for food products that are easy for fast consumption, and which are synonymous with "good health" (gluten-free, lactose-free). Advertising these products, along with their in-store promotions, will help build the PL brand as a quality brand and might "spill over" to the economy PL.

Additionally, as marketing tools currently become more sophisticated, using data mining, for example, can help marketers identify early adopter customers (who adopted new national brands in the past), as well as advertising lovers (who reacted to previous advertising).

This study has certain limitations that suggest avenues for further research. First, we believe that more psychographic traits should be included in future research. Second, it could be useful to conduct similar research in other countries that are in the growth stage. Lastly, socio-demographic traits should be included in future research.

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Anthropomorphism and the Effect of Product Face Ratios on Consumer Preferences

Ahreum Maeng and Pankaj Aggarwal

Abstract Drawing upon findings from human face perception that high width-to-height face ratio ($fWHR$) signals dominance trait, this research proposes that high $fWHR$ of a product face also leads to the product being perceived highly dominant, much like the high $fWHR$ of human faces does. Whereas human faces with more dominant features are less liked, high ratio product faces leads to the products being liked more, as revealed by greater consumer preference and willingness to pay. We ascribe this seemingly opposite effect in the product domain to the fact that perceiving dominance cue from product face is motivationally charged and contextually dependent. We show that these effects occur because people perceive the product faces as part of the self. Consistent with goal compatibility account, dominance goal enhances perception of dominance from and increases the positive evaluations of high ratio product faces, whereas conflicting goals and goal incompatible contexts inhibits the ratio effects. The results of five studies suggest that people choose dominant-looking products to construct their symbolic dominance status.

Keywords Anthropomorphism • Face-ratio • Dominance • Product faces

Anthropomorphism research suggests that people often think of products in human-like terms and interact with them as they would interact with other people (Aggarwal and McGill 2007). Although much research has investigated the effect of perceiving products in human versus product terms, there is little investigation on the extent to which interacting with anthropomorphized products mirrors interacting with humans. The goal of the current research is to fill this gap.

In particular this research investigates the possibility that much like human face perception, consumers actually infer personality traits based on the ‘facial structure’

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of anthropomorphic products, and interact with them based on these inferences. Drawing upon prior research showing that high face width-to-height ratio ($fWHR$: bizygomatic width divided by upper-face height) is attributed to high dominance characteristic in a person (e.g., Lefevre et al. 2013), we propose that consumers perceive anthropomorphic products with high $fWHR$ also with high dominance, and leverage these inferences to shape their preferences. However, we suggest that the effect of perceived dominance on overall evaluation in person and product face perception would be very different. That is, while people perceived as having highly dominant faces are evaluated less positively, products perceived as having highly dominant faces are hypothesized to be evaluated more positively compared to those having less dominant faces. We argue that unlike dominant people, consumers employ dominant products to elevate their own relative rank in a social hierarchy. This novel research contributes to extant literature on identity signaling and conspicuous consumption as well as the growing stream of work on anthropomorphism, by underscoring the influence of product design in general and face ratio in particular.

Study 1 tested whether products with higher $fWHR$ are perceived as more dominant and whether perceived dominance mediates the overall perceptions of the product. Four hundred eighty five participants were randomly assigned to one of three levels automobile $fWHR$ and three levels human $fWHR$. Four computer generated faces and four automobile images were manipulated in terms of their width-to-height ratio using Facegen modeler and Adobe Photoshop (ratios: high 2.13 vs. medium 1.9 vs. low 1.7). Participants indicated their impressions of the stimuli in terms of the degree of perceived dominance of and liking for the automobile as well as the human faces. The results showed that participants perceived both human faces and automobile images with high $fWHR$ as more dominant (human: $p < 0.001$; automobile: $p < 0.04$). Further, as predicted, participants disliked human faces with high $fWHR$ ($p < 0.001$) while they liked automobile images with high $fWHR$ ($p < 0.01$). Mediation analyses revealed significant indirect effects of $fWHR$ on preferences for both human faces and automobile images through dominance ratings (95% CI human faces: -0.68 and -0.45 ; automobile images: -6.8 and -4.5), suggesting that perceived dominance mediated the influence of $fWHR$ on both person and product preferences in distinct ways. We suggest that the effect of $fWHR$ on person and product preference is distinct because people perceive the human as other, whereas they perceive the product as part of self. Consequently, we predict that the effect observed in Study 1 will reverse when the high ratio human face is presented as belonging to an in-group person and the high ratio product image is presented as belonging to an out-group. We test this in Study 2.

Three hundred ten participants were randomly assigned to one of six conditions: 2 group memberships (in- vs. out-group) \times 3 levels $fWHR$ for both human faces and product images. Each participant was randomly shown pictures of four human faces at one ratio level and four automobile images at another ratio level. The results showed that participants rated high $fWHR$ human face and product image as more dominant (humans: $p < 0.001$; automobiles: $p < 0.01$). Furthermore, although

the main effect of ratio on human face and product image evaluation was replicated (humans: $p < 0.03$; automobiles: $p < 0.001$), further analysis revealed that high-ratio out-group human faces were disliked the most, followed by medium-ratio and low-ratio faces ($p < 0.012$). However, as predicted, when the same faces were presented as in-group, the ratio effect vanished ($F < 1$). Additionally, compared to the high-ratio out-group automobile images, high-ratio in-group automobile images were liked significantly more, followed by medium-ratio and low-ratio faces ($p < 0.05$). However, as predicted, when the same products were presented as out-group, the ratio effect vanished ($F < 1$). Furthermore, mediation analyses using out-group human-face and in-group automobile image data revealed significant indirect effects of the ratio on preferences for the faces/images through dominance ratings (human: 95 % CI: -0.38 and -0.099 ; automobile: 95 % CI: 0.02 and 0.32).

The goal of Study 3 was to identify a boundary condition in which the effect of face/image ratio is more pronounced with a competitive goal but vanishes with an affiliation goal. Four hundred participants were randomly assigned to one of nine conditions: 3 goals (competition vs. affiliation vs. control) \times 3 levels $fWHR$ in a between-subjects design. The goals were manipulated using scenario of renting a car (for an important business trip vs. for a very special date). Perceived dominance and preferences for the product were measured as before. The results of the control condition replicated those of studies 1 and 2. More interestingly, as predicted, this effect was more pronounced among participants in the competitive-goal condition ($p < 0.001$); however, in the affiliation goal condition, neither perceived dominance nor preferences for the car were influenced by ratio ($F < 1$). Mediation analyses revealed that perceived dominance mediated the effect of ratio on preferences, and this indirect effect was significantly moderated by type of goal (95 % CI: 0.01 and 0.14). We have conducted two additional studies that go deeper into the process by examining the moderating roles of public and private consumption as well as of the need for dominance versus need for prestige on the effect of $fWHR$ on dominance and preferences. We look forward to discussing these results at the conference.

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Part II
Branding I

Retail Brand Extension: The Moderating Role of Product Knowledge

Elisa Martinelli, Francesca De Canio, and Gianluca Marchi

Abstract The paper examines consumers' perceptions of grocery retail brand extension to a non-traditional offer, namely petrol stations. Retail brand extension literature is limited, particularly as regards new products and services domains in which grocery retailers are increasingly directly operating through their brands. Additionally, the role of product knowledge as a moderator of the attitude-purchase intention relationship requires further insights. To these aims, we propose a model in which product knowledge (PK) is tested as a moderator of the relationship between attitude towards the extension (ATEX) and intention to buy the extended product (INTB). At the same time, we tested the role of ATEX as mediator of the impact of a series of antecedents—conceptual fit (FIT), national brand preference (NBP), risk (R) and resources and competences (R&C). A survey on a sample of grocery retail customers was performed administering a structured questionnaire. Then, data were processed applying Structural Equation Modelling (SEM). The conceptual model achieves good predictive validity and all the proposed hypotheses are supported. Some preliminary theoretical and managerial implications are derived.

Keywords Brand extension • Retail brand • Attitude towards the extension • Intention to buy • Product knowledge • Petrol stations

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1 Introduction

Grocery retailers possess well-established and strong brands enabling them to enlarge their offer. Through their private labels (PLs) they are now present not only in every food category, but also in a number of non-food products and even in some services (e.g.: financial services, travel booking), considered as a non-traditional offer (Martinelli et al. 2015).

In this context, the current paper aims to study consumers' perceptions of grocery retail brand extension to a non-traditional offer, namely petrol stations. Specifically, we propose a model that employs a traditional proxy of extension brand success, i.e. intention to purchase the extended brand (INTB), and in which product knowledge (PK) is tested as a moderator of the relationship between attitude towards the extension (ATEX) and intention to buy the extended product (INTB). At the same time, we tested ATEX as a mediator of a number of antecedents—conceptual fit (FIT), national brand preference (NBP), risk (R) and resources and competences (R&C)—on the dependent variable (INTB). Operationally, we performed an in-store survey, collecting questionnaires from a sample of retail customers and we applied Structural Equation Modelling (SEM) to test our HPs. The moderation (PK on the ATEX-INTB path) and mediation (ATEX as a mediator between the proposed antecedents and INTB) analysis postulated are tested too.

The interest for this topic has a scientific relevance. Even if the literature on brand extension success is rich (e.g. Aaker and Keller 1990; Bhat and Reddy 2001), it is mainly based on manufacturer brands, while retail brand extension has been rarely examined (Dwivedi and Merrilees 2013; Mitchell and Chaudhury 2014). Moreover, very little is known about buying intentions when retailers extend their brands in non-traditional businesses (Alexander and Colgate 2005; Laforet 2008). Furthermore, the research on the role of PK on brand extension is relatively limited. This results in a literature gap as the level of experience possessed by the customer on a specific product category that goes through an extension could be a significant variable in explaining the ATEX-INTB path. The few studies focused on the effect of PK on the attitude–purchase intention relationship highlighted the differences between experts and novices with multi-group analysis. But, the role of PK in moderating the relationships between ATEX and INTB remains unclear, and further research is needed. With the purpose to extend the scientific knowledge on PK influence, this work estimates the extent to which PK impacts the ATEX-INTB relationship through its moderating role.

2 Conceptual Model and Hypotheses

The conceptual model proposed has theoretical underpinnings in the categorisation theory, who postulates that consumers form categories based on prior knowledge/experience in order to simplify and make decisions. This theory suggests that the

transfer of brand associations from the parent brand to the extension product chiefly depends by the extent to which consumers perceive a logical and coherent link, called fit, between the brand and the extension product (Park et al. 1991; Buil et al. 2009). Fit can be conceptualized as the degree of similarity perceived between the parent brand and the extension product and it is considered as playing a major role on ATEX compared to other antecedents (Broniarczyk and Alba 1994; Park et al. 1991). This has been verified in a retailing context too (Mitchell and Chaudhury 2014).

Hp1 Fit has a significant positive impact on brand extension attitude.

PLs literature found that consumers perceive NBs as superior to store brands. This is due to their perceived higher quality (Dick et al. 1995), but also because they are much more well-known (Burt 2000). Traditionally, PLs have been positioned as low price/good value for money offerings (De Wulf et al. 2005). Moreover, PLs are perceived as more risky than NBs (Richardson et al. 1996; González Mieres et al. 2006). Thus, preferences for NBs can result in a negative ATEX.

Hp2 Preference for national brands has a significant negative impact on brand extension attitude.

Perceived risk (conceptualized here as financial risk) explains consumer perceptions of the uncertainty and adverse consequences of buying a product or service (Dowling and Staelin 1994). Batra and Sinha (2000) found that store brand buying increases when overall risk perception declines. The higher the perceived risk associated with the PL purchase, the lower the PL proneness (Glynn and Chen 2009).

Hp3 Risk has a significant negative impact on brand extension attitude.

Consumer perceptions of the expertise of a company can be a key determinant in shaping brand extension evaluations (Aaker and Keller 1990). Mitchell and Chaudhury (2014, 97) termed this antecedent as “Transfer”, defining it as “*the extent to which the skills, facilities and people used in developing and making the original product may be useful in making the extension product*”, that is: the more experienced, skillful and capable is the brand company who makes the extension, the better the attitude toward the extension.

Hp4 Resources and capabilities have a significant and positive impact on brand extension attitude.

There is a common and general consensus in considering that attitude toward a product relates positively to its purchase behavior (Ajzen and Fishbein 1980). This has been found true also when ATEX is considered (Bhat and Reddy 2001).

Hp5 Consumers' attitude toward the brand extension positively impacts on intention to buy the extension product.

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 and Hutchinson 1987). Product knowledge is a frequently studied variable in consumer behaviour, but much less is known regarding its role when brand extension studies are involved. Some works consider PK as a moderator of the attitude–purchase intention relationship, studying its effect comparing people with higher vs lower PK towards the extension (Broniarczyk and Alba 1994; Muthukrishnan and Weitz 1991). Product attitudes based on higher level of knowledge should be better predictor of behaviour than attitudes based on a lower level of knowledge (Berger et al. 1994; Grønhaug et al. 2002).

Hp6 Product Knowledge moderates the relationship between brand extension attitude and intention to buy the extension product.

3 Methodology

To verify the postulated research hypotheses a survey was conducted (one week in November 2015) in one hypermarket, located in North Italy, belonging to the Italian market leader. The non-traditional product category investigated is car fuel, offered through a retail branded petrol station (in our case located near the store, in front of it). This is a recent offer in the assortment range of Italian grocery retailers and interesting to investigate as for the similarities with grocery shopping expedition motives (convenient location, price convenience).

The data was gathered via a pre-tested questionnaire administered to a convenience sample of consumers approached after checking-out from the store.

Our sample consisted of a group of 321 respondents and specifically: 77 (24 %) males and 244 (76 %) females, regular shoppers of the hypermarket observed. In terms of participants' age: 8.1 % were younger than 25 years of age, while just a 2.2 % were older than 65. Other age clusters are as follows: 18.1 % (25–35 years); 42.1 % (36–50 years); 29.6 % (51–65 years). The family composition is heterogeneous: 5.6 % were singles; 8.4 % live in a family of five or more members and the remaining 86 % live in family from two to four components.

The items used in the model (Table 1), were evaluated on a 7-point Likert scale.

3.1 Measure Validity

To assess the validity of the hypotheses a two-step approach was used to analyse the data, as recommended by Anderson and Gerbing (1988): confirmatory factor analysis (CFA—to test the unidimensionality and convergent validity of the constructs) and a structural equation model with Maximum Likelihood method (SEM). For both procedures the software Lisrel 8.80 was employed.

The psychometric analysis of the scales investigated assesses the convergence and discriminant validities. Results of factor analysis (Table 1) confirm that all

Table 1 Constructs and measures factor loadings

Scales	Measurements		Factor loadings	References
Intension to buy extension	INTB1	I am willing to filling in my car with the car fuel offered in the retailer X's petrol station in the future	0.954	Dodds et al. (1991)
	INTB2	If I were going to filling in the car with the car fuel again, I would consider to go to the retailer X's petrol station	0.853	
	INTB3	The likelihood of filling in the car with the car fuel of the retailer X's petrol station is very high	0.945	
Attitude towards extension	ATEX1	My attitude towards the retailer X's extension to petrol stations is very high	0.951	Hem et al. (2014)
	ATEX2	Overall, I am very positive towards the retailer X's extension to petrol stations	0.975	
	ATEX3	My opinion about the retailer X's extension to petrol stations is positive	0.964	
Resource and capabilities	R&C1	The retailer X's resources have been useful to enable the retailer to offer car fuel	0.840	Mitchell and Chaudhury (2014)
	R&C2	The retailer X's skills and experiencing in offering PLs are similar to those needed to offer car fuel	0.913	
	R&C3	The retailer X's personnel, infrastructure and capabilities are useful in developing and launching petrol stations branded with the retail brand	0.940	
Conceptual fit		The extension of PLX to offer car fuel is:		Bhat and Reddy (2001)
	FIT1	Not logical-logical	0.890	
	FIT2	Not similar-similar	0.947	
	FIT3	Not appropriate-appropriate	0.952	
	FIT4	Incoherent-coherent	0.984	
National brand preference	NBP1	I prefer to buy car fuel from traditional suppliers	0.816	Richardson et al. (1996)
	NBP2	I consider branded car fuel better than of the retailer X	0.921	
	NBP3	There is a significant quality difference between branded and PL car fuel	0.902	
Risk	R1	To purchase car fuel in the retailer X's petrol station is not a good way to spend my money (R)	0.928	González Mieres et al. (2006)
	R2	To purchase car fuel in the retailer X's petrol station is a waste of money (R)	0.923	
Product knowledge	PK1	Overall level of familiarity with car fuel	0.858	Park and Lessig (1981)
	PK2	The level of knowledge of the offers to the different petrol station suppliers	0.839	
	PK3	The purchase frequency of car fuel	0.840	
	PK4	Your overall level of purchase experience with car fuel	0.925	

Table 2 Convergent and discriminant validity and correlation matrix

Constructs	AVE	CR	Correlation matrix							
			INTBEX	ATTEX	R&C	FIT	NBP	PK	R	
Intention to buy extension	0.84365	0.94168	1.000							
Attitude towards extension	0.92770	0.97468	0.814	1.000						
Resource and capabilities	0.80765	0.92630	0.555	0.653	1.000					
Conceptual fit	0.89054	0.97015	0.569	0.704	0.616	1.000				
National brand P	0.77598	0.91200	-0.510	-0.612	-0.473	-0.465	1.000			
Product knowledge	0.75027	0.92306	0.299	0.248	0.365	0.268	-0.192	1.000		
Risk	0.85651	0.92271	-0.436	-0.533	-0.483	-0.379	0.615	-0.070	1.000	

Goodness of fit:

$\chi^2_{(SB)}(209) = 368.523$, $p < 0.000$; $\gamma^2/df = 1.763$; $RMSEA = 0.0488$, $Close-Fit\ RMSEA < 0.05 = 0.582$

$NFI = 0.980$; $CFI = 0.991$; $SRMR = 0.0422$; $GFI = 0.854$

items are significantly (t -values >15) and substantially (factor loading >0.816) loaded onto the expected latent constructs; the convergent validity of the measures was confirmed (Hu and Bentler 1999). All items exhibit a high item-total correlation, indicating their capability to measure the constructs investigated.

Average Variance Extracted (AVE) and Composite Reliability (CR) assess the convergent validity (Table 2) showing good levels of AVE and CR greater than their conventional cut-offs (Fornell and Larcker 1981; Steenkamp and van Trijp 1991). Furthermore, the square root of each construct AVE was greater than the correlations of that construct with the other constructs, showing that each construct share more variance with its own measures than with other constructs.

Indicators of the model fit (Table 2) show a good overall fit with a very good χ^2/df indicator (1.763) and a not-significant Close-Fit RMSEA (p -value = 0.582). The model has no substantial problem with the residuals (SRMR = 0.0488); the incremental fit measurements are greater than 0.95 (NFI = 0.980; CFI = 0.991).

4 Results

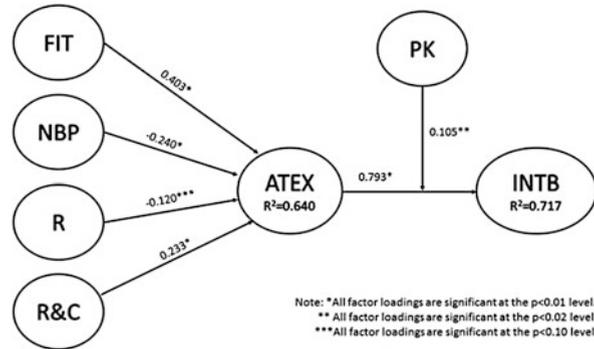
The structural model (Fig. 1) shows a moderate predictive ability for ATEX ($R^2_{(ATEX)} = 0.640$) and a substantial predictive ability for INTB ($R^2_{(INTB)} = 0.717$). FIT represents the major predictor of ATEX confirming Hp1 ($\beta = 0.403$, $p < 0.01$). NBP negatively affects ATEX, confirming Hp2 ($\beta = -0.240$, $p < 0.01$). The effect of R on ATEX (Hp3) is negative too, but with a low level of significance ($\beta = -0.120$, $p < 0.10$). Positive and significant is the effect of R&C on ATEX supporting Hp4 ($\beta = 0.233$, $p < 0.01$). The greater ATEX, the greater INTB, thus Hp5 is supported ($\beta = 0.793$, $p < 0.01$) too. To test the indirect effects of FIT, NBP, R and R&C on INTB through the mediation of ATEX, we compute a 95% confidence interval, using PRODCLIN (MacKinnon et al. 2007). None of the confidence intervals includes the zero, confirming ATEX as a mediator: FIT→ATEX→INTB [0.28770; 0.48376]; NBP→ATEX→INTB [-0.31833; -0.12774]; R→ATEX→INTB [-0.24231; -0.02416]; R&C→ATEX→INTB [0.13255; 0.33825].

Finally, results show that consumers' PK moderates the relationship between ATEX and INTB confirming Hp6 ($\beta = 0.105$, $p < 0.02$).

5 Conclusions

This study contributes to the current literature on brand extension confirming the major relationships verified by scholars in this study field in an under investigated context such as grocery retailing. Specifically, INTB is strongly influenced by ATEX, while FIT results as the major ATEX antecedent—confirming Mitchell and Chaudhury (2014) findings, among others. Our results also evidenced that

Fig. 1 Research model



grocery retailers are perceived as having the right equipments, people and skilfulness/experience to extend their brand even in distant businesses. Grocery retailer brand appears to be more elastic than other brands as they are to launch extension into distant product categories (Monga and John 2010). In this way, our findings support Meyvis and Janiszewski (2004) statement that broad brands tend to have more associated benefits than narrow brands and therefore can be engaged in brand extensions in distant businesses more successfully. Del Vecchio (2001) stated that store brands were predicted to succeed in categories that were not complex, for which there is relatively little variance in the (functional) quality across the competing brands. Retailers are well positioned on service convenience provision: not only price convenience but also convenience of location are key drivers in grocery retailers' success. This is why there might be a scope for extending the brand to new categories, even if distant. If retailers want to be successful in extending their brands 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 influence PL proneness. Stimulating trials and using communication tools retailers could better acknowledge customers on their extended offer, increasing PK in order to enhance the effect of a positive attitude towards purchase intentions.

In spite of the shown contributions, this paper has some limitations and future research is needed. The main limitation is related to the application context. Further studies are required to test the model in diverse retailing settings and on different extended products (e.g. over-the-counter products; financial services).

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Is Being Private Better or Worse Online? Private Labels Performance in Online Grocery Channel

Magda Nenycz-Thiel, Jenni Romaniuk, and John Dawes

Abstract The aim of this paper is to compare private labels' performance online and offline in grocery retailing in the UK and the US. Comparing private labels size and loyalty metrics online and offline, we find that private labels generally benefit from the online environment. Retailer control over shopper choices online is higher than in their physical stores and it is visible in shoppers' behaviours towards brands the retailer owns. Our findings have implications for academia as well as retailers and manufacturers.

Keywords Private label brands • E-commerce • Buying behaviour

Private labels are brands owned by retailers and selectively distributed in their stores (Ellis and Uncles 1991). Those brands are now a permanent feature of retailing—from grocery, through to hardware and fashion. The recent investments in private label quality combined with their historical perceptions of good value for money make them a powerful proposition challenging national brands (Nenycz-Thiel and Romaniuk 2016).

There are two main differences in the marketing of private labels and national brands, which are of disadvantage to private labels. In comparison to national brands, such as Mars bar or Coke, private labels do not receive the same level of brand level advertising support. The retailer's advertising is focused either on the retailer itself, price reductions for some main brands or on a whole range of private labels. Secondly, private labels' distribution is selective—with some exceptions, private labels are available only at stores that own them.

However, while private label distribution is restricted, within the store private labels receive disproportional shelf space both in terms of their quality and quantity (Nogales and Suarez 2005). Further, private labels are fully controlled by retailers who have great flexibility in terms of private label portfolio decisions, substituting some national brands with private labels and promotional support. Those decisions

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can happen quickly and give retailers many advantages over national brands manufacturers, who need to go through a retailer to approve their changes or bring new brands on shelf. Those advantages partially lead to the success that private labels enjoyed over the last decade around the world.

While the majority of research into private labels looked at those brands in brick and mortar store (for exceptions please see Dawes and Nenycz-Thiel 2014; González-Benito et al. 2015), the fastest growing distribution channel is now e-commerce (Romaniuk and Sharp 2015). We see the growth around the world, however the real revolution is happening in emerging markets with China leading the trend. In grocery retailing, the vast majority of major retailers around the world such as Tesco or Kroger added such channel to their portfolio. The question arises, is the new environment beneficial (or not) for private labels?

While in a physical store retailers can control how private labels are positioned on shelf and what proportion of shelf they occupy, in an online store the control level rises. Here, any time a national brand is not available, a retailer can suggest a private label instead. On the other side, the use of extrinsic cues, such as the brand itself is more pronounced online, as consumers do not have the ability to touch or assess the brand in any other way (González-Benito et al. 2015). Therefore the brand equity that national brands built through years of advertising support should be of a great advantage in e-commerce. This discussion leads to competing hypotheses on private label performance in the online environment in comparison to offline and investigation of those is the aim of this paper.

Our research has two stages. The first stage is a descriptive analysis of private labels presence online. We analyse websites of four major retailers in the UK, Tesco, Asda, Sainsbury's and Waitrose and four in two in the US, Kroger and Wal-Mart. This stage of the analysis is to set expectations for the second stage which is the investigation of private labels performance online versus offline. We then use panel data from the UK and the US for those retailers and compare the performance of private labels in those channels in terms of their market share, penetration, a range of loyalty measures and price. The loyalty measures we use are average purchase frequency and share of category requirements both in terms of occasions and number of packs purchased.

The preliminary results from five packaged goods categories in the UK from TNS Kantar Super Panel 2013 and 2014 data: dog food, instant coffee, nappies, fabric softener and toothpaste show that in the majority of cases private labels have higher market share, penetration and loyalty online than offline. Also, consumers buy more packs per purchase online than offline. The differences were higher for premium private labels than for value private labels. For example for Tesco Finest (a premium private label) the market share offline was 0.8 % versus online 2.8 %. The same applied to penetration 4.8 vs. 7.1 %, purchase frequency 2.8 vs. 3.7 and share of category requirements 15.6 % is 34.4 %. Toothpaste was the only category where there were almost no differences between private label buying behaviour online and offline. Further, similar to past research, we find that loyalty to national brands is also higher online, however the magnitude of differences is higher for private labels.

The main implication from the preliminary results is that the online environment is possibly beneficial for private labels. The fact that retailers can give private labels better quality physical availability, i.e. first page, manage national brands out of stocks by suggesting private labels instead and enhance loyalty to private labels by not allowing to substitute once on shopping list seems to have an influence on the choice, hence buyer behaviour.

In order to explain the panel results the descriptive findings from stage one will be matched with the panel results at the retailer level. We expect that the differences in what strategies retailers use for their private labels online may add to the understanding of the success of their brands in the online environment.

In order to establish sound empirical generalisations and describe the boundary conditions we aim at replicating our analysis over a number of categories and extend it to the US environment.

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The Influence of Store Brands Equity on Value Cocreation Within the Retail Environment: The Moderating Effect of the Propensity to Buy Store Brands

Natalia Rubio, Nieves Villaseñor, and Maria Jesús Yagüe

Abstract This study represents an integration of the research into and management of store brands (SBs) into the new and prevailing marketing logic known as service-dominant logic (S-DL). We propose a theoretical model that investigates the direct influence of SBs equity on customer-retailer co-creation in feedback generation terms measured using two aspects: (1) Complaints and Claims, and (2) Improvement Suggestions. The model is also contrasted for two consumer segments (those with a propensity to buy SBs and those with little propensity to do so) to attain the value of these types of customer to the retailer. The results obtained show differences in the proposed modelling between both groups. Although SB equity does not foster customer complaints in either of the two groups analysed, the effect SB equity has on the suggestion of improvements is significantly more pronounced among those customers with a propensity to buy SBs. Important management implications are derived from the results obtained, with the most significant of these being the importance of constructing SB equity not only to increase the monetary value that those consumers with the greatest propensity to buy SBs have for the retailers, but also the fact that by using the information provided by this customer group the retailers can better get to know their preferences and needs and consequently convert this organisational learning process into improved long-term economic and relational results.

Keywords SB equity • Co-creation • Inclination towards SBs • Complaint • Suggestion

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1 Introduction

The last decade has seen the emergence of a line of marketing research that advocates the service-dominant logic (SDL). One of the basic premises of SDL states that customers are no longer the mere recipients of the value provided by the company and have become collaborators and partners thereof with respect to the value creation process. Although customer collaboration in the service provision process is a must in organisations which require a high degree of service personalisation and greater personal contact between the customer and the organisation's employees, within the retail distribution sector on which this study focuses, customer cocreation in terms of providing the organisation with feedback is a rarity as the purchases in question are routine (Theodoridis and Chatzipanagiotou 2009).

There are a great many academic studies into the positive effects that favourable perceptions of SBs have on a retailer's results. For example, there is empiric evidence that loyalty to SBs increases loyalty towards the retailer (González-Benito and Martos-Partal 2012). Likewise, highly valued SBs favour the relationship with consumers as they generate satisfaction and identification with the former (Rubio et al. 2015) thanks to their ability to reflect the identity of those who buy them (Goldsmith et al. 2010). However, no studies have been found which analyse the effect SBs have on customer value cocreation and, given that this voluntary participation on the part of the customer generates knowledge for the company which it can convert into long-term profitability (Chan et al. 2010), our main contribution is, therefore, to begin research in this area. In this respect, by using two different forms of the feedback generated by the customer, namely improvement suggestions on the one hand and notifications regarding the faults of the service on the other, we can get to know the relative influence of the store brand management process in terms of the nature of the corporate target (the detection and resolution of errors or the implementation of improvement measures), which is fundamental when it comes to allocating resources and developing SB marketing strategies.

Our second contribution is to propose the moderating effect the inclination towards buying store brands might have on the relationship established between SB equity and value cocreation. This characteristic shown by individuals has traditionally been used in SB research projects in order to observe its influence on perceptions, attitudes and behaviour towards these brands (Dick et al. 1995). It has, however, never been employed in research studies that analyse the relationship between value cocreation and the background variables in which relational type moderators such as the customer orientation of the organisation are more commonly found (Grisseemann and Stokburger-Sauer 2012).

Therefore, the contributions made by this study are important insofar as they include the influence exerted by the SBs on value cocreation in terms of feedback. This constitutes a new approach given that previous research has fundamentally focused (1) on the efforts made by leading brands to favour cocreation, (2) on the cocreation in new product development, such as codesign and co-innovation and

(3) on consumer cocreation in the online environment, such as active participation in brand communities. However, this is a pioneering study in so much that it links the research carried out into SBs with the concept of value cocreation as it relates to the retail distribution of fast moving goods (and therefore complements the small number of previous studies into cocreation in the distribution of durable consumer goods). Likewise, by analysing the proposed relationships from the point of view of the customer's inclination to buy SBs the distributors are able to identify the role played by one customer segment of interest to them (namely those with a propensity to buy their own brands as opposed to those with little propensity to do so) in the relationships between the way they manage their own brands and the feedback obtained.

2 Conceptual Framework

2.1 *Brand Equity as Precursor of Value Co-creation*

We adapt previous definitions of customer co-creation to our research context (i.e., the consumer goods retail sector) by conceptualising this variable as a construct that measures the extent to which customers provide or share information and make suggestions during the service process (Bettencourt 1997; Chan et al. 2010). The studies undertaken into organisation-customer collaboration show that the link generated between the brands, in this case the SBs, and the customer fosters mutual trust between the parties concerned.

Store brand equity reflects favorable attitudes toward the store brand. When consumers perceive a store brand as the best choice, they are emotionally attached to that brand and to the retailer, and they tend to give positive feedback because they believe in them. Customers which perceived high brand equity are more likely to become involved in co-creation (Mahr et al. 2014): they experience the retailers' successes as their own, and these customers are motivated to participate in the service delivery with suggestions to ensure the best possible outcome for both themselves and the firm (Auh et al. 2007; Tuškej et al. 2013). Accordingly, we hypothesize that:

H1a SB equity relates positively to customer value co-creation in terms of the positive feedback (e.g., improvement suggestions) received by the retailer.

Also, customers who strongly identify themselves with a store brand and perceive the value of that brand (store brand equity), feel more committed with the retailer which sells that brand, and they experience the retailers' failures as their own (Auh et al. 2007). In this case, customers make the company aware of the difficulties and/or errors that they might encounter during the service process (Sivadas and Dwyer 2000). Accordingly, we hypothesize that:

H1b SB equity relates positively to customer value co-creation in terms of negative feedback (e.g., complaints, claims) received by the retailer.

2.2 The Moderating Effect of the Propensity to Buy SBs

This study proposes that the propensity of the customer to buy SBs strengthens the existing relationship between SB equity and the variables analysed.

Customers more likely to purchase SBs have a greater expertise about these brands in comparison to customers less likely to purchase them. Expertise increases client involvement in co-creation in terms of positive feedback for several reasons. First, as customers gain more expertise in the store brand, they can better assess where they might make a contribution. In other words, customers who have a high level of expertise (customers more likely to purchase SBs) are more conscious about their perception of the store brands equity and feel more sure to develop valuable information and hence more likely to do so. Second, inexperienced customers (less likely to purchase SBs) typically perceive higher decision-making risk, although they value the equity of SBs. These customers are less likely to involve themselves in positive feedback because they fear producing a suboptimal outcome (Auh et al. 2007). Accordingly, we hypothesize that:

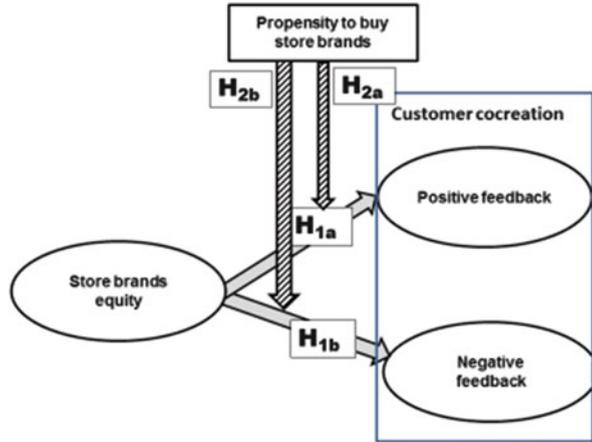
H2a The propensity to buy SBs has a positive moderating effect on the relationship between SB equity and customer value co-creation in terms of positive feedback.

In the event of the SBs being perceived as possessing brand equity, those consumers with the greatest propensity to buy them appreciate the good value store brands can represent (Rubio et al. 2015) and they identify with the values these brands transmit, for example, smart shopping, to a greater extent than those consumers with little propensity to buy them (Goldsmith et al. 2010). This high adjustment made between the identity reflected by the SBs and the identity of those consumers with the greatest propensity to buy them, promotes a stronger link between the retailer and this customer segment. It also generates a greater trust which, in turn, facilitates more value co-creation in terms of providing negative feedback or making the company aware of any possible problems in the service provision process. Accordingly, we hypothesize that:

H2b The propensity to buy SBs has a positive moderating effect on the relationship between SB equity and customer value co-creation in terms of negative feedback.

The Fig. 1 shows the proposed theoretical model.

Fig. 1 Proposed theoretical model



3 Methodology

To verify the proposed model and hypotheses, an empiric study was carried out. The study is based upon information compiled from those who are responsible for purchasing household consumer products. The information was obtained by means of a telephone survey about the establishments where they purchased, based upon eight hypermarket and supermarket chains in Spain. A randomised stratified sample by means of simple allocation was used to obtain the same response percentage for each of the commercial chains. 742 valid surveys were obtained. The items used to measure the concepts proposed stem from the adaptation of previously used and validated scales found in the academic literature. Specifically, to measure the perceived store brand equity, the items used were taken from the work by Yoo and Donthu (2001). Customer cocreation was measured using four items adapted from Yi and Gong (2013). Lastly, the customer’s propensity to buy SBs is measured using 1 item in which the surveyed party must indicate the percentage of store brands in his or her shopping basket. The median value for this variable is calculated by considering those consumers with up to 30 % of SBs in their baskets as having little propensity to buy these items (n = 368) and those customers with over 31 % of SBs in their baskets as having a propensity to buy such products (n = 374). All of the variables were measured with an 11-point Likert scale, from 0 (totally disagree) to 10 (totally agree). Table 1 describes the variables used with the corresponding items. The empirical estimation model was constructed using structural models of covariance with the statistical package AMOS 21.

Table 1 Variables of the model

Variables
<i>SB equity: with respect to the SBs of this chain:</i>
v ₁ : Does it make sense to buy them instead of other brands even though they are similar in price?
v ₂ : Do you prefer to buy them even though other brands have the same characteristics?
v ₃ : Do you prefer to buy them even though there are other brands that provide identical value?
v ₄ : If there are no differences between them and other brands, do think it is smart to buy them?
<i>Customer co-creation: Positive feedback</i>
V ₅ : Do you usually make suggestions for improving the service?
V ₆ : Do you usually make suggestions aimed at better satisfying your needs?
<i>Customer co-creation: Negative feedback</i>
V7: When you have a problem, do you ask an employee to resolve it for you (e.g., when a product you need is not in its usual location)?
V8: Do you inform employees about any faults in the service (e.g., packaging defects)?

4 Results

4.1 Measurement Model

For each of the samples, we confirmed the quality of the measurement scales. We performed a confirmatory factor analysis. The results showed very satisfactory fits in both samples. We also confirmed the discriminant validity in both samples. Finally, we examine the measurement invariance between the two groups.

4.2 Causal Relationship Model

The adjustment obtained is satisfactory ($X^2 = 28.45$; d.f. = 17; $X^2/\text{d.f.} = 1.67$; CFI = 0.99; NFI = 0.99; IFI = 0.99; GFI = 0.99; AGFI = 0.98; RMSEA = 0.03). Hypothesis 1a is confirmed, in other words SB equity has a positive and significant influence on customer cocreation in terms of positive feedback ($B = 0.23^{***}$). However, Hypothesis 1b remains unconfirmed, meaning that SB equity does not have a significant effect on customer cocreation insofar as complaints and claims are concerned (negative feedback) ($B = 0.03$ n.s.). We now consider the moderating effect and perform a multigroup structural analysis of the subsamples of customers inclined to buying SBs and customers who are unlikely to do so.

With respect to the causal relationships proposed in this study, it can be seen that Hypothesis 2 is partially confirmed, that is to say a significant difference can be seen between both groups as regards the effect SB equity has on customer cocreation in relation with the making of service improvement suggestions. In other words, the influence exerted by SB equity on that part of the customer feedback that includes improvement suggestions and proposals is significantly more intense when the customer is inclined towards buying SBs in comparison with those who are unlikely to do so (0.37^{***} v 0.10^*). However, the moderating

effect of the inclination towards the buying of SBs on the relationship established between the SB equity and the customer feedback in terms of complaints and claims remains unconfirmed. In other words, SB equity does not generate customer cocreation with respect to the making of complaints, etc. for any of the segments analysed ($B = 0.03$ n.s. for both groups).

5 Conclusions and Management Implications

The findings of this study lead to an understanding of how SB equity encourages the feedback generated by customers in the form of suggestions as to how the service can be improved or regarding the marketing of new products that are better adjusted to their needs. What this means is that those customers who see an SB as having brand equity feel themselves to be somehow linked with the retailer who markets them and show themselves to be more comfortable when it comes to making the retailer in question aware of how a given brand can be improved. If these suggestions are then taken into account and put into practice, the upshot will be greater customer satisfaction, which in turn leads to the relations between retailers and their customers bring mutual benefits.

This influence that SB equity has over customer co-creation is particularly relevant in a sector such as retail distribution in which it is truly complicated to get the customer to become voluntarily involved with the company. It is for this reason that retailers must be aware that by successfully building equity for their own brands not only increases the loyalty of their customers, but it also encourages them to provide feedback as a result of the emotional link formed between the customer and the establishment's own brand, which acts as the driving force behind the flow of communication between the customer and the company. Furthermore, thanks to the multigroup analysis carried out, it can be seen that the segment of consumers with a propensity to buy SBs is particularly interesting for retailers as a source of valuable information with respect to the organisational learning process. This is because the greater a customer's preference for certain SBs, the more involved his relationship with the retailer becomes, and this results in the generation of more ideas, suggestion, etc. in comparison with those customers with little propensity to buy these brands. Mention must also be made of the fact that SB equity stimulates neither of the customer groups to make complaints or file claims, which means that the retailers must find other additional ways to communicate with their customers (e.g., social networks, website, customer help lines) and encourage them to notify the company of any faults or errors detected during the service provision process.

Finally, it must be pointed out that this study is not without its limitations. We must be cautious generalizing our results to other types of clients or other sectors. Other components should be incorporated into the cocreation study so as to better understand this variable and prevent it from being limited to a mere interchange of

positive and negative information. Finally, as another limitation we must consider that this study is based on behavioural intentions and not on past or real data.

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Part III
Strategic Decisions and Theoretical
Research

To Retain or to Recover National Brand Consumers? Effects of Price, Promotion and Product Innovation Strategies

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Abstract This study addresses consumer switching between private labels and national brands. We empirically test the efficiency of product innovation, non-price promotions, and the price gap on two consumer-switching situations: recovering consumers that national brands lost to private labels and preventing consumers of national brands from migrating to private labels. We compare the effectiveness of these strategies using a Hazard model to simultaneously measure the effects on each consumer-switching situation. We find that the marketing strategies studied have different levels of effectiveness depending on whether the objective is to retain consumers or recover consumers lost to private labels. For example, reducing the price gap is a more effective strategy to prevent consumers from switching than to recover consumers from private labels. These results pose interesting managerial implications for both national brands and private labels.

Keywords Private labels • Price gap • Switching • Hazard models • New products

1 Introduction

One of the biggest concerns for Consumer Packaged Goods (CPG) companies are private labels, as they have been consistently outperforming national brands.¹ Private Labels account for more than 40 % of the market in six European countries (Private Label Manufacturers Association [PLMA] 2014).

Recent studies have drawn on the consumer utility maximization framework to study the determinants of market share for private labels (Sethuraman and Gielens 2014). Manufacturers face the decision of whether to reduce prices to become more competitive or to adopt non-price strategies to maintain or increase sales levels

¹ We define private labels, also known as store brands, as those brands that are owned and distributed by retailers. National brands, or manufacturer brands, are brands owned by firms whose primary objective is to manufacture and commercialize their brands.

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(Sethuraman and Cole 1999). National brands can distance themselves from private labels by emphasizing innovation and introducing new and improved products (Kumar and Steenkamp 2007) as well as by cutting prices and altering promotional activities—two approaches that are utilized by several national brands to protect their market shares (Sethuraman and Mittelstaedt 1992; Ailawadi et al. 2001; Garretson et al. 2002; Sethuraman and Gielens 2014).

For national brands, recovering consumers lost to private labels is significantly more difficult than retaining customers. The reason is that the perceived quality of private labels benefits significantly when consumers try these brands (Sprott and Shimp 2004).

The question, therefore, is whether the same marketing strategies are equally efficient for recovering consumers from private labels as for preventing consumers from switching to private labels. To address this question, we conducted a study to simultaneously evaluate the impact of new products, non-price promotional activity and the price gap on the likelihood that consumers of national brands will buy private labels and the likelihood that private label consumers will switch back to national brands.

2 Empirical Framework

Several marketing actions can be performed to recover or retain national brand consumers. Are these marketing initiatives equally effective in preventing consumers from switching to private labels as they are in recovering them once consumers have purchased private labels?

Empirical research on optimal recovery strategies is rather scarce (Mills 1999; Sayman and Raju 2007; Sethuraman 2009; Verhoef et al. 2002). To recover consumers who have switched to private labels, manufacturers can reduce their prices or adopt non-price-based strategies to enhance their competitiveness (Mills 1999; Sethuraman and Cole 1999).

Therefore, this research seeks to measure whether national brands can expect different effects when using three different marketing initiatives—price, non-price promotion, and new product introduction—to either recover consumers from private labels or to retain them.

Concerning the influence of price on private label growth, some studies describe the impact of pricing decisions between national brands and private labels as asymmetric (Blattberg and Wisniewski 1989; Kamakura and Russell 1989; Cotterill and Putsis 2000; Sayman et al. 2002). This asymmetry derives from the fact that lowering prices on more expensive brands is an effective strategy for capturing market share held by comparable brands or low-tier brands (e.g. private labels), whereas the opposite is not true.

Concerning promotions, a common response to private labels by national brands has been to increase promotional investment to halt the migration of value-conscious consumers (Lal 1990; Quelch and Harding 1996; Garretson

et al. 2002). Some researchers claim that promotions can be effective at deterring private label penetration and limiting private label growth (Lal 1990; Sethuraman and Mittelstaedt 1992; Blattberg and Wisniewski 1989; Quelch and Harding 1996), whereas others state the opposite (Hoch and Banerji 1993), affirming that significant and frequent promotional activity can erode brand loyalty (Gedenk and Neslin 1999; Sriram et al. 2007). However, although there have been recent studies aimed at understanding consumer attitudes and antecedents to purchase private labels and promotions (Manzur et al. 2011), research analyzing national brand promotions and private label dynamics from the consumer choice perspective is scarce.

When CPG manufacturers introduce new products, private labels are less likely to enter the product category (Pauwels and Srinivasan 2004). There are various reasons that product innovation is recommended as a strategy to stop private labels from entering the marketplace or to stop an increase in private label market share (Kumar and Steenkamp 2007; Steiner 2004).

One of our objectives in the present study is to empirically compare and measure the level of effectiveness of three strategies in preventing consumers from switching to private labels and in recovering them once they have switched to private labels by analyzing following marketing strategies: (1) non-price promotions, (2) price gap, and (3) product innovation. Thus, we empirically test the effect of these drivers on the likelihood that consumers will switch to private labels, as well as on the likelihood that consumers will return to purchasing national brands once they have purchased private labels.

3 Methodology

To measure the different effects, we focus on the individual consumer and his/her switching behavior. Some authors use aggregated store data to study the effects of different marketing mix variables on the share of private labels, competitive dynamics, and profitability (Gielens 2012). However, aggregated variables, such as market share, can limit understanding of individual consumer behavior. In fact, Sethuraman and Gielens's (2014) meta-analysis research on the determinants of store brand share shows that the results of price utility and non-price utility variables depend on whether the dependent variable is choice or share.

We focus our empirical study on people responsible for shopping for their households. The data are provided by a Nielsen consumer panel database. The unit of analysis is daily purchases during 2 years in one European market, Spain.

The objective was to model the impact of a set of covariates on the probability of a discrete response variable while accounting for censoring and temporal changes in the data. The empirical research involves the category of breakfast cereals. Breakfast cereals is a category frequently used in research on private labels (Szymanowski and Gijbsbrechts 2012; Abril and Martos-Partal 2013). Moreover, this category is particularly competitive (private label share is more than 40%), and new products are launched on a regular basis, according to Marketing News (2012).

The Breakfast Cereals database encompasses 2366 households and 41,480 purchase occasions.

We have chosen a Hazard model specification because it accounts for certain requirements of our study. First, multiple purchase occasions per household leads to a recurrent event specification, which might be household-specific variability due to unobserved factors. Second, there may be some within-household correlation due to unobserved factors and/or buyer choice inertia (i.e., events may somehow be related, and consumer choice in time t can influence that in time $t + 1$). In our formulation context, this model reflects the complexity of switching behavior as well as theoretically relevant covariates.

Those variables under study are:

- Purchase at time t (start)
- Purchase at time $t + 1$ (end)
- Price gap: difference between private label price and manufacturer brand price
- Size: number of people per household
- Age: coded in three different intervals: 18–34 (reference category), 35–54, and more than 54
- Dummy variables for Private label/manufacturer brand, new product (new product = 1, not new = 0), and promotion (yes = 1, no = 0)

Innovation encompasses diverse activities. We focused on consumer responses to new products, considering that product innovation exists as soon as a new product becomes available to consumers regardless of the extent of innovation (Rowley et al. 2011) or the consumer's perception. The definition of new product that we used was that of "a new reference, not a promotional one, that did not exist the year before" (Gielens and Steenkamp 2007).

In "model 1," choosing national brands provides the reference category, and switching to private labels is the "failure" situation. In "model 2," choosing private labels provides the reference category, and switching to national brands is the "failure" situation. The term "failure" is used simply for consistency with the standard terminology used in the hazard modeling approach.

4 Empirical Results

The proportional hazard models assume that the hazard ratio of two different specifications of predictors is constant over time. To test the models, we used the widely accepted Schoenfeld residuals test (Schoenfeld 1982). If the proportional assumption is satisfied, then the residuals should not be correlated with time. In both models, the p -values of each covariate are non-significant ($p > 0.05$). These results suggest that all covariates satisfy the proportional hazard assumption.

Table 1 Estimated coefficients and hazard ratios

Covariate	Est. (β)	HR ($\exp(\beta)$)	(SE) (β)	p	(95 % CI)
Innovation	0.54	1.71	0.051	0.000	(0.43, 0.63)
Promotion	0.63	1.87	0.018	0.000	(0.59, 0.66)
Price gap	-0.07	0.93	0.007	0.000	(-0.08, -0.06)
Size	0.11	1.11	0.022	0.000	(0.06, 0.15)
Age (35-54)	0.09	1.10	0.082	0.234	(-0.06, 0.26)
Age (>54)	0.15	1.16	0.084	0.071	(-0.01, 0.31)
Constant	-5.19	0.00	0.106	0.000	(-5.40, -4.99)

Notes: Likelihood-ratio test for $\theta = 0$; $p = 0.000$. Weibull shape parameter $p = 1.078$; $p = 0.000$

4.1 Model 1

The estimated parameters for the frailty shared model offer good overall fit. The Wald test for breakfast cereals yields a chi-square value of 3456.12, which is also significant ($p < 0.01$). However, the estimates for the “age” control covariate were statistically non-significant. Table 1 shows the estimated coefficients and corresponding hazard ratios.

The addition of the frailty specification also yielded statistically significant θ values ($p = 0.000$), suggesting some within-household correlation (i.e., interdependence of purchase occasions). The value of the Weibull parameter is 1.078, suggesting an increasing hazard over time ($p > 1$), and the Wald test yields significant p -values (0.000).

Concerning non price strategies, a positive and significant correlation of 0.63 and 0.54 arose for non-price promotion and new products, respectively. Thus, non-price promotions and product innovation each contribute to encouraging a household to switch back from private labels to national brands. The estimated values for the covariate price gap -0.07 suggest that the price gap has some effect (when is decreased) on consumers’ recovery from private labels but that the influence is very small and weaker than that of promotions or new products. All the effects are significant ($p < 0.01$).

It is interesting to note that in this category, the promotion has the greatest effect, and price gap reduction has the weakest effect.

4.2 Model 2

We observe a negative correlation of -0.31 and -1.35 for product innovation and promotion, respectively. Thus, product innovation and promotion can each contribute to preventing a household from switching to private labels. Estimated values for the covariate price gap 0.45 suggest that as the price difference or gap between private labels and national brands becomes greater, the likelihood that consumers

Table 2 Estimated coefficients and hazard ratios

Covariate	Est. (β)	HR ($\exp(\beta)$)	(SE)	p	(95 % CI)
Innovation	-0.31	0.73	0.058	0.000	(-0.42, -0.19)
Promotion	-1.35	0.26	0.175	0.051	(-1.69, -1.00)
Price gap	0.45	1.57	0.017	0.001	(0.41, 0.48)
Size	0.08	1.08	0.031	0.000	(0.02, 0.14)
Age (35-54)	0.12	1.13	0.094	0.148	(-0.06, 0.31)
Age (>54)	-0.09	0.91	0.087	0.309	(-0.26, 0.08)
Constant	-3.98		0.093	0.000	(-4.16, -3.79)

Likelihood-ratio test for $\theta = 0$; $p = 0.000$. Weibull shape parameter $p = 1.077$; $p = 0.000$

will purchase private labels will increase. Table 2 shows estimated coefficients and hazard ratios.

The reported estimates show that when all other covariates equal, an increase in product innovation or promotion will decrease the likelihood of purchasing private labels, and an increase in the price gap will increase the likelihood of purchasing private labels. All the effects are significant ($p < 0.1$) and operate as expected.

It is interesting to highlight that the effect of promotion is stronger than that of new products, as a HR = 0.26 means that promotion activity decreases the hazard of buying private labels in the cereals category by 74 %, which is superior to product innovation with a 27 % likelihood.

5 Discussion

We conclude that product innovation, non-price promotional activity, and price gap management are effective strategies for preventing private label growth as well as for retaining consumers because these strategies decrease the likelihood that consumers will switch to a private label and increase the likelihood that they will return to buy national brands. However, the sizes of the effects of each strategy are different in each situation.

Decreasing the price gap is the least effective strategy for either recovering or retaining consumers. This finding is consistent with recent research on determinants of private label shares that confirms the positive, yet low impact of price reductions in the national brands' fight with private labels in several countries (Steenkamp and Geyskens 2013; Sethuraman and Gielens 2014).

We find that non-price promotion prevents consumers from switching to private labels more than product innovation, which is in line with recent research from Abril et al. (2015). For recovering consumers lost to private labels, product innovation and promotion have similar effects.

Concerning price gap strategy in the case of consumer recovery, we observe that reducing the price gap has a minimal impact. However, when trying to retain consumers, the price gap grows its importance despite still having less impact than non-price promotion and product innovation. This result is also in agreement

with Sethuraman and Gielens (2014), who conducted a meta-analysis to study the determinants of store brand share and found that the price reduction strategy accounted for the lowest E-ratio.

Our results underscore the need for national brands, according to their situation with regard private labels, to carefully choose the most appropriate strategy to fight private labels. For managers, these results present an opportunity to reflect on how value is created and delivered in their categories because there is no single answer to this challenge.

Our work has certain limitations that should be addressed in future work. First, our work is based on empirical generalizations that shed insights into how and to what extent consumers react to different manufacturer brand strategies versus private labels despite the fact that said effects are probably contingent upon other factors that we do not consider here. This study does not allow for normative insights. Future research should try to implement a more structural approach to gain deeper insight into the convenience of using different marketing strategies, such as advertising investment. Second, this empirical study only considered Spain. This limitation offers opportunities for future research across different countries, given that the cereal category is particularly international in terms of national brands and private label competition.

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Explaining National Brands and Private Labels Price Differentials: A Theoretical Model

Pedro Verga Matos and Rita Coelho do Vale

Abstract In the rapidly changing business environment of today, retailers' private labels, and its associated power, can be a critical element to help retailers distinguish from competitors and to compete with national brands manufacturers. The present research suggests that the price differentials between NBs and PLs can be explained simultaneously by two distinctive factors: (1) retailers power and, (2) specific product categories characteristics. To study this phenomenon, the authors propose a theoretical modeling approach to estimate across multiple categories and retailing chains these two effects. This model allows its application in markets with different concentrations levels, testing for the importance of the market structure in determining retailers' power.

Keywords Private labels • Retailers' power • Retailing competition • Product categories' effect

1 Introduction

In the rapidly changing business environment of today, a retailers' store brand, and its associated power, can be a critical element to distinguish itself from other competitors and to compete with national brands manufacturers. The present research proposes that these competitive interactions can be captured by the price differential between the average price charged by NBs and the retailers' PL prices, in each retailer. We suggest that the price differentials between the NBs and PLs reflect simultaneously two distinctive factors: (1) retailers-manufacturers

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relationship power and, (2) categories' specificities and consumers' demand characteristics, proposing a theoretical modeling approach that allows the estimation of these two effects across multiple categories and retailing chains.

This possibility of estimating each retailers' power, by disentangling the contributing factors for PLs and NBs price differentials, analyzing if it is mostly dependent on retailers-manufacturers' relationship characteristics or on product categories and consumers' characteristics, is of great relevance. The higher the retailers' power, the higher will be its influence in the entire market structure (prices, market share, and buying power) and that can be particularly relevant to estimate, especially when there are a reduced number of players, as is the case in most grocery markets.

Building on theoretical models developed by Suits (1984) and Kennedy (1986), the authors propose a model that disentangles the effect of each explanatory variable, correcting the sample average values, taking into consideration its specific characteristic, leading to the estimation of "pure" effects (retailer and category specific ones) that can be used.

2 Background

Private labels (PLs) have been gaining increasing importance all over the world (Geyskens et al. 2010) and have revolutionized food-marketing strategies because store brands are presented on almost every product category (Kumar and Steenkamp 2007). PLs can offer retailers a way to differentiate themselves from their competitors (Gielens 2012) and increase their profits through vertical coordination. At the same time, with PLs, retailers are providing a good service to their customers (Sayman et al. 2002), increasing their loyalty (Ailawadi et al. 2008; Coelho do Vale et al. 2016; Cortjens and Lal 2000). Moreover, PLs are also a source of leverage in negotiations with manufacturers (Kadiyali et al. 2000; Steiner 2004) since the improvement in PL's quality and the consequent increase on its market share has made retailers less economically dependent on NB products (Bloom and Perry 2001), increasing their negotiation power.

In fact, previous research outlined that one of the main implications of retailers introducing a broad range of PLs in their assortment is the boost of its bargaining power in the relationship with manufacturers (Ailawadi et al. 2008; Braak et al. 2013). The introduction of PL products often decrease the percentage of NB products sold in each chain (by opposition to the increase of PLs market share), meaning that retailers will no longer depend so much on NB products, decreasing manufacturers negotiation power (Messinger and Narasimhan 1995; Morton and Zettelmeyer 2004; Sayman et al. 2002). Additionally, the type and level of relationship between retailers and its PL suppliers (which may differ across product categories) can affect significantly retailers' negotiation power (Braak et al. 2013). Therefore, retailers are no longer only the distributors for manufacturers, but they

are also their direct *competitors* and owners of PLs (Dhar and Hoch 1997; Dobson 2005; Quelch and Harding 1996).

This new relationship dynamics, which is dependent on the level of penetration of PLs and its positioning in terms of price and quality, may differ considerably across products (Bonfrer and Chintagunta 2004). In the present research we suggest that all these possible competitive interactions (retailers-manufacturers relationship and consumer-categories relationship characteristics), which are a reflection of the different players' power (Dobson 2005), can be captured by the price differential between the retailers' PL prices and the average price charged by NBs. The authors propose a theoretical model to study this phenomenon across different markets.

3 Method

The main purpose of this article is to offer a theoretical approach that allows the measurement of retailers' power, through the use of the observed price differentials between NBs and PLs. The authors build on a theoretical model developed by Suits (1984) and Kennedy (1986) proposing that the price differentials, for each product category, will be influenced by the retailer power to influence its relationship with manufacturers and consumers, as well as category own characteristics.

The present research proposes then to use PLs and NBs price differentials to analyze the impact of retailers' power and product categories' characteristics in retailers' PLs pricing policies. This is an issue of major relevance for policy makers and competition authorities (Dobson 2003; Sethuraman 1992) since it will allow a better understanding of the dynamics and implications of the recent grocery retail concentration trend (observed in most of the markets).

As explained in the theoretical section, the retailers' ability to set PL prices close or far away from the average prices charged by NBs reflects own specific retailers' power and specific categories idiosyncratic nature.

To decompose individual product price's differential into retailers and categories effects, the authors suggest to run cross-sectional regressions of individual price's differential on retailers and categories' dummies for each product, obtaining the estimated retailer and category effects.

Consequently, for each quarter t the overall specification of the model is

$$PrDif_{ijt} = \alpha_t + \beta_{it} + \delta_{jt} + \xi_{ijt} \quad (1)$$

$PrDif_{ijt}$ is the relative price differential for a product that belongs to retailer i and category j ; α_t is the baseline conceptual price differential in period t , β_{it} is the specific retailer power effect for each retailer i , δ_{jt} is the specific category effect for each category j and ξ_{ijt} is a category-retailer specific disturbance.

A product can only have zero or one exposure on a set of dummy variables indicating retailer or category association. Therefore, the cross-sectional regression, is stated as follows:

$$PrDif_{ij} = \alpha + \sum_{i=1}^i \beta_i I_i + \sum_{j=1}^j \delta_j C_j + \xi_{ij} \quad (2)$$

where I_i is a dummy variable that equals to one if the product belongs to retailer i or zero otherwise and C_j the category dummy that equals to one if the product belongs to category j or zero otherwise. i is the number of retailers where the data was collected from and j is the number of product's categories analyzed.

To overcome multicollinearity between the regressors (the number of dummy variables is the number of retailers and product categories), the effects need to be measured relatively to the average PL's product in the sample, instead of measuring the marginal effect of each retailer and category to one specific retailer and category (classical dummy approach). This procedure is equivalent to measure retailer and category effects relative to the group of products in the sample and, for that, two restrictions for estimation have to be imposed (Kennedy 1986; Suits 1984):

$$[\text{Restriction 1}]: \sum_{i=1}^I n_i \beta_i = 0, \text{ where } n_i \text{ is the number of PL's products in retailer } i,$$

and

$$[\text{Restriction 2}]: \sum_{j=1}^J m_j \delta_j = 0, \text{ where } m_j \text{ is the number of PL's products in a}$$

category j .

4 Model Interpretation

For each period t , the estimate of the intercept α gives the average price differential between NBs and PLs, for a theoretical product category, for the overall sample of retailers and categories. This theoretical product category represents a weighted portfolio of all the categories and retailers of the sample, including each retailer's PLs. It is not observable, since each PL is exclusively sold in one single retailer, being therefore important the comparison of specific retailers and categories effects against this theoretical construct.

Moreover, the estimates of the coefficients of the retailer dummy variables, β_i , explain the degree to which the price differential in that retailer (averaged over all categories) are different from the average while the estimates of the coefficients of the categories/industry dummy variables, δ_j , explain the degree to which the price differentials in that category (averaged over all retailers) are different from the average.

Due to the specific characteristics of retailers and categories, both β_i and δ_j can assume positive or negative values, revealing to what extent the PL_{ij} relative price differential differs from the price differential of the theoretical diversified portfolio of products (α_t).

This estimation procedure allows the reinterpretation of the retailer power/individual category corrected for retailer/category composition. The average global retailer i effect in relative terms can be stated as:

$$RET_{it} = \hat{\alpha}_t + \hat{\beta}_{it}, \text{ where } \hat{\beta}_{it} \text{ is the retailer } pure \text{ effect for period } t$$

And the average global category effect in relative terms, diversified across retailers in any category j can then be stated as:

$$CEF_{jt} = \hat{\alpha}_t + \hat{\delta}_{jt}, \text{ where } \hat{\delta}_{jt} \text{ is the category } pure \text{ effect for period } t, \text{ and}$$

Therefore, by running cross-sectional regressions in each quarter, this model allows a longitudinal overview of pure category effects and pure retailer effects. This overview will offer interesting insights about the underlying contribution of categories specificities and retailers power to PLs price differentials observed in the markets.

5 Discussion

Overall, in the proposed model, the price differentials (PD_{ijt} , i = retailer, j = product category, t = quarter) will be explained by both the retailer's effect as well by the category's characteristics from which it refers to. This adaptation to the retailing context is especially interesting since it allows, by using easily available data (NB and PL prices), the identification of two separate *pure* effects: (1) retailers' effect and (2) categories' effect.

Additionally, this approach also allows a longitudinal analysis of the relative influence of both retailers and categories, over quarters, identifying market dynamics. Lastly, although most of the previous research has analyzed PLs at aggregate level across retailers, implicitly assuming that PL from product category j offered by retailer A as similar to PL product category j offered by retailer B, the current model analyzes each retailers PL separately, supporting the idea that the price differential each retailer sets on PLs of each category is also a reflection of its own power.

Future research on this topic should include an empirical application of this model to price data, across multiple periods, testing if results are robust and aligned with respective market structure.

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The Potential of Co-branding as a Branding Strategy for Premium Private Labels: A Theoretical Assessment

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Abstract Based on literature review on private labels (PL), co-branding and celebrity branding, a conceptual framework is developed in which a celebrity brand is used in a co-branding setting as a quality signal for a premium PL product. Similar to previous studies that are limited to PL and national brands (NB) as brand allies in a co-branding setting, we propose that the improved consumer evaluations of a celebrity co-branded, chain-labeled PL product will spill over to the first brand ally. That is the retailer and more specifically his brand image. Since previous research indicates a positive effect of retailer's brand image on consumer evaluations of its PL, we also suggest that a celebrity co-branding strategy will indirectly (via retailer's brand image as a mediator), improve consumer evaluations of an individual retailer's PL product of any tier. The goal of the research is to contribute to the calls for more research on private label and branding as well as on retailer brand equity. This study provides the foundation for and should encourage further research in this area.

Keywords Private labels • Celebrity co-branding • Spillover effect • Retail brand image

1 Extended Abstract

Private Labels (PL) have become a significant force in retailing of Western Europe and North America. In 2013 sale markets shares in multiple Western European countries exceeded 30 percent. For the United States, Canada, Australia and South Africa sale market shares of about 20 percent are reported. (Nielsen 2014). Despite the amount of academic literature on PL, there is still much to learn about them (Sethuraman and Gielens 2014). One of these research gaps is the application of traditional branding strategies with PL and how PL can contribute to retailer brand equity (Ailawadi and Keller 2004; Hyman et al. 2010).

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In the last years the introduction of a third PL tier, a Premium PL became popular among retailers. They were even referred to as “one of the hottest trends in retailing” (Kumar and Steenkamp 2007, p. 41). This development appears surprising with regard to the perceived quality gap between PL and National Brands (NB) reported in previous studies on PL. For instance, in a taste test with Standard PL de Wulf et al. (2005) showed that consumer may perceive quality of PL to be equal to that of National Brands (NB) in a blind test condition. Though, in case consumers were informed that the product was a PL, perceived quality was significantly lower as compared to the NB. Sprott and Shimp (2004) found that in-store sampling of a new PL (NB) product can increase perceived quality by 30 (10) percent. Steenkamp et al. (2010) found that the belief that a NB manufacturer is involved in production of a PL, significantly reduces the perceived quality gap between NB and PL. Evidence of a quality perception handicap for Premium PL was found by Rossi et al. (2015), where consumers perceived the quality of Premium PL as higher (lower) vis-à-vis Premium NB in a blind (informed) test. Since research has shown that perceived quality is one of the key drivers for willingness to buy a PL (Richardson et al. 1994) and PL proneness (Sethuraman and Gielens 2014) this quality perception handicap constitutes a serious problem for PL. It can be assumed that the role of perceived quality is even more crucial in case of a Premium PL due to its price positioning on par with or above NB.

Traditional branding strategies might offer solutions to fight the quality perception handicap of PL. A literature research revealed that co-branding might be a fitting branding strategy because it can be used to signal quality (Rao et al. 1999; Rao and Ruekert 1994) and transfer attributes of a brand ally to the co-branded product that a single brand cannot provide (Park et al. 1996). Co-Branding a Standard PL with a NB might be an effective strategy because Standard PL are positioned below the leading NB. However, the number of NBs that are suitable as a brand ally for a Premium PL might be limited because of its top tier positioning. Moreover, Premium NB might have no interest in a brand alliance with a PL. Celebrity Co-Branding—a strategy applied in grocery retailing practice by SPAR in Austria, Delhaize in Belgium, Costco in the US and Casino Supermarché in France—might overcome these limitations. Despite its popularity in practice the strategy was just recently introduced into academia by Keel and Nataraajan (2012).

Another feature that makes Co-Branding an interesting branding strategy for Premium PL are the spillover effects that the co-branded product induces on the brand allies (Park et al. 1996; Simonin and Ruth 1998; Washburn et al. 2000). In case of a chain labelled Premium PL, this spillover might affect the retailer’s brand image, which is commonly operationalized as store image in research on PL (Ailawadi and Keller 2004). Existing research on Co-Branding has not addressed possible spillover effects on the retailer brand image. The only published study on Co-Branding with PL is limited to the effects on the co-branded product and spillover effects on the NB (Vaidyanathan and Aggarwal 2000). Moreover, there exists no empirical literature on Celebrity Co-Branding according to the definition of Co-Branding provided by Helmig et al. (2008). Therefore, testing if a human

brand can increase consumer evaluations of a co-branded product and induce spillover effects on the brand allies constitutes another research gap.

Due to the potential spillover effects on store image from Co-Branding, the effect of PL on store image and vice versa constitutes another relevant research stream. The majority of research on the relationship between PL and store image focuses on the effect of store image on consumer evaluations of PL. To the best knowledge of the authors only one study examined the effect of PL on store image: Nies and Natter (2012) find that perceived PL quality directly affects perceived store image. Multiple studies assessed the opposite direction and find a positive effect of store image on perceived quality, purchase intent for PL or both (Calvo Porral and Lang 2015; Collins-Dodd and Lindley 2003; Richardson et al. 1996; Semeijn et al. 2004). However, none of these studies included Premium PL or an individual assessment of the effect of store image on multiple PL tiers. With regard to the increasing research interest on the role of individual PL tiers and their interdependencies (Geyskens et al. 2010; Gielens 2012; Palmeira and Thomas 2011; ter Braak et al. 2013, 2014) this represents a significant research gap.

On basis of our literature review and the research gaps identified we formulate the following three research questions: (1) Does Celebrity Co-Branding signal quality? (2) Does Celebrity Co-Branding also lead to a spillover effect on the brand allies? In case of a chain-labelled Premium PL, does this effect spillover on the retailer brand image (store image)? (3) Does the spillover effect on retailer brand image (store image) affect consumer evaluations of the individual PL in a multi-tier PL portfolio?

The nature of the research question requires a causal research design. Experiments are planned to be completed by April. Hence, first data and analyses will be available for presentation and discussion at the conference in June 2016.

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Part IV
Consumer Behaviour II

Do Feature and Discount Promotions for National Brands Primarily Drive (National) Brand Choice, Store Choice, or Both? An Exploratory Analysis

Jonne Guyt and Els Gijsbrechts

Abstract Feature and discounts promotions are among the most frequently used marketing instruments in the consumer packaged goods (CPG) landscape. Using a flexible generalized extreme-value model, this study analyses the effect of national brand feature and discount promotions in a multi-retailer and multi-brand setting, in which households can use different decision routes to choose a (national or private label) brand and store. Across nine CPG categories, our results reveal that in each category a mixture of decision routes prevails: about 55 % of households exhibiting a brand focus (i.e. primarily select a brand, and then choose between stores offering that brand), the remaining 45 % showing evidence of a retailer focus (i.e. rather substituting brand offers within a visited store). These decision routes entail different patterns of competition between brands and stores, and come with differences in promotion response: feature ads triggering stronger (weaker) reactions among households with a brand (retailer) focus in almost all categories, and discount depth hardly affecting households with a retailer focus. As such, especially for less-frequently purchased categories, the brand-focus decision route leads to larger net promotion benefits for the retailer and, despite the stronger brand-cannibalization, even for the manufacturer. Managerial implications are discussed.

Keywords Brand and store choice • Decision structures • National brand promotions • Feature ads • Discounts

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1 Introduction

Sales promotions in consumer packaged goods (CPG) markets are ever-more pervasive. Consumers' decreased willingness to pay a premium for national brands (NBs) (Steenkamp et al. 2010) and their propensity to spread purchases across multiple stores (Baltas et al. 2010), have led both manufacturers and retailers to step up their promotion activities, in the form of price discounts and/or feature advertising, to attract shoppers to their brand and store (Ailawadi et al. 2009). However, whether this is money well spent, and who is the primary beneficiary—the NB manufacturer or the retailer—depends on how consumers choose among the available brands and stores for their CPG purchases, and on the role of different promotional actions therein. Extant studies have typically documented the impact of promotions on (national) brand and store sales at the market level (e.g. Srinivasan et al. 2004; van Heerde et al. 2004) or considered the effect on individual households' brand choice (e.g. Mehta and Ma 2012) or store choice (e.g. Gauri et al. 2008) separately, despite ample evidence that product trade-offs happen at more than one level. Little is known about how individual households trade off their category purchases across brands (including both NBs and private labels (PLs)) and stores, and how these—possibly heterogeneous—decision patterns align with the effect of price discounts and feature promotions. Especially at times where the interplay between manufacturers and retailers has become increasingly strained, understanding how shoppers choose among brands and stores, and the role of promotions therein, is critical for the effective allocation and targeting of manufacturer and retailer sales promotion budgets.

2 Study Objectives

This study aims to shed light on the patterns of brand-retailer choice in CPG categories, and to explore how they affect the impact of promotions on the NB manufacturer and retailer. In particular, our study uncovers the effect of a promotion through two different pathways, a brand-focused and a retailer-focused pathway. To the best of our knowledge, we are the first to (1) simultaneously consider (inter- and intra-) brand- and store-competition, taking an individual shopper perspective, (2) empirically document the relative importance of these decision structures, across multiple shoppers and product categories, and (3) explore the effectiveness of promotional price cuts and feature advertising in these decision structures. As such, we contribute to three streams of literature. First, by documenting to what extent brands or stores take precedence in consumers' CPG category purchases, we provide a better understanding of the power balance between NB manufacturers and retailers, and the role of NBs and PLs therein. Second, our paper fits in with a 'shopper marketing' perspective, in which brands' marketing activities are tailored to specific retail accounts for maximum shopper

response (Kushwaha and Shankar 2013). Third, we contribute to the promotion literature by uncovering how the decision routes influence the ‘net’ share increase from price cuts and store-flyer appearances for both parties.

3 Conceptual Background

CPG categories present consumers with multiple options on what to buy (i.e. which brand, including the choice of NB vs. PL), and where (at which retailer). We distinguish two decision structures that lead up to the purchase of a specific brand at a specific retailer/store. In one structure, brand selection is largely conditional upon store choice—consumers picking a supermarket and, once inside the store, make their choice among the available brands inside the store (the ‘retailer focus’ decision route). Alternatively, consumers may primarily decide on a brand, and compare the offer of different stores carrying this brand (the ‘brand focus’ decision route). These different decision routes may not only shape consumers’ propensity to respond to promotions, but also how they choose between brands and retailers. Hence, from a managerial perspective, this raises several important questions. For the manufacturer: Will promoting its NB at a given store lead to share gains at the expense of other brands in the store (which is more likely in case of a store-focused decision route), or make consumers who currently decided on a brand purchase merely shift locations (as expected in a brand-focused decision structure)? For the retailer: Will promoting a NB in the store primarily lead to within-store brand shifts (consistent with a retailer-focus), or also entice current non-customers to shift their category purchases toward the store (in line with a brand-focus)? And: who wins more from the promotion: the retailer or the manufacturer? While previous studies documented promotional brand-store shifts in a category ‘in the aggregate’, we propose that consumers’ choice of brands/stores for a category purchase can be the outcome of different (brand- or retailer-focused) decision routes, with different ‘competitive shifts’ between manufacturers and retailers.

Consumers’ decision structures may also shape the relative effectiveness of different promotion instruments. For instance, consumers whose brand choices primarily materialize conditional upon store visit (the ‘retailer-focus’ decision structure), may be less influenced by store flyer ads. In contrast, consumers who primarily shop around for a particular brand (‘brand focus’), may more actively look for brand appearances in the store flyer and monitor price discounts. Depending on which decision structure prevails, a different mix of promotion instruments may be called for, or the impact of a given action on the manufacturer or retailer may change. Finally, these brand-retailer choice processes may differ between product categories and, within a category, among households; and we need to accommodate such heterogeneity.

4 Methodology

To address our research questions, we use a generalized extreme value (GEV) model that flexibly captures shoppers' brand and store choice for a given category purchase. We estimate this model on household scanner panel data across nine different categories, spanning a period of 4 years. Our model allows the choice of a brand-retailer combination to materialize through two decision structures (i.e. brand-focused or retailer-focused). We allow a mixture of structures to prevail in each category, with different importance weights; and allow the impact of feature ads and promotional discounts to differ between the two decision structures. We use the outcomes of this model to empirically document the prevailing mixture of decision routes in multiple CPG categories. Next, we gauge the differential impact of store flyer appearances and price cuts across these decision routes, and quantify the net consequences for the promoting brand (across stores), and for (the entire category in) the promoting store. Finally, we briefly explore the link between decision patterns and household characteristics.

5 Findings

Our initial results reveal that in each category a mixture of decision routes prevails: about 55 % of households exhibiting a brand focus, the remaining 45 % exhibiting a retailer focus. Feature ads trigger stronger (weaker) reactions among households with a brand (retailer) focus in almost all categories, while discount depth hardly affects households with a retailer focus. As such, especially for less-frequently purchased categories, the brand-focus decision route leads to larger net promotion benefits for the retailer and, despite the stronger brand-cannibalization, even for the national-brand manufacturer. Managerial implications are discussed.

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Understanding PL Purchase Intention in the Context of ‘PL-Only’ Assortments: An Experimental Approach

José Luis Ruiz-Real, Juan Carlos Gázquez-Abad, Irene Esteban-Millat, and Francisco J. Martínez-López

Abstract Private label (PL) purchase intention is a powerful predictor of a purchase and can be influenced by a variety of factors. In this paper, we analyse the influence of consumer involvement with a product category, consumer attitude towards a PL, consumer value consciousness and consumer perception of store image on PL purchase intention. Through an experiment based on an online survey administered in Spain, we establish the causal relationships of the structural model using a structural equation methodology. Our findings suggest that in retailers with ‘PL-only’ range, consumer attitude towards the PL and consumer perception of the store image have a direct and positive effect on PL purchase intention. Our findings also suggest that in retailers with ‘PL-only’ range, consumer involvement with the product category and consumer value consciousness are not significantly associated with PL purchase intention. Our findings have important implications for retail management regarding assortment size composition decisions.

Keywords Private label • Retailing • Assortment • National brands • Intent to purchase

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1 Introduction

Since the 1970s, the commercial food distribution business has undergone significant transformations. The economic recession of recent years has further altered consumer priorities and behaviours. These changes have resulted in heightened efforts to offer consumers a variety of products and services (Levy and Weitz 2008) while at the same time ensuring that the structure of the assortment (both in size and composition) both responds to consumer needs and demands and adds value.

A fundamental change that has occurred in commercial distribution has been the consolidation of PLs. PL consolidation has profoundly altered the composition of assortments on retail shelves. The growth of PLs has imposed structural changes in the sector, affecting retailers, manufacturers and consumers. The strong development of commercial formats such as category killers may be associated with a large number of PLs in almost all product categories.

In recent years, PLs have experienced increased market shares worldwide, especially in the consumer packaged goods market (Ailawadi et al. 2008). The origins of this growth coincide with the economic recession, when retailers have been known to take advantage of the opportunity to consolidate their own brands. Because of an increased presence on retailer shelves and strong communication investments, PLs have transformed into an optimal alternative for consumers evaluating the price-quality relationship. PLs have earned the trust of a large number of consumers and have become serious competitors for national brands (Lamey et al. 2012), not only with respect to price but also with respect to other benefits sought by consumers.

Assortment management has become a key element of retail strategy. Identifying appropriate assortment size, item composition and the impact of brand removal on retailer image and sales volume is critical to a retailer's success. Our study analyses the factors influencing PL purchase intention in 'PL-only' assortments.

2 Literature Review and Hypotheses

We reviewed the main theories and research models on assortment and consumer buying behaviour. For our study, consumer response is measured based on PL purchase intention.

Consumer purchasing decision processes are complex. Typically, consumer purchase intention is related to consumer behaviour, consumer perception and consumer attitude. Ghosh (1990) argues that purchase intention is an effective tool to predict the buying process; once consumers decide to buy a product in a particular store, they act on this intention. Numerous studies analyse the factors that influence the purchase intention of PL products. Some research focuses on the motivations, perceptions, preferences and buying behaviours of consumers in relation to food products (Beneke 2008).

2.1 Consumer Involvement with the Product Category

Consumer involvement with a product category refers to lasting perceptions about the importance of a product category based on consumers' inherent needs, values and interests (e.g., De Wulf et al. 2001).

Consumer involvement with a product category has been studied in order to understand consumer intention to purchase PL products. Consumer involvement with a product category is considered critical to an understanding of consumer decision-making and associated communications (Chakravarti and Janiszewski 2003). Studies have found that the level of consumer involvement with a product category influences PL purchase decisions, although the extent and nature of the relationship are unclear (Berkowitz et al. 2005). Research suggests that the relationship between involvement with the product category and purchase intention may be dependent on the type of product. Because a large number of consumers currently perceive a PL as a product that provides a warranty and can compete in quality with the NB, but with lower prices, we propose the following hypothesis:

H1 A high involvement with the product category has a direct and positive impact on PL purchase intention.

2.2 Consumer Attitude Toward the PL

PL popularity has grown significantly in recent years. PLs have expanded into new product categories, beyond food categories. Consumer attitudes towards PLs have also changed. PLs have evolved from consideration as a "second class" brand to a viable and competitive alternative to the NB. As a result, retailers must offer brands that meet consumer expectations (Miranda and Joshi 2003).

Prior research suggests that a prior positive attitude toward the brand has a positive influence on the purchase decision for that brand (Zielke and Dobbstein 2007). Consistent with the above, we propose the following hypothesis:

H2 A favourable attitude toward the PL has a direct and positive impact on PL purchase intention.

2.3 Consumer Value Consciousness

Construct value consciousness is defined as concern for paying low prices subject to some restriction quality (Lichtenstein et al. 1993). Prior research has found a positive and significant relationship between consumer value consciousness and consumer attitudes toward the PL, such that PL brands have succeeded to a certain extent through positioning as a target value by retailers (Garretson et al. 2002).

By positioning PLs as products similar in quality to NBs, but with the same or lower prices, consumers who seek the optimal value in their purchases should purchase the PL. Jin and Suh (2005), who argue that there is a direct positive effect between consumer value consciousness and PL purchase intention, have confirmed this relationship. Based on this finding, we propose the following hypothesis:

H3 Heightened consumer value consciousness has a direct and positive impact on PL purchase intention.

2.4 Favourable Image of the Store

Prior research has found that a store's positive image can reduce consumers' risk perception and, as a result, add value to PL products (Agarwal and Teas 2001). A positive store image reduces doubts about a product and increases consumers' purchase intentions (Semeijin et al. 2004). If a store image is positive, the PL purchase intention associated with the store will be higher.

A strong and exclusive PL increases store loyalty (Hu and Chuang 2009) and the intention to purchase the private brand. Because a private brand is owned by the retailer and is marketed exclusively by the retailer, a store image will be enhanced by the presence of a PL with a positive image (Gamliel and Herstein 2007), leading consumers to purchase these brands in the store and develop an associated brand loyalty (De Wulf et al. 2001). Based on these findings, we propose the following hypothesis:

H4 A favourable store image has a direct and positive impact on PL purchase intention.

3 Methodology and Results

To test our hypotheses, we conducted an online experiment using a sample of 1400 individuals from an IRI panel of Spanish consumers. At the time of the study (March 2013), IRI had a consumer panel consisting of 322,883 individuals between 24 and 65 years of age. These individuals were responsible for purchasing food and cleaning and personal care products in supermarkets and hypermarkets for home use. The IRI panel is statistically representative of the Spanish population, in terms of both socio-demographic variables (gender, age, income level, education level, family size) and geographical distribution.

Based on IRI recommendations to use a sample with a minimum of 35 people for each stage of the experiment, and considering that the experiment was carried out for four product categories, the total number of subjects for each combination range (in this paper, only a single-brand range is collected) was 140.

The experiment was conducted in four product categories: yogurt, bread, detergent and toilet paper. These categories were selected based on the classification developed by Dhar et al. (2001). This classification responds to the penetration/frequency relationship and establishes four categories of product: (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).

Inclusion in each of the four categories defined by Dhar et al. (2001) was based on a sample of 53 categories that account for over 60 % of "Fast Moving Consumer Goods" in the Spanish market.

Brands were classified and selected according to their market share in Spain and the rating of each brand by IRI consumer panel members. The same PL was used in all categories. After an analysis of various factors, including sales, PL notoriety, shelf space and number of stores, we selected the following PL: Hacendado and Bosque Verde (Mercadona¹) and Auchan (Alcampo).

To measure different variables of the proposed theoretical model, we used composite scales, as they allow for assessment of psychological variables that are not directly observable (Churchill 2003). Likert scales have been widely used in the literature to study assortments and brands.

After validation of the measurement scales through an exploratory factor analysis of available data and a confirmatory factor analysis, the causal relationships of the proposed structural equation model were compared. To carry out the analysis, SPSS version 18 and AMOS version 16 were used.

We first performed a confirmatory analysis of all measurement scales by using the methodology of structural equations. The confirmatory factor analysis of all measurement scales revealed satisfactory results. The fit of the confirmatory model presented correct specifications for the proposed factorial structure (GFI: 0.901; NFI: 0.910, IFI: 0.948; TLI: 0.937; CFI: 0.947; RMSEA: 0.056).

Having assessed the reliability and validity of the scales of measurement model using confirmatory factor analysis, we then evaluated the causal relationships of the structural model using the structural equation methodology. The SEM statistical technique is appropriate for analysing the relationships identified in the proposed model. We then observed the significance of the estimated parameters and assessed the relevance of the causal relationships that were initially specified. The results confirm that the different indicators demonstrate a good fit to the data, with R^2 values of 0.076 and 0.274 for store image and purchase intention of PL, respectively.

The results show two non-significant relationships for single-brand assortments, leading us to **reject hypothesis H1** (which poses a direct relationship between involvement with the product category and PL purchase intention) **and hypothesis H3** (which poses a direct relationship between value consciousness and PL

¹ Mercadona is Spain's leader in terms of selling surface (m²) in the Fast Moving Consumer Goods sector.

purchase intention). At the same time, the results indicate **acceptance of hypothesis H2** [which poses a direct (and positive) relationship between a favourable attitude toward the PL and PL purchase intention (0.757, $p = 0.000$)] and acceptance of **hypothesis H4** [which poses a direct (and positive) relationship between store image and purchase intention of PL (0.224; $p = 0.046$)].

4 Conclusions and Managerial Implications

In 'PL-only' assortments we found no significant relationship between high involvement with the product category and PL purchase intention. We attribute the lack of a significant relationship to the fact that 'PL-only' assortments do not provide individuals with choice. Choice is relevant for products with high levels of consumer involvement. This finding is important for retail management because it suggests that when consumers have a high involvement with a particular product category, although they intend to purchase the PL, consumers are more comfortable in stores where they can compare different products.

A positive attitude towards PL generally results in greater intention to purchase a brand. Consumer attitudes towards the PL have changed significantly in recent years; consumers have decreased brand awareness in favour of a greater awareness of price and value. This change has generated a new type of consumer who seeks the PL as a safe and valuable alternative when making purchases. PL consumers no longer seek only lower prices, but they also demand a certain quality. Positioning and perception of PLs have reduced the distinctions between PLs and NBs, partly because of advertising campaigns and strong retailer promotions that promote both low prices and quality. This change is evident in 'PL-only' assortments, which are usually developed by retailers with a strong position as hard discount and with a customer base that seeks PL and a good price, enabling them to save time and money.

Consumers are aware that the price differential between the PL and NB has decreased. However, our findings suggest that consumers seeking the most value in their purchases desire more information, compare options and decide based on collected data. These consumers feel more comfortable in places where they can select products from numerous options. This is consistent with their desire to have information and be able to decide between alternatives. Thus, retailers who are committed to enhancing their PLs should be aware that value-conscious consumers will increase their intention to purchase these brands only if they are presented with purchase options.

A retailer's image has a direct impact on the different levels of risk perceived by purchasing PLs. In these cases management is the sole responsibility of the retailer, so store image has a fundamental role in PL purchase intention. This does not occur with NBs (Dhar and Hoch 1997). Our results support the positive relationship between store image and PL purchase intention during the stage formed only by PL range. This may be because customers of such stores (Discount and Hard

Discount) are regular PL buyers. Thus, any enhancement to a retailer's positive image reinforces the PL purchase. This customer segment, formed primarily by customers loyal to the retailer, is more likely to buy PLs (Ailawadi et al. 2001). During economic recessions, one way for a retailer to establish a competitive advantage and enhance its image is to develop a strong PL because these are part of the corporate brand itself (Walsh and Mitchell 2010).

This study has a number of limitations. First, we do not differentiate between high- and low-value PLs. Second, we only analyse 'PL-only' assortments. Future research might include a comparative study considering mixed assortments (NB and PL). Third, we conduct an online experiment with both advantages and disadvantages.

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Do Quality Systems Really Refer to Quality? Consumer Research on Consumer Reputation and Knowledge of Food Quality Systems in Hungary

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Abstract Nowadays trademarks and geographical indications are more and more important signs of quality for consumers and they play a major role in the quality policy of European Union as well. Geographical Indications are the most successful in the Mediterranean countries but we don't have information about the reputation of quality systems in Hungary. With our questionnaire of 1020 participants I aimed to examine how much Hungarian consumers know and search for quality systems. I also examined how much consumers are conscious in their food consumption choices. I created three clusters to find out if there is a group of consumers who is more conscious and better aware of quality systems.

Our final conclusion is that main part of consumers don't know designations of food quality system and they don't even search for them. The most known 'Hungarian Product' trademark was mentioned only by the 14.5 % of the respondents. Consumers can't distinguish the different trademarks and the extent to which a product with trademark offers a quality surplus is not obvious compared to products without trademarks. I suppose that low reputation derives from the large number of trademarks and their inadequate communication. On the other hand our cluster analysis showed that there is a small group of 'highly conscious' consumers who show high consciousness in their choices.

Keywords Food quality systems • Consumer reputation • Marketing

1 Introduction

Nowadays consumer can choose from a wide range of food products, there are a lot of alternatives to satisfy their needs which makes it very difficult for them to see the differences between products. They cannot define the value surplus of a given

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product compared to another product with the same purpose but with a different brand. How can consumers find out which product has a higher quality if they serve the same purpose? Different trademarks and geographical indications (GIs) play a more and more important role in communicating quality to consumers. These quality systems are strongly supported and promoted by the European Union. The number of certified geographical indications have dynamically increased since the launch of the system. The law of the protection of origin was created in 1996 and more than 300 geographical indications were administrated this year. By 2013 1445 GIs were administrated according to the Database of Origin and Registration. Italy and France had the highest number of GIs, 39 % of all GIs were products from these two countries in 2013. Spain (14 %), Portugal (10 %), Greece and Germany (8.8 %) were also countries with a large number of protected agricultural products. In 2013 there were only 13 GIs in Hungary.

These quality systems can only be successful if their operation and advantages are communicated to consumers. In Hungary there are more and more trademarks and GIs but it is unknown whether consumers are aware of their benefits or do they know them at all? This question has not been examined before in Hungary so it was crucial to make a deep research in this topic. A survey of 1020 respondents was conducted with a questionnaire. The aim of this survey was to examine how much consumers know and search for quality systems and what can be the cause of the efficient or inefficient operation of quality systems. Are consumers affected by marketing or are they really interested in the value surplus of a product? I also examined the attitude of consumers towards food products in order to better understand their choices and to find out what quality aspects of food products they search for.

2 Literature Review

First of all I define the most important definitions of this topic then I represent the main results of the research conducted in connection with quality systems.

There are three types of food quality system: quality control systems (like ISO, HACCP), trademarks, geographical indications. Quality control systems are a set of regulations that food products have to fulfil in order to be distributed. There are obligatory quality control systems like HACCP the requirements of which all food producers have to fulfil and there are voluntary ones like IFS, BRC, ISO that are often required by business partners of companies.

Trademarks are intellectual properties, basic tools of competition and the most important forms of product indications. Trademarks help to identify products and to distinguish products from one another and to inform consumers about products. They are also important advertisement tools. There are many types of trademarks, one of them is the certification trademark which is one of the main subject of this research. In case of certification trademarks there is a person or an organization who is entitled to use the trademark and who can allow enterprises or people to use the

trademark in case of meeting the required quality level and other aspects laid down in regulation.

Geographical indications form a separate group although they are a very special form of trademarks. They are also subjects of my research. It is an intellectual property as well but it is connected to the product's place of origin which is the obvious sign of quality. So the place of origin is strongly linked to the quality of the food product. This is a European Union protection for a product. There are two main types of it: Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI). PDO is stricter because it requires that all phases of the production have to be in the region while PGI requires that only one phase of production must be linked to the place of origin (Darvasné et al. 2014). It is also very important in connection with trademarks and geographical indications that products with these indications often have premium price especially in case of geographical indications because the process of certification is very expensive and on the other hand products with these signs are of higher quality than other products and prices reflects this quality surplus (O'Connor and Company 2006).

As mentioned before reputation of quality systems have not been examined in Hungary before. On the other hand there were some research analysing consumers' attitudes towards food signs similar to geographical indications and traditional food products. Szakály et al. (2010) found out that Hungarian consumers have a positive image of the so called "hungarikum" products. These products represent high national value which has to be protected. Despite the positive image respondents had poor knowledge about "hungarikum" products and they could mention only a few, typically internationally famous brands like "Szegedi téliszalámi", "Szegedi paprika" or "Gyulai kolbász".

Popovics (2009) examined the purchase situation of food products and the results showed that consumers sometimes pay attention to the geographical origin of the product but they do not search for products with a specific origin consciously. However there was a more conscious, small group of consumers who were interested in food products with a specific region. This group was mainly consisted of women between the age of 35 and 49, of people with secondary education and of middle-class people.

Outside Hungary there were a lot of research in this topic mainly in those countries where the use of quality system (especially GIs) has had a long tradition in the past and their use has been widely spread like in Spain, Greece, Italy or Germany.

Fotopoulos and Krystallis (2003) examined purchase of the Greek "Zagora" apple which is a geographical indication and besides "Zagora" they involved other types of apples as well. Their main aim was to find out whether the reputation of the "Zagora" apple is connected to its place of its origin or not and whether consumers know it at all that it is an apple type with GI. Respondents living in the region of "Zagora" were familiar with the system of GIs but only two of eight interviewees knew that this apple is provided with a GI. They also examined the price sensitivity of consumers in connection with GIs as it can be an advantage for producers that the GI gives them the opportunity to increase the price of their product due to the

communicated higher quality and the high costs of the certification process. According to the results consumers would have been willing to pay more for the apple with the brand name “Zagorin” and for the “Zagora” apple with a GI as well but not for the apple without any brand name or sign. These results show that consumers acknowledge the positive effects of GIs but they do not know the system very well. Only 10 % of consumers knew products with GIs but they would have paid more for these products. These results show that GIs cannot operate effectively without marketing campaign.

Mesías et al. (2010) analysed the consumers of “Iberico ham”. They also realized that there is a small group of consumers who would have paid the higher price for a product with a geographical indication which has therefore a higher quality than other products. The authors warned that it is very risky to build on this group of consumers if the GI is not supported by an intensive communication campaign in which the advantages of the GI is widely explained.

This result was strengthened by a Slovakian and a German research as well. Slovakian consumers have heard of the system of GIs and they found it very useful but they did not even know GIs of their own country (Supeková et al. 2008). Teuber (2011) analysed German consumers’ purchasing decisions and he found that the geographical indication itself would not result in higher purchase of the product. These products have to be promoted and advertised just like any other product.

A survey of 200 respondents examined the knowledge of Italian consumers of quality systems and their purchase decisions. The research involved three quality system: The Protected Designation of Origin (PDO), the Protected Geographical Indication (PGI) and the Traditional Specialty Guaranteed (TSG). There were only two products which were recognized by a higher share of consumers as a PDO (“Parma ham” and “Grana Padano cheese” recognized by 44.2 and 28.7 % of the respondents). Their high knowledge can be derived from their high reputation and their strong brand. The cluster analysis of the respondents showed that 60 % of them had poor knowledge of the European indications and the price of the food product was the most important factor in decision making. They also showed high interest in natural ingredients. Those people who knew the mentioned quality systems the most also stated that the price of the product is crucial but the authenticity and the place of origin of the food product is more important than price (Aprile et al. 2009).

Carpenter and Larceneux (2008) examined the effects of placing the geographical indication on French products. The research consisted of 488 respondents. They were shown pictures of products without any trademark, a product with a regional indication and a product with both the regional and the EU’s geographical indication. First the GI was not explained and after that they placed a short explanation on the product about the meaning of the GI. The results showed significant increase in the perception of quality and willingness to purchase the product when the meaning of the GI was explained to consumers.

These research all showed that consumers are more or less aware of the existence of the quality systems and they know the advantages of it as well but the knowledge of specific products with these quality systems is very poor. In these circumstances the positive effects of these indications cannot prevail neither for the consumers nor

for producers. This phenomenon is mainly due to the lack of sufficient marketing communication. Although this is a very good initiative to promote high quality and traditional products with a specific place of origin it must be promoted and advertised in order to draw the consumers' attention for the advantages of quality systems. The next part of the study will represent the research on Hungarian consumers' knowledge of quality systems.

3 Methodology

In order to examine the knowledge of Hungarian consumers about the existing food quality systems a survey of 1020 respondents was conducted in the summer of 2013 with the help of Corvinus University, the survey was financed by the Ministry of Regional Development. The aim of this survey was to examine how much consumers know and search for quality systems and what can be the cause of the efficient or inefficient operation of quality systems. The first part of the questionnaire included questions about the reputation and knowledge of quality systems (trademarks and the EU's geographical indications) in form of true or false statements and mentioning trademarks spontaneously or recognizing them by a picture. On the other hand there were questions about purchase customs and attitudes of customers concerning food products such as the place of purchase, the most important factors when making a food product choice and so on. These phenomena were measured on Likert-scales (1–5 points) by the agreement and satisfaction of respondents with different statements.

When analyzing the results of the questionnaires I counted distributions and averages and I used cluster analysis to group consumers according to their attitudes. Cluster analysis is a technique of grouping the observed units in a way to form groups which are homogeneous inside but the groups are different from each other by some distinctive characteristics. One unit can only be related to one group. So the main aim of this technique is to form groups that are consisted of people who are very similar with the members of the same group but they are very different from other group members by those variables according to which we run the cluster analysis (Scipione 1994; Malhotra 2005). I used two-step cluster analysis and evaluated it with the Silhouette-indicator the value of which is between -1 and $+1$. If the indicator's value is below 0.2 then it means that the cluster structure is very poor and cannot be accepted. If its value is between 0.3 and 0.5 then the analysis is adequate and above 0.5 it is exceptional (Kaufman and Rousseeuw 1990).

4 Results of the Survey

First I characterize the sample by the most important demographic variables. 59.7 % of the respondents were women and 40.3 % were men. The distribution of respondents below the age of 25 is 35 %, respondents between 25 and 35 years consisted 19.8 % of the sample. The distribution of those who are aged above 50 years was 26.4 %. Concerning education level those with college or university degrees (including the ones in process) had the highest share in the sample (43.2 %). 59.8 % of the respondents had average income level while the share of those who were in outstanding financial situation was 1.7 %.

4.1 Knowledge of Trademarks and Geographical Indications

I tested the knowledge of respondent concerning trademarks by mentioning trademarks first spontaneously then recognizing them by picture.

The most known ‘Hungarian Product’ trademark is mentioned only by the 14.5 % of the respondents. On the contrary its logo is known by almost the two-thirds of them. The second most known ‘Quality Food from Hungary’ trademark is mentioned only by the 8.3 % of the respondents and its logo is mentioned by the same number of respondents as in the case of ‘Hungarian Product’. The results show that they were not very well informed and they could not mention trademarks. Besides the two “highly” mentioned trademarks respondent could hardly mention any other trademark while at the time of the survey there were more than 20 existing quality systems. In order to map the real knowledge of consumers I listed some trademarks during the question of recognizing trademarks by pictures that had not existed by the time of the survey or was not a food trademark. One of them was the “Forum of Excellent Products” which was cancelled in 2006 but it was supported by an intensive marketing campaign and at that time there were not as many trademarks as nowadays. It showed that after some years they could still remember this trademark due to its memorable and frequent advertisement. Surprisingly this trademark was the third highest mentioned and its picture was recognized by every fifth respondents. Moreover respondents seemed to know the slogan of a Hungarian retail chain as a trademark with a rather high distribution. GIs (PDO and PGI) are even less known. Only 5 % of the 1020 respondents knew the designations while later the product itself had a high reputation among customers. This product is a GI at the same time. So consumers were not even aware of the fact that traditional, high reputation Hungarian products are GIs, they just knew the product. Low reputation derives from the large number of trademarks and their inadequate communication. Consumers can’t distinguish the different trademarks or just with difficulties.

I also examined that those respondents who mentioned or recognized trademarks how much consciously search for products with these trademarks. The results were

surprising as 39.6 % of respondents went shopping with intention to buy food product with the “Hungarian Product” sign although only 14.5 % could mention it without help at all! Similar to this 37.5 % of respondents searched for “Quality Food from Hungary” sign on product but only 8.3 % of them could mention it spontaneously. It is an interesting result as the notion of conscious search for a product would indicate that the consumer goes to buy food products that are in his or her mind before he enters the store. It is an interesting question that if they consciously search for products with trademarks why they cannot mention trademarks spontaneously. The answer lies in the lack of adequate marketing. Many of the respondents could only recognize trademarks by their picture. It indicates that they do not know what surplus a product with trademark offers them compared to other food products. It means that they do not think of trademarks as signs of exceptional, high quality.

I analysed the knowledge of consumers of the quality systems with true or false questions concerning the operation of these certification trademarks. 70.4 % of respondents answered that the users of trademarks are regularly monitored by the state which is not true. The more surprising was that 43.4 % of respondents thought that product in Hungary can only be sold if they are provided with trademark. Moreover 24.9 % of them thought that if a product had no trademark then its quality must be poor. Obviously these statements were false. These are very shocking answers as only few respondents could mention certification trademarks but they think that products without trademarks have very low quality. These answers indicate that their knowledge of quality systems is very poor.

4.2 Cluster Analysis of Respondents

The respondents of the survey could be well grouped into three segments according to their attitudes towards the importance of the food product’s place of origin, the brand, the ingredients, ethical issues, food safety, whether the product has a trademark or not, whether the product Hungarian or not or whether they read the label or not. As a result of the cluster analysis the Silhouette-indicator’s value was 0.3 so this structure of the clusters was adequate and could be used for further measures.

The three groups could be separated according to the consciousness of the respondents. 927 people out of the 1020 could be grouped. The first segment consisted of those who were the most conscious of their food choices (31.1 % of the sample) while in the third group (31.4 % of the sample) respondents cared less about the place of origin, food safety, ethical issues or the brand of the product. There was a middle group as well where the respondents with average consciousness could be found. The average values of their given answers were very close to the average of the whole sample. In the most conscious group were the highest share (68.9 %) of women while in the least conscious group were the highest share of men (49.1 %). Respondents between the age of 36 and 50 and more typically

Table 1 Characteristics of the clusters

Product characteristics	Segments			Total
	Not conscious consumers	Consumers with average consciousness	Highly conscious consumers	
Flavour	4.37	4.68	4.76	4.61
Price	4.05	4.05	4.36	4.15
Food safety	3.36	4.37	4.82	4.19
Ingredients	3.03	4.13	4.76	4.61
Preference of Hungarian products	3.17	4.31	4.85	4.12
Reading label before buying products	2.87	3.63	4.40	3.63
Brand	2.88	3.46	4.31	3.54
Place of origin	2.75	4.02	4.64	3.81
Ethical issues	2.55	3.34	4.40	3.42
Trademarks	2.25	3.20	4.49	3.30

Source: Created by the Food Chain Analysis Department of Research Institute of Agricultural Economics based on survey data

respondents above the age of 50 were the most conscious. The least conscious were typically respondents below the age of 25.

Examining the importance of product characteristics, the flavour of the food product was highly important for all three groups. The price of the product was the most important for the highly conscious group and it was also very important for the other two groups but not as much as for the first group. Flavour was also more important for them. But if we look at the data carefully we see that price and flavour were the most important factors for the two less conscious groups when choosing a food product while place of origin and ingredients were even more important for the highly conscious group members than price and flavour of the product. Their consciousness can be seen in these results. As it can be seen in the table trademarks are the least important for the two less conscious groups (Table 1).

Analysing the knowledge of the clusters about trademarks, there were no big differences among the groups. It cannot be said that one group could have mentioned trademarks with higher share than another one. All groups mentioned the “Hungarian Product” and “Quality food from Hungary” trademarks with the highest share. It was interesting that when I analysed the conscious search for these product the results showed that members of the highly conscious group searched for products with trademarks with higher rate than the other two groups. It was true in case of even those trademarks that were mentioned with a higher share by the less conscious groups! I also examined the knowledge of the groups about the rules and operation of trademarks. The results showed that the members of the highly conscious group were too conscious in their thoughts. For example, 86.5% of them thought that all trademarks are regularly controlled by the state while a lot higher share of the other two groups’ members answered correctly to this question.

The members of this group seem to be very conscious but it did not reflect in solid knowledge of the system.

In summary the highly conscious respondents were very conscious in their thoughts about their food choices. They stated that they were very careful about food products. In reality they did not know better the existing trademarks but they search for them more consciously. Moreover, they did not even know the system better than the other two segments.

5 Perspective

This research was a huge improvement in examining Hungarian consumers' attitudes towards trademarks. A survey of 1020 respondents was conducted and the aim of this survey was to examine how much they know and search for quality systems and what can be the cause of the efficient or inefficient operation of quality systems. My results are familiar with results of the surveys carried out abroad. My final conclusion is that the decisive part of Hungarian consumers don't know designations of food quality system and they don't search for them consciously. Main reason of it is that the application of quality systems doesn't give obvious quality surplus. On the other hand, they are supported with poor marketing and there is a huge amount of trademarks for a small country like Hungary. With the help of a strong marketing activity producers can communicate the surplus to consumers only if the surplus is based on real quality and a simple, obvious message. I think the latter one hasn't come true yet in Hungary. The message to consumers is a key factor because the success of trademarks and designations of origin depends on the opinion of consumers. Producers cannot profit from the application of trademarks until consumers do not search and pay for products with trademarks. I have to emphasize how important the conscious utilization of the potentials of intellectual property is in connection with GIs and trademarks. It contributes to creating value to consumers and to enforcing interests of producers. For the future it would be very important to solve the trademark turmoil and simplify it for helping consumers to better understand this system. On the other hand, more attention should be paid to develop and advertise quality systems.

This research is very important in examining consumer attitudes and it should be continued. The research could be improved by better sampling and attitudes could be examined much deeper. For example, I should investigate how consumers' attitudes towards quality products improve if they are informed about the advantages of trademarks and geographical indications. Future plans to continue research in this topic includes examining the supply side of traditional, national products. Specifically, it is interesting what producers of traditional products from a specific territory experience about the advantages and market possibilities of products with a trademark or GI. On the other hand, there are a lot of national, traditional products from a specific region that could be certified as a GI. It is a question how producers

meet the requirements of the GI system and what can be done to help them in the certification process.

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Contrasting Thai and Chinese Shopper Behavior and Satisfaction with PL Brands

Randall Shannon

Abstract Food retailers have been expanding rapidly in Asian countries yet may face unexpected problems with consumer acceptance of private labels due to cultural differences. PL acceptance has thus far been low in Asian markets, yet few studies have been conducted to explore potential issues related to culture. This study explores Thai and Chinese shopper behavior and their level of satisfaction with PL brands. This study finds that Chinese are more time pressured and price conscious, and have more trust in established brands, whereas Thai consumers have more experience with PL, and also higher satisfaction.

Keywords Private label • Asia • Consumer behavior • Satisfaction • Culture • China • Thailand

1 Introduction

The large and relatively young populations within Asia make these markets particularly attractive for a wide variety of businesses, although many of the inhabitants tend to have low income. Numerous food retailers have entered these markets and subsequently attempted to introduce private label brands, only to find limited acceptance.

The Kingdom of Thailand is relatively small compared to leading developed economies, but within Southeast Asia it is considered as one of the high potential emerging markets, and it has been very attractive for global investors. A range of global food retailers have invested in Thailand, such as Tesco (the United Kingdom), Royal Ahold and Makro (Netherlands), Carrefour and the Casino Group (France), 7-Eleven and Aeon (Japan). Thailand is currently Tesco's second largest international market (entering in 1998) and is number two in the world for the number of 7-Eleven stores, though they only launched in 1989.

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Over the past 20 years, investments in Thailand flourished, but recession and a changing regulatory environment have witnessed successes and failures, fluctuating partnerships, and more recently, consolidations via buyouts. For summaries of the expansion and evolution of modern trade food retailing in Thailand, see Shannon and Mandhachitara (2005), Shannon (2009, 2014a), and Kongarchapatara and Shannon (2014). The development of ASEAN is likely to herald a new wave of expansion of food retailers and convenience stores, shopping malls and property development in these emerging markets, but will PL brands succeed?

When food retailers were expanding aggressively, Thailand was reported at times as being among the fastest growing markets in the world for PL brands. However, this growth seems likely due to retail expansion, not consumer acceptance, as the market share stagnated at roughly 1 % over the past 10 years (Nielson 2014), although retailers still aggressively promote them.

China's size and market potential has been talked about for more than 100 years. The rapid development of malls began roughly two decades ago, but the speed and scope of expansion quickly led to many of the world's largest malls being located in China. Modern trade food retailers have also been expanding rapidly, and many are introducing PL brands, yet Nielson (2014) also shows the share to be 1 %. Some emerging markets are seeing retail transformations happening within 10 to 20 years, as opposed to 50 to 80 years in the U.S. and many countries in Europe (Reardon and Hopkins 2006). Whereas Thailand used to be one of the fastest growing markets in the world for food retailing, they have been eclipsed by China. PL is typically only available within modern trade food retailers. Thailand now is comprised of roughly 70 % modern trade, and in China roughly 60 %, thus consumers are increasingly being exposed to PL due to modern trade retail growth.

Several researchers have noted that despite an increasing number of studies published about private labels, few have focused on potential cultural differences (Hyman et al. 2010; Gooner and Nadler 2012). Most of the existing research has been conducted in countries in which PLs are highly developed, which also tend to be Western markets (Steenkamp et al. 2010), and also stem from Western culture and theories. Researchers have questioned to what extent PL growth is a global phenomenon, as many emerging markets seem slow to accept them (Cuneo et al. 2015).

Most of the cross-cultural consumer shopping behavior research has examined differences between westerners and Asians (Schutte and Ciarlante 1998; Lee 2000; Li et al. 2004; Erdem et al. 2004), but few have explored differences between Asians. From a Western perspective, it is believed there are many similarities in consumer behavior within Asian cultural groups, because of similar cultures (Schutte and Ciarlante 1998).

2 Cultural Differences Between China and Thailand

Both Chinese and Thai cultures are considered to be collectivist, which emphasize the importance of others and their roles as members of the group (Hofstede 1980). It is suggested that collectivist culture possess qualities or values as prescribed by Confucian principles, including confrontation avoidance, face saving, high power distance, loyalty, family oriented, thrift, filial piety, and respect for authority (Ho 1987; Hofstede and Bond 1988; Nakata and Sivakumar 1996; Usunier 1996; Schwartz 1999; Carolyn 2001). Traditional Chinese culture includes Confucianism, Taoism, Buddhism, and a host of regional cultures. Among them, Confucianism is considered the most influential. It forms the foundation of the Chinese social and cultural value system (Zhang and Harwood 2004), and provides the basis for the norms of Chinese interpersonal behavior (Fung 1952; Liu 1997; Pye 1972; Tu 1998).

A comparison between Chinese and Thai core cultural values indicates that except ‘mai pen rai’ (never mind), present orientation and ‘sanuk’ (fun) values, Thai values seem to more or less overlap with Chinese values. Those three values are specifically shaped by the Buddhist teachings, and appear to influence Thai society (Ovatsatit 2007). The tendency of Thais to seek present or immediate gratification has been noted by several scholars (Skinner 1962; Slagter and Kerbo 2000).

Ethnic Thais learn to enjoy life and live in the present and face little pressure to do otherwise. The present oriented value also has been influenced by the Buddhist concept of karma. The value of *mai pen rai* (literally, something doesn’t matter) suggests that adverse outcomes will get better eventually, so one should not worry about them, while the value of *sanuk* (literally, fun and joy) reflects that Thais tend to view life as full of fun and joy and not to be taken too seriously, even in the context of work (Mole 1968; Warner 2003). Chetthamrongchai and Davies (2000) proposed that hedonic shoppers score relatively high on present orientation, indicating that they are more concerned with what is happening now than in the past or in the future. Based on this, it is suggested that Thai shoppers will exhibit low time pressured when shopping, and will place less importance on price.

While there are many similarities between the cultures, some behavioral differences may be expected due to differing values. Chinese shoppers are cautious about spending and are less likely to make purchase during their shopping trip (Li et al. 2004). The Chinese saying “never make a purchase until you have compared three shops” (*Huo Bi San Jia*) reflects the typical searching behavior of Chinese consumers, which is an example of how culture can shape consumer behavior and lead to differences between groups. China’s ruling party over the past several decades has also been extolling the virtue of thriftiness and discouraging a hedonic lifestyle (which is viewed as self-indulgent and wasteful). As a result, it is socially desirable to save money and be a meticulous shopper in China (Wang and Rao 1995). For these reasons, it is expected that Chinese shoppers will exhibit a higher degree of price consciousness when shopping.

Emerging markets tend to largely be comprised of lower income consumers. This would seem to create favourable conditions for private label brands, as low income seems to increase price consciousness (Lichtenstein et al. 1993; Raju et al. 1995; Batra and Sinha 2000) and those with lower income might buy PL to stretch their budgets (Sethuraman and Cole 1999). Additionally, Asians tend to have extended families, and larger households seem more prone to buy PL brands (Richardson et al. 1996), at least in the West. According to Levy and Weitz (2012), customers measure the value of their spending or shopping by comparing the benefits they gain and the costs they need to pay for. Richardson et al. (1994) argued that familiarity with store brands, extrinsic cues usage in product evaluation, perceived quality variation, perceived risk, and perceived value for money, income and family size were the important factors influencing private labels purchases. Both countries have a large number of counterfeit and copycat brands, which may increase the belief that well-known brands are more trustworthy and offer higher quality, but because Thailand is a less fragmented market in terms of the number and location of retailers, it is expected Chinese shoppers will exhibit a higher degree of trust in branded products.

Cross-cultural research found that compared to North Americans, Thais are less time pressured, have more trust in branded products, are more likely to utilize extrinsic cues to infer quality, enjoy shopping as a social activity, tend to spend more time and shop with more people (Shannon and Mandhachitara 2005, 2008; Mandhachitara et al. 2007). Shannon and Mandhachitara (2007) listed a number of factors that would tend to negatively affect acceptance of private label brands in Asia. Lower prices of PL brands may lead to price signalling and other extrinsic cues (Dick et al. 1996), implying lower quality, and me-too, look-alike packaging also may tend to reinforce perceptions of low quality. Several researchers have suggested that satisfaction with PL positively correlates to repeat purchase (Ailawadi et al. 2008; Binninger 2008). Consumers must first be motivated enough to try PL brands, but satisfaction is likely to affect their repurchase intention and consumer advocacy.

3 Hypotheses

This study utilized constructs adapted from published studies for the purpose of testing several hypotheses. Time pressure was adapted from Putrevu and Ratchford (1997); price consciousness was adapted from Tang et al. (2001) and Tat and Schwepker (1998); and brand belief was measured by adapting the scale used by Escalas and Bettman (2005). It is hypothesized that:

- H1: Chinese shoppers are likely to more time pressured than Thai shoppers.
- H2: Chinese shoppers are likely to be more price conscious than Thai shoppers.
- H3: Chinese shoppers are likely to have more brand belief than Thai shoppers.

As there are no grounds for a directional hypothesis, a research question is posed:

RQ: Is there a difference in terms of satisfaction with PL brands between Thai and Chinese shoppers?

4 Methodology and Results

The questionnaire for this study was developed in English based on constructs published from previous studies, then translated into both Thai and Chinese and then back translated by independent bilingual individuals to obtain meaning equivalence (Brislin 1976; Craig and Douglas 2006). Five or seven-point Likert scales were uniformly adapted to six-point scales, to reduce problems with a high proportion of neutral responses due to courtesy bias among Asian respondents (Ayer 1970; Zhao and Culpepper 1997). After a pilot test, random sampling was utilized, and face-to-face interviews were conducted in Nanning, China, and Bangkok, Thailand over a period of 1 month until samples of 282 and 201 were obtained. Sample size was determined based on the requirements of the statistical techniques to be utilized (Hair et al. 2009). After checking data for normalcy and errors, data analysis was run using SPSS 23.

All three hypotheses were supported by the results of ANOVA.

Construct	Thai (n = 201)	Chinese (n = 282)	F value	Sig.
Price consciousness ($\alpha = 0.600$)	3.62	3.88	34.515	0.000
Time Pressure ($\alpha = 0.526$)	3.39	3.71	15.189	0.000
Brand Belief ($\alpha = 0.632$)	3.12	3.67	49.808	0.000

It was found that 64% of the Thai respondents reported having tried PL, compared to 53.9% of the Chinese respondents. Overall PL satisfaction among those having tried PL shows that Thai consumers report a higher degree of satisfaction.

	Thai (n = 129)	Chinese (n = 152)	F value	Sig.
Satisfaction with PL	3.67	3.01	35.43	0.000

While some research shows that higher brand awareness increases trial and market share (Huang and Sarigöllü 2012), this may be less true for PL brands, due to extrinsic cue reliance and Double Jeopardy (Ehrenberg et al. 1990), in that brands with low market share are less likely to be purchased or even repurchased. Satisfaction is not high for either group, which may reduce potential intention to repurchase or to recommend PL to others.

5 Conclusions

Double Jeopardy would imply that users of private label would tend to say good things about the brands they use, yet satisfaction scores were not high. Comparing PL satisfaction across markets is problematic, because there is no way to establish whether there are quality variations. Chinese consumers are found to be more time pressured and price conscious, which would tend to imply more utilitarian shopping behavior, yet PL does not seem to be winning them over. It may be that PL quality tends to be higher in Thailand, or perhaps Thai consumers are less demanding. A study in Thailand found perceived quality variation and price consciousness were weak predictors of satisfaction (Shannon 2014b), but found that consumers who feel that buying private label is a social stigma are less satisfied with their PL purchases, implying that face and status may be relevant, as well as where one shops and who is with them. Corstjens and Lal (2000) stated that retailers should increase their commitment to PL and develop better products and better packaging and not just rely on cheap prices and good shelf space. Future research may explore whether nicer packaging improves the acceptance of PL brands and perhaps whether retailers should consider product or endorsed branding. Researchers might explore whether consumers perceive ready to eat foods or even produce as private label, as perhaps they should be separated from other grocery products.

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Do Store Flyers Work? Implications for NBs and PLs from a Subgroup Analysis with Experimental Data

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Abstract Store flyers are one of the key media featuring retail and brand promotions. However, the importance attributed to store flyers is not matched by an understanding of how customers respond to them. To shed light on flyer effectiveness, we employ a field experiment to estimate the response of 5000 retail customers to store flyers. We perform an Intention-To-Treat analysis and a Subgroup Analysis as post-hoc analyses with the aim of identifying unusual or unexpected treatment effects. Empirical evidence questions the effectiveness of untargeted flyer distribution. Subgroup Analysis provides further insights at customer segment level.

Keywords Store flyers • Intention-to-treat • Subgroup analysis • Cluster analysis

1 Introduction

Store flyers are one of the key media featuring retail and brand promotions (Gijbbrechts et al. 2003) and account for more than 50 % of the average retail marketing budget (Gázquez-Abad and Martínez-López 2016). However, the increasing investment in store flyers is not matched by an understanding of how customers respond to them (Ailawadi et al. 2009; Grewal and Levy 2009). Previous studies on customer response to store flyers have several limitations. Most of them

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are observational and estimate customer response by means of panel data and aggregate measures, and they do not capture the heterogeneity of the response, which has been regarded by literature as a challenging and important issue (e.g. Gázquez-Abad and Martínez-López 2016). To improve the understanding of flyer effectiveness and its implications, we run a field experiment to estimate the response of 5000 retail customers to store flyers. We employ an intention-to-treat analysis (ITT), i.e., we estimate how customers respond to being assigned to a flyer versus no flyer or control group. First we perform a comparison between flyer and control group without considering heterogeneity. We then analyse experimental data by Subgroup Analysis (SA). This SA is a post-hoc analysis which aims to identify unusual or unexpected treatment effects in the context of ITT analysis, at an exploratory level (see also Chow and Liu 2004). We aim to make two contributions to the retailing literature: (1) Measure how several customer segments respond to the same store flyer and compare their response with the “average” customer response in a “real world” scenario; (2) Show how using SA in a randomized experiment can yield useful insights for academics and marketers. Implications for National Brands (NBs) and Private Labels (PLs) complete the paper.

2 Background and Hypotheses

First, we provide a brief overview of SA and its benefits. We next review the literature on store flyers and formulate hypotheses.

Subgroup Analysis Literature on SA is extensive and rapidly growing. Its field of application is wide. As recently reported in Shen and He (2015, p. 303) “subgroup identification is an important problem in a variety of applications including clinical trials and marketing”. With reference to marketing, SA can be used to identify segments of consumers with certain characteristics for whom a marketing action might work well. It can also have applications in the field of social experiments (e.g. Beecroft and Lee 2000; Gibson 2003; Peck 2003, 2005). With reference to the type of data, SA is a helpful technique in the context of both randomized experiments and observational studies because it can show whether and how treatment effects vary across subgroups (D’Attoma and Liberati 2011). Interest in SA stems from the consideration that treatment effects are not always homogeneous on all units.¹ Su et al. (2009) state that SA can help to answer both “pre-planned” and “post-hoc” research questions. It can be conducted in a variety of methods. It is common practice to divide treatment groups into subgroups on the basis of a pre-treatment characteristic and then to explore the interaction between the treatment effect and that covariate by repeated testing (Bonetti and Gelber 2004). In the

¹For more details of problems with averages, see Kravitz et al. (2004) and Longford (1999).

context of clinical trials, Bonetti and Gelber (2004) find that the use of SA is “controversial”. Among the many concerns, they note: (a) the issue of inflation of alpha levels due to repeated testing, (b) the possibility of lack of power to detect treatment effects within smaller subgroups. Nevertheless, they believe that SA could be useful in better linking the results of a study to the decision-making process. In response to concerns like those above, a variety of approaches to subgroup identification have been proposed (e.g., Bonetti and Gelber 2004; Su et al. 2009; Shen and He 2015).

There is another strand of literature that uses all pre-treatment characteristics to create subgroups rather than using a single covariate.² In the present work, following Peck (2005), we conduct SA by means of CA. Peck (2005) finds that CA offers two main advantages: (a) the identification of subgroups according to a complex set of characteristics rather than one trait at a time; (b) because of the use of pre-treatment characteristics to identify subgroups, the comparison maintains the integrity of an experiment.

Store Flyers Store flyers are print advertisements used by retailers to communicate information about new stores or products, price specials and other promotions (Pieters et al. 2007). The majority of the extant literature provides evidence of the positive impact of featured promotions on store traffic (e.g., Bodapati 1999). We therefore posit the following hypothesis:

H1. Store flyers generate a higher number of store visits.

Store flyers lead to an increase of regular customers’ spending (Volle 1997). Previous studies have found that the use of store flyers positively affects item and category sales (e.g., Zhang et al. 2009). Hence, we expect that customers receiving a flyer will spend more on flyer-promoted items:

H2a. Store flyers generate a higher amount spent on flyer-promoted products.

H2b. Store flyers generate a higher number of flyer-promoted products bought.

Literature has shown that promotions in one category increase the sales of items in other categories (e.g., Leeflang et al. 2008). This cross-category effect has been labelled the “halo effect” (Ailawadi et al. 2006). Promotions that drive consumers to a chain store may positively affect sales in other categories at the same chain (van Lin and Gijbrecchts 2015). As a particular form of promotional communication, store flyers might show similar results. We therefore posit:

H3a. Store flyers generate a higher amount spent on in-store products.

H3b. Store flyers generate a higher number of in-store promoted products bought.

²Papers by Gibson (2003) and Peck (2003, 2005) are examples of applications of Cluster Analysis (CA) in the field of social experiments.

3 Methodology and Results

We ran an effectiveness field study that used a between-subject experimental design with partial treatment implementation. We compared one treatment group with one control group (Shadish et al. 2002). The experiment was carried out on customers of a grocery retail chain in the North of Italy.³ Subjects were randomly assigned to one of two groups: 2500 customers were assigned to receive a print flyer and 2500 to receive no flyer (control group). The offers featured in the flyer had a validity of 14 days.⁴ During this promotional period, customers' purchase behavior was recorded in terms of: number of store visits, amount spent on flyer-promoted products and amount spent on in-store promoted products, number of flyer-promoted products bought and number of in-store promoted products bought. Products featured in the flyer were also promoted in the store by means of in-store reminders, whereas products we refer to as "in-store promoted products" were featured in store only. First, we estimated the "assignment-to-flyer effect" without considering potential heterogeneity within the data. Second, we ran the SA. We collected all the customer information available before the treatment implementation.⁵ We employed a Multiple Correspondence Analysis (MCA) on these (nine) variables in order to transform categorical variables into a continuous space. We ran CA employing a Ward algorithm on the MCA coordinates. To choose the number of groups we evaluated the dendrogram and several indexes.⁶ Then, on the selected partition we estimated the effect of being assigned to a flyer.⁷ The analyses were run using SAS 9.4.

Comparison Between Flyer and Controls Table 1 shows results from the comparison between 2500 subjects in the flyer group versus 2500 in the control group. Not significant differences were detected between customers assigned and not assigned to the flyer group. Thus, flyers seem to be ineffective overall.

Subgroup Analysis All cluster quality criteria suggested 9-cluster partition as the best solution. Hence, we estimated effects within each of the nine clusters identified (Table 2).

All clusters showed the ineffectiveness of being assigned to the flyer group in driving store traffic. With reference to sales, two clusters only displayed positive

³All customers involved in the experiment own a loyalty card and have a valid postal address.

⁴The flyer we used had a validity of 14 days and a length of 32 pages. It featured 268 products: 84.7% were national brands (13.1% were market leader brands, 14.1% were follower brands and the remaining 57.5% belonged to other competitors), and 15.3% were private labels. Eighty-four percent of the price cuts advertised were in the range 15–39%.

⁵Data on past purchase behavior in the last 6 months, subscription to the retailer newsletter and registration on the retailer website were collected and used.

⁶Pseudo-T, Root-Mean-Square Standard Deviation, Cubic Clustering Criterion, R2 and Pseudo-F.

⁷To estimate effects, we employed a negative binomial regression for count outcomes (e.g. store visits, number of products) and a *t*-test on the log-transformed continuous outcomes (e.g. amount spent).

Table 1 Means and analysis of flyer versus control group

Variable	Flyer group	Control group
Number of store visits ^a	1.59	1.56
Amount spent (€) on flyer-promoted products ^a	11.70	11.11
Number of flyer-promoted products bought ^a	7.26	7.18
Amount spent (€) on in-store promoted products ^a	3.98	3.87
Number of in-store promoted products bought ^a	1.85	1.84
N	2500	2500

^aNot significant

Table 2 Subgroup analysis

Cluster	N control	N flyer	Effects on store visits	Effects on amount spent on flyer-promoted products	Effects on in-store promoted products	Effects on amount spent on in-store promoted products
1	242	235	No	No	No	Yes + ***
2	361	374	No	No	No	No
3	272	279	No	No	No	No
4	448	478	No	No	No	No
5	205	179	Yes – *	Yes – **	No	No
6	234	264	No	No	No	No
7	197	201	No	No	No	No
8	351	315	No	No	No	No
9	190	175	No	No	No	No

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$, “+” positive effect, “–” negative effect

and negative flyer effects on sales. Cluster 1 represents almost 10 % of the overall sample and displays a positive “halo” effect of store flyers on in-store promoted products. Interestingly, Cluster 5, which represents almost 8 % of the overall sample, shows a negative effect of assignment to flyers on amount spent on flyer-promoted products and number of flyer-promoted products bought. Table 3 provides descriptive statistics of the two clusters. Cluster 1 comprises high-spending customers who display high levels of products bought and amount spent on products regardless of whether products are promoted or not. Cluster 5 involves high spending customers on non-promoted products only. Their purchases of flyer-promoted products and their subscription rate to the retailer newsletter are closer to the sample average. To summarize, there is no empirical evidence to support H1, H2a, H2b or H3b. One cluster only provides evidence to support H3a.

Table 3 Description of Cluster 1 and Cluster 5

Variable	Cluster 1	Cluster 5	Overall sample
Number of visits in the previous 6 months	4.71 <i>t</i> = 26.24	4.39 <i>t</i> = 19.03	3.01
Amount spent on flyer-promoted products in the previous 6 months (€)	530.75 <i>t</i> = 42.25	199.52 <i>t</i> = 4.19	160.04
Number of flyer-promoted products bought in the previous 6 months	321.61 <i>t</i> = 41.24	112.84 <i>t</i> = 2.66	97.36
Amount spent on instore-promoted products in the previous 6 months (€)	124.09 <i>t</i> = 43.27	61.90 <i>t</i> = 11.43	37.17
Number of instore-promoted products bought in the previous 6 months	255.23 <i>t</i> = 43.46	136.36 <i>t</i> = 13.5	76.44
Amount spent on not promoted products in the previous 6 months (€)	1690.61 <i>t</i> = 40.9	1384.72 <i>t</i> = 27.84	528.56
Number of not promoted products bought in the previous 6 months	878.64 <i>t</i> = 42.39	680.36 <i>t</i> = 26.34	272.45
Subscription to the retailer's newsletter	53 % <i>t</i> = 9.43	37 % <i>t</i> = 1.90	32 %
Registration on the retailer's website	25 % <i>t</i> = 4.05	15 % <i>t</i> = -1.01	17 %

4 Discussion and Implications for NBs and PLs

Results show clearly that sending flyers to customers without targeting can be ineffective, or can even have negative effects. For instance, within Cluster 5, customers in the control group purchase more flyer-promoted products than those assigned to the flyer group. This may be a sort of “surprise effect”: customers not exposed to flyers might take more notice of offers featured on the flyer when in store. Conversely, results from Cluster 1 reveal that store flyers might have a positive “halo effect” on sales of in-store promoted products. Customers who in the past displayed high levels of purchases on products featured both in flyers and in store will buy more in-store promoted products if “activated” by means of a store flyer. Customers in Cluster 1 read flyers, subscribe to the retailer's newsletter and website more than the others. Clusters 1 and 5 appear to differ in terms of openness to retail communication efforts.

All together, these findings have several implications for brands and retailers. Retailers might consider replacing mass distribution of print flyers in letter boxes and shopping carts with targeted distribution. When mass distribution of flyers is nevertheless made, perhaps for reasons of organization or cost, retailers should not expect flyers to make an impact on sales or do any more than attract additional investment from brands. Manufacturers, along the same lines, should regard mass distributed flyers as drivers of brand awareness rather than sales. To make room for a higher number of NBs seeking to increase brand awareness through flyer exposure, retailers could safely reduce flyer space devoted to PLs; mass distributed flyers

have proved not to impact sales and other instore levers like displays can be used to support PL sales. Today an increasing number of retailers and brands are investing in digital flyers, as consumers show they are willing and interested in browsing them (Ziliani and Ieva 2015). Our results support this shift to a communication medium that is more targetable and less costly than print. To the extent that retailers have access to insight on product types and brands that customers purchase, digital flyers can be produced and delivered in different versions to support different sales goals for clusters with different flyer sensitivities.

This study has several limitations. First of all, the number of subgroups to be examined in the SA is subjective. Different clustering algorithms and different “quality of clustering” criteria might lead to different results.⁸ In the second place, as reported in Su et al. (2009), a large number of subgroups inevitably causes concerns related to the lack of power. But despite these limitations, we feel confident that CA at least generates internally valid treatment effects thanks to the high sample size within clusters. Because “external validity may be limited” (Peck 2005), we used CA at a descriptive level simply to have an idea of the direction and the magnitude of effects by subgroups. Finally, we did not collect data on type of flyer promoted and in store promoted products bought. Further research is needed to identify heterogeneity of customer response to flyers in terms of purchases of NBs versus PLs.

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⁸Peck (2003) called this problem “external validity variety of selection bias”.

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Part V
Branding II

Store Brands in Tourist Services

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Abstract A current trend in retailing is the use of a brand extension strategy by supermarkets and hypermarkets, which enhances the store brand's presence in a growing number of product categories. In the travel services domain, research on store brand extension is scarce. This research paper aims to fill in a gap on brand extension of current traditional store brands to travel services. Based on a sample of 608 individuals, our findings suggest that the likelihood of choosing a travel service offered by a local retailer (hypermarket/supermarket) is directly and positively conditioned by (1) the individual's overall attitude towards store brands, (2) customer perception of the retailer's trustworthiness in regard to its ability to provide the new service adequately, and (3) of the perceived fit between the parent brand and the new service on offer. Our analysis of the structural equations employed also reveals that, even though consumer familiarity with store brands does not directly bear upon their intention to purchase the service, it has a positive influence on their attitude towards store brands. Lastly, and contrary to what one might expect, a negative effect emerges on their perception of the fit between the parent brand and the new service, and familiarity with the store brand.

Keywords Store brand • Travel services • Brand extension

1 Introduction

The number of product lines in which store brands are present is constantly increasing (PLMA 2015). Nowadays, large retailers not only sell goods but also offer their own brand of various services, such as financing, telephony or travel. The intention of such an expansion strategy is to reap the benefits that diversification offers.

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The Spanish travel industry has become a targeted market of large retailers (hypermarkets and supermarkets) (Hosteltur 2011). While the provision of such services by retailers is not new—e.g. the El Corte Ingles retail group has operated its own travel service since 1969 (El Corte Ingles 2016)—the number of retailers offering such services in Spain is still relatively low, since only large retailers such as Carrefour, Eroski and, in the past, Alcampo are delivering travel services. Those that offer these services do so through their own travel agencies because that was the only trading method allowed until the EU Directive on Services came into force on 12th December 2006 (Official Journal of European Union 2006). The Directive now allows any establishment to sell travel services without being incorporated as a travel agency.

At the same time, major changes are occurring in the tourism retailing channel, which retailers (hypermarkets and supermarkets) need to take into account (Bigné 2011), namely: (a) a clear trend in the sector towards concentration, even though independent retail agencies still remain the majority; (b) technological progress, which has led to the development of eCommerce in tourism; (c) the customization of tourism products as part of one-to-one marketing; (d) the possibility of newcomers, partly as a result of the development of the online market and new solutions provided by technology; (e) suppliers' bargaining power, given that online retail channels enable products to be sold without the need for middlemen; and lastly, (f) customers' bargaining power, as consumers can now compare prices and services, make bookings and complete their purchase.

Furthermore, when contemplating a decision to branch into tourism services, it should be remembered that retailers mostly have access to multi-channel strategies that enable them to distribute their products, both offline and online (Herhausen et al. 2015) and they also have a high degree of knowledge of, and proximity to their customers (Rizkallah and Miller 2015). However, it is the consumer who finally accepts or rejects the new offer; consequently, consumers' perception of the suitability of such extensions constitutes a key driver of success.

Although, as already noted, retailers have extended their store brands (SB) to travel services, the limited amount of specialized literature dealing with the factors that bear upon the acceptance of such extended SB services (Boisvert and Ashill 2011; Laforet 2007; Zboja and Voorhees 2006), and in particular travel services, is nevertheless surprising.

Taking into consideration the literature that does exist on brand extension and on SB projects, the aim of this paper is to determine the extent to which the variables identified as relevant in other sectors contribute to explaining the consumer's acceptance of travel services offered by their usual retailer (hypermarket and/or supermarket). In particular, this paper looks at how individuals' familiarity with existing SB products, their general attitude towards those brands, their trust of the retailer's ability to provide the new service, and the fit they perceive between this new service and products already sold under the store's brand label, interact in accounting for their intention to purchase a travel service from that retailer. Accordingly, the context of this research focuses on retailers' brand extension to

travel services that consists of marketing such services under their own name, that is, as a store brand (SB).

2 Brief Review of the Literature and Hypotheses

The strategy undertaken by many retailers of marketing their products under the same name as the establishment can be considered as a strategy to extend their SB, which acts as an umbrella brand and contributes to its differentiation (Laforet 2007).

Numerous studies attempt to explain consumer behavior in the face of a brand extension strategy by means of a wide range of variables. As Martínez and Chernatony (2004) point out, attention is mainly focused on how different variables related to the parent brand (e.g. brand equity, brand reputation, familiarity) and brand extension (e.g. fit or similarity, consistency, difficulty) affect consumer behavior (e.g. Aaker and Keller 1990; Marín and Ruíz 2010; Martínez and Chernatony 2004).

From our review of the literature, the variables in this research are the ones that have aroused most interest in the literature on brand extension and which in turn have been used in research studies on SBs. Moreover, a distinguishing feature of this paper is the inclusion of the individual's trust as a variable which has not been widely used in previous studies on brand extension (Reast 2005) but which is highly relevant in this case, given the significance of trust in the realm of service provision.

Individual's Familiarity with Existing SB Products Familiarity with the parent brand facilitates entry of a new product onto the market and increases the chances of the brand extension being successful (Aaker 1990; Dawar and Anderson 1994; Keller and Aaker 1992; Park and Kim 2001; Swaminatham et al. 2001; Sheau-Fen et al. 2012). Consumers use their knowledge of the parent brand to infer the attributes of the new product, the benefits of such extension, and the ability of the company to provide that extension (i.e. Keller and Aaker 1992). In the case of travel services, we propose:

H1: The more familiar consumers are with the retailer's SB, the more likely to purchase travel services offered by that retailer (hypermarket/supermarket).

Likewise, retailers rely on meeting the demands of their customers and expect that customers' repeated experiences with the SB will help to create a positive attitude towards them, thus reducing the perceived risk (Richardson et al. 1996). Accordingly, it has already been shown that consumer familiarity with the SB favors the general attitude towards those retailers (Bigné et al. 2013; Caplliure et al. 2010; Tam 2008), so we propose:

H2: Consumers who are more familiar with SBs in general will have a more positive attitude towards SBs in general.

Attitude Towards Store Brands The literature suggests that individual consumer stances or attitudes towards the parent brand are transferred to the brand extension

(Martínez and Chernatony 2004). Furthermore, as far as services are concerned, individual attitude towards a brand has been seen to bear positively on intention to purchase the new service (Boisvert and Ashill 2011). In the literature on SB, the individual's general attitude towards SB has proven to be a good predictor of attitudes towards new products bearing the SB and influences the likelihood of purchase, of both convenience products (e.g. Smith and Burns 2013; Zielke and Dobbstein 2007) and durable goods (e.g. Jin and Suh 2005; Capliure et al. 2010). On that basis, we propose the following hypothesis:

H3: The more positive the customer's attitude towards SBs in general, the more likely to purchase travel services offered by a retailer (hypermarket/supermarket).

Fit Perception It is very common for *fit* or similarity between the parent brand and the extended brand to be considered in marketing research and indeed it is widely documented in the literature on brand extension (e.g. Aaker and Keller 1990; Hem et al. 2003; Keller and Aaker 1992; Martínez and Chernatony 2004). It assesses the suitability of the extension from the consumer's point of view, since it measures "the extent to which the extension is similar to or fits the parent brand category" (Laforet 2007, p. 84); therefore, it can be assumed that the better the fit, the greater the acceptance of the extension will be (Spiggle et al. 2012; Smith and Burns 2013; Völckner and Sattler 2006, 2007). Similarity between the new product and products already on the market under the parent brand, together with the perceived consistency between the two, are two of the aspects covered by the fit variable (Pina et al. 2006; Spiggle et al. 2012). Thus:

H4: As the perceived similarity (fit) between the travel service offered by the retailer under its own brand and other SB products already on the market increases, so does the likelihood of purchase of the travel services offered by the retailer (hypermarket/supermarket).

On the other hand, when fit is not as close, as in the case of current SB products versus travel services, consumers will evaluate the extension on the basis of their inferred beliefs (Keller and Aaker 1992). Consumers' knowledge of the store's brand and its range leads them to believe that the SB is more flexible than manufacturer brands, which can thus close the perceived gap between new and existing products (Ho 2014; Marín and Ruíz 2010). Therefore we posit:

H5: Consumers who are more familiar with the SB, will perceive greater similarity between the new travel services and products already marketed under the SB.

Trust in the Retailer's (Hypermarket-Supermarket) Ability to Provide Travel Services Interest in this marketing variable has been growing ever since it was included as a key element in relationship marketing in the realm of service provision (Delgado-Ballester and Munuera-Aleman 2001; Hongyoun and Kim 2009; Morgan and Hunt 1994). The trust variable is covered to some extent by the Brand Credibility variable (Keller and Aaker 1992) and, together with the fit variable, is used to explain consumer acceptance of the brand extension. In turn, trust can mediate between fit perception and behavioral intention towards the

extension, as it can compensate for a lack or absence of fit (Keller and Aaker 1992; Reast 2005).

In the brand domain, “trust is a feeling of security held by the consumer that the brand will meet his/her consumption expectations” (Delgado-Ballester and Munuera-Aleman 2001, p. 1242). Brand trust is developed over time through familiarity/prior experience with the brand, and bears upon the intention to buy the products from that brand (Dwivedi and Merrilees 2013; Ramaseshan and Stein 2014; Steenkamp et al. 2010; Zboja and Voorhees 2006). In addition, that broader experience or familiarity with the brand may increase the individual’s trust and confidence that the retailer’s brands offer good value for money, thus increasing his/her intention to purchase the retailer’s brands (Baltas 1997). Therefore:

H6: The more familiar consumers are with SBs in general, the greater their trust in the retailer’s ability to expand its SB to travel services.

H7: Consumers who perceive greater similarity between the travel service bearing the SB and other products already marketed under the SB, will have greater trust in the retailer’s ability to provide SB travel services.

H8: Consumers with greater trust in the retailer’s ability to offer SB travel services are more likely to purchase the travel services offered by the retailer (hypermarket/supermarket).

3 Methodology

A structured questionnaire was designed to gather the information required to test the model. The questionnaire focused on the study of SB extension to travel services. The sample consisted of 608 individuals, aged between 18 and 70 years and living in Spain, who fit two criteria: individuals with a monthly salary of at least 1200 euros and who had traveled abroad for at least 5 days during the previous year. The quantitative approach allows us a better generalization of results. Participants were surveyed by a nationwide online panel under the management of a professional market research institute.

Participants were asked about the main constructs of interest (see Table 1). They were proposed a situation in which their current hypermarket or supermarket would offer travel services (if the retailer didn’t already offer such services). The scales used in the questionnaire were taken from previous studies and adapted to match our purposes. All constructs were measured according to a 7-point Likert scale (1 = strongly agree, 7 = strongly disagree). Before testing the hypotheses, the psychometric properties of the measurement scales were confirmed by running CFA with EQS 6.1 (further details available on request from the authors). The model was tested through Structural Equation Modeling using EQS 6.1.

Table 1 Scales used in this research

Construct	Source
Familiarity with SB	Dick et al. (1995)
General attitude towards SB	Burton et al. (1998)
Trust in retailer	Laforet (2007)
Fit parent brand-extension	Laforet (2007)
Likelihood of purchasing SB travel services	Boisvert and Ashill (2011)

4 Results and Discussion

Our results are shown in Fig. 1. All the proposed hypotheses are accepted except for H1 and H5. Figure 1 shows there is no direct relationship between a consumer's familiarity with the SB and the likelihood of him/her purchasing the travel services offered by the retailer (hypermarket/supermarket)—consequently, H1 is rejected. Moreover, although some relationship between familiarity with the SB and the perception of fit between the parent brand and the new travel service offered by the retailer does exist, that relationship does not take the form we proposed and thus H5 is also rejected. Familiarity with the SB negatively affects fit perception between traditional goods offered by the retailer and the new proposal (travel services): greater familiarity means a lower fit perception.

In regard to the role of familiarity with the SB and its relationship with attitude, our results are consistent with the literature: greater familiarity means a more positive attitude towards SBs in general, which in turn, as is logical and also confirmed in the literature, encourages the likelihood of acquiring the SB if the retailer were to offer its own travel services. Therefore, the retailer needs to enhance such familiarity by displaying, for example, products under its SB in its catalogs, or featuring them in its advertising or promoting free trials and test usage through sales promotion campaigns.

However, our results also find that this familiarity has negative consequences, since it adversely affects the perception of fit between the parent brand and the new travel service. Our results are in line with those of Martínez and Pina (2010) who found that familiarity had no significant effect on extension attitude. Although our proposal returned a positive result, we believe the opposite can be justified. Therefore, individuals who are highly familiar with products under the store's own brand (SB) currently offered by the retailer, may tend to encase the retailer's SB in those categories, thereby hindering a broader perception of possible new products/services under the SB. This result on its own would indicate that it is not advisable to extend one's own brand to products that consumers perceive as belonging to a category that is a far reach from the original product (Keller and Aaker 1997; Marín and Ruíz 2010). Nevertheless, some brand extensions have been successfully applied to very different categories, in turn suggesting a roadmap for further research. In fact, the fit variable has a direct bearing on intention to acquire the new SB product.

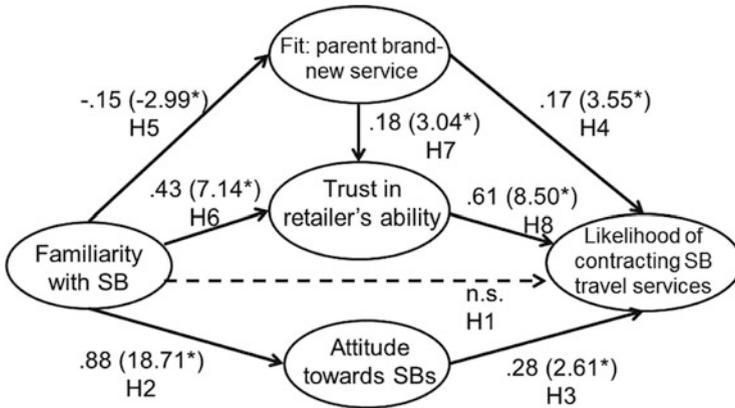


Fig. 1 Final model. * significance < 0.01; *n.s.* not significant; *t* values between brackets. α_2 (82 gl) = 138.19 ($p < 0.00$); BBNFI = 0.968; BBNNFI = 0.983; CFI = 0.987; IFI = 0.987; RMSEA = 0.034

The data also suggest that the individual’s perception of trust in the retailer’s ability to provide the new service is a determining factor, as it is the one that most directly affects the likelihood of him/her purchasing the new SB travel service. Such trust is influenced by familiarity with the SB and, to a lesser extent, by the perception of fit between the parent brand and the new service. For that reason, we suggest that retailers should endeavor to develop their customer’s trust, not only in regard to the supply of their SB products but also in relation to other national brands offered in their establishments, by ensuring their promises are always kept.

The results confirm that retailers’ brand management work favors brand extensions to new product categories unrelated to their usual activity, as in the case studied here. That familiarity with SB, however, acts as a brake on the assessment of the fit between the existing SB offer and the new service. The fit variable has been highlighted in the literature as one of the many determining factors in a successful brand extension, so a closer fit makes the success of the extension more likely. Therefore the relationship between the new service and the products already offered by the retailer must be communicated, with a focus not so much on the functional characteristics of the products but on the retailer’s ability to offer multiple services. Furthermore, as shown, trust in the retailer’s ability to offer these new services is much more of a key factor in the success of the extension than the role of fit. Based on the literature on the antecedents of trust (i.e. Sichtmann 2007) we suggest that a retailer can increase consumer trust in the retailer as a travel services provider if it is: able to communicate it is competent in a credible manner; a good source of information on travel; committed to offering its customers the best service; ready and willing to offer assistance and support; and in turn, that it knows the market.

Our findings raise several issues for future research, in part motivated by some limitations present in this study. The first issue concerns the relationship between familiarity with SBs and fit perception. A deeper analysis is needed in order to better understand the negative relationship that emerged: testing the model in the case of other service extensions could help to understand the sign of the relationship; also, measuring familiarity with SBs, but specifically in different product categories could perhaps be a moderating variable in the proposed model. Additionally, testing the model in other countries is advisable in order to generalize the results.

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Global Private Label Convergence: Fact or Fiction?

Katrijn Gielens, Marnik G. Dekimpe, Anirban Mukherjee, and Kapil Tuli

Abstract This study considers a set of 67 countries to study whether PLs shares converge globally and if so to what long-run level PL shares in 60 product categories are expected to converge. The authors draw upon the economic convergence literature to establish an empirical specification that measures long-run PL share differentials relative to a stabilized reference country. As such, they use the notion of β -convergence, taking place when countries with an initially lower PL level grow faster than countries already closer to a common steady state.

Keywords Private labels • Convergence models • International marketing

Private labels (PLs) are increasingly recognized as a worldwide threat to brands (see, e.g., Gielens 2012; Meza and Sudhir 2010; Sethuraman 2009; Sethuraman and Raju 2013; Steenkamp et al. 2010). Within the CPG market, PLs have already reached a global value share of 16.5 % (Nielsen 2014). Given the sheer size of many CPG categories and the relatively high share of PLs, it is no surprise that many brand manufacturers consider PLs to be their top competitor. However, to what extent is this worldwide PL threat substantiated? First, so far most PL studies tend to be based on the same set of (developed) ‘usual suspects’, including the likes of Germany, France, the UK and the US, where PL shares may easily amount to over 30 %. Still, such numbers hide considerable global diversity. Second, substantial growth differences exist. There is a clear divide in terms of PL development

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between Western Europe, and North America on the one hand, and many developing countries, which typically have value shares of 5 % or less, on the other hand. In many Western-European and North-American countries PL shares have stabilized, and no longer experience any noticeable growth. In contrast, substantial growth rates are, observed in most Eastern European, Latin, and Asian countries.

Combined, these insights raise some interesting questions. Given these differences in current PL shares, observed ceilings and growth rates, will all countries catch up with leading PL countries, thereby justifying brand manufacturers' fears? Knowing whether lagging countries will catch up, and especially what level they are likely to achieve, is of high strategic relevance. More and more, brand manufacturers are looking into strategic, long-run solutions and changes that move beyond the typical spectrum of innovation and branding (see e.g. Kumar and Steenkamp 2007; Steenkamp and Geyskens 2013), the typical weapons proposed to fight PLs and are increasingly refocusing themselves towards developing economies. Markets where the current PL differential will largely persist will obviously be more attractive than markets where the current difference will mostly disappear.

So far, the extant literature has not been able to resolve this international convergence debate. Existing studies mainly focused on factors explaining historically-observed (i.e. past) differences, and therefore had a backward-looking perspective. Moreover, few studies have explicitly recognized cross-country differences in PL success, or when taking an international perspective, a very limited set of developed countries was considered. In addition, the two PL studies (Steenkamp et al. 2010; Steenkamp and Geyskens 2013) with a more explicit global scope assumed a steady-state setting. Because of the mainly cross-sectional nature of their data, a long-run equilibrium is de facto assumed (Baum 2006) and ignores that the situation may change in years to come.

Our paper adds to the existing PL literature in a number of ways. First, we consider a set of 67 countries to study whether PLs shares converge globally and if so to what long-run level PL shares in 60 product categories are expected to converge. In so doing, we take a forward-looking perspective. Specifically, we draw upon the economic convergence literature (cf. Cecchetti et al. 2002; Goldberg and Verboven 2005) to establish an empirical specification that measures long-run PL share differentials relative to a stabilized reference country. As such, we make use of the notion of β -convergence, which takes place when countries with an initially lower PL level grow faster than countries already closer to a common steady state. This causes the distance between the series to become smaller over time until the respective growth rates become equal. In statistical terms, β -convergence requires any remaining share differences to be mean-reverting or stationary (Lau 2010), so that idiosyncratic (country-specific) shocks only have temporary effects on the PL share in country A relative to a reference country B. Without stationarity, idiosyncratic shocks have a continuing impact, and lead to diverging growth paths (Dekimpe and Hanssens 1995). Because of this underlying stationarity requirement, convergence can be formally tested in a unit-root framework. We subsequently assess to what extent these long-run share differentials are associated with systematic cross-country and/or cross-category long-run

differences in market structure and marketing conduct of both national-brand manufacturers and retailers. We again do not focus on the historical (past) level of these drivers, but explicitly account for their expected (future) evolution. Finally, as indicated before, much of the existing PL literature is centered on developed markets. Given the global coverage of our data, with longitudinal data on 60 different countries from five different continents, we considerably expand the geographic scope of the empirical insights.

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Cross-Cultural Validation of Smart Shopping Process and Its Influence on Brand Attitude

Mónica Gómez-Suárez, Myriam Quiñones, and María Jesús Yagüe

Abstract This study analyses how the smart shopping mechanism works in an international context. Academic attention to this topic is insufficient. Although scales for smart shopper feeling and smart shopper behavior have been developed separately, no previous research has studied the complete process. Using multi-group structural equation modelling, we validate a cross-cultural scale to demonstrate how this process has an influence on brand attitude in four western countries. The effect of smart shopping self-concept on national brand attitude compared to store brand attitude is higher in the Mediterranean countries (Italy and Spain) than in the US and Germany.

Keywords Smart shopping • Feeling • Behavior • Store brand • National brand • Cross-country

1 Introduction

The smart shopping process could have different effects in national versus store brand attitude in accordance with the economic and cultural environment. Hence, the primary purpose of this study is to develop a cross-cultural smart shopping scale. To the best of our knowledge, such scale does not exist. Moreover, there are not academic research that focus on how the whole process of smart shopping works. In fact, previous studies treat the two different constructs related to smart shopping (behaviors or feelings) separately. No measure exists that joins these concepts. This paper fills a research gap by proposing and testing a theoretical model that measures the effect that the smart shopper self-concept has on consumers' attitude towards national brands and store brands across different countries. Thus, drawing on existing, predominant mono-cultural, studies on partial smart

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shopping scales, this study extends research on the relationship between smart shopping and brand attitude. The research question is formulated as follows: does the attitude towards national or store brands differ by country due to the influence of the smart shopper process? It is the aim of this paper to answer this question. Therefore, its contribution is two-fold. First, this work generates a complete smart shopping scale that fulfills all the validity requirements needed for a cross-country measurement and second, it provides useful insight on how this measurement has an impact on national versus store brand attitude in an international context. In order to show the importance of the topic, we must take into account that the market penetration of store brands exceeds 50 % in Spain. It reaches 44 % in Germany, and 21 % in Italy. In the US, the store brand market share amounts to 21 % (Private Label Manufacturer Association 2015). The study begins with the theoretical background. First, a brief literature review examines the previous studies about smart shopping, and a conceptual model is proposed. Subsequently, the methodology section describes the data collection strategy. The results section shows how the scale is built using multi-group analysis and reports main empirical findings. Finally, the conclusion section discusses the implications of the study, its limitations and suggests avenues for further research.

2 Literature Review and Conceptual Proposal

Mano and Elliott (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*”. However, later studies considered that the smart shopping mechanism was a psychological variable whose internal reward was originated not only by price savings, but also by choosing the brand with the best quality-price ratio (Burton et al. 1998). In this second description, smart shopping represented ego-related benefits such as a sense of accomplishment, a boost in self-esteem, and pride in shopping *savoir faire* (Garretson et al. 2002). The academic studies related to smart shopping are rather scarce. In the literature review, we only found 16 articles that include this concept. We have used two aspects to classify previous papers. First, the object of analyses: smart shopping behavior or feeling. Second, whether smart shopping is considered as the main objective of the study or, on the contrary, it is considered just as an antecedent or consequence of other phenomena. Table 1 shows our classification of previous studies. By looking at this table, we can infer they isolate feelings and behavior, and only focus on one of the two parts of the process. It is important to mention that, in our opinion, the term *smart-shopper self-perception* used by some researchers (e.g., Burton et al. 1998; or Garretson et al. 2002) to describe smart-shopper feelings is not appropriate. In fact, no previous study has developed a dimension that actually describes the smart-shopper’s self-concept.

The identified gap led us to propose a measure that sizes the degree to which individuals consider themselves smart shoppers. In addition, based on the

Table 1 Typology of smart-shopping previous research

	Author	Main objective
<i>Smart-shopping behaviour as main objective</i>	Atkins and Kim (2012)	To investigate consumers’ perceptions of the term smart shopping; develop and validate a measure of smart shopping
	Labbe-Pinlon et al. (2011)	To identify smart shopper’s reaction to price reductions
	Odou et al. (2007)	To explore the behavior of a particular segment of smart shoppers: payback offer users
	Mano and Elliott (1997)	To develop a measure of smart shopping
<i>Smart-shopping feeling as main objective</i>	Bicen and Madhavaram (2013)	To test affective consequence of price discounts mediating the relationship between all causal dimensions of attributions and behavioral consequences
	de Pechpeyrou (2013)	To test relationships between promotional pricing schemes and smart shopper feelings, evaluations of a good deal and locus of causality
	Schindler (1998)	To better understand the nature and implications of noneconomic components of price promotion’s affective consequences
Smart shopping feeling as secondary objective	Manzur et al. (2011)	To find out whether attitudes toward national brand promotions and store brands have similar or different conceptual antecedents
	Liu and Wang (2008)	To examine whether promoted brands and private labels attract different or similar consumers through psychographics
	Chung and Darke (2006)	To study the relation between self-relevance and word-of-mouth (WOM) taking into account cultural differences
	Darke and Dahl (2003)	To provide evidence of how discounts increase purchase satisfaction due to non-financial rewards
	Garretson et al. (2002)	To understand more about why price oriented consumers have different attitudes toward private labels and national brand promotions
	Chandon et al. (2000)	To provide an integrative framework of the consumer benefit of sales promotions
	Groeppe-Klein et al. (1999)	To understand whether different shopping motives influence expectations about a store and whether these shopping motives affect consumers’ in-store behavior
	Burton et al. (1998)	To develop a consumers’ attitude scale toward private label brands

measurement scales used in previous studies, we proposed a conceptual model (Fig. 1) that applies to different geographies and cultural environments. The first part of this model is devoted to the smart shopping process. Smart shopper self-concept is a second-order construct, reflected in two different dimensions: smart

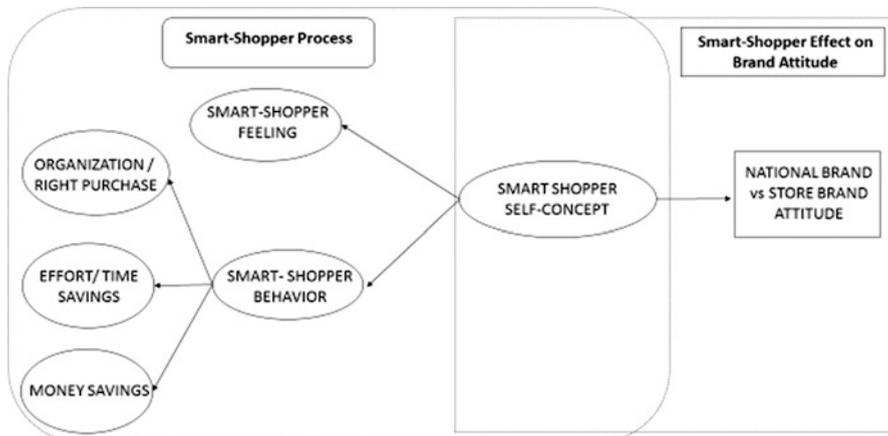


Fig. 1 Conceptual model. Effect of smart-shopping process on brand attitude

shopping behavior and smart shopping feeling. Smart shopping behavior is a first-order dimension that is reflected on different items adapted from the literature review (Schindler 1998; Mano and Elliott 1997; Atkins and Kim 2012): effort/time savings, right purchase and money savings. Smart shopping feelings motivated by a discount are reflected on items proposed by the works of Burton et al. (1998), Garretson et al. (2002) and Manzur et al. (2011) such as sense of joy, feeling good about one-self and pride. Shoppers who experience such type of affective reward when they make a smart buy tend to have a positive attitude towards store brands and, to a greater extent, towards promoted national brands (Garretson et al. 2002). Thus, on the second part of the model we focus on understanding the effect of smart shopping self-concept on store brand and national brand attitude. For brand attitude, we adapt the definition provided by Burton et al. (1998, p. 298). Therefore, we define this item as follows: “A predisposition to respond in a favorable or unfavorable manner due to (...) self-evaluations associated with private labels/national brands”.

3 Methodology: Data Collection and Questionnaire

After careful consideration of the literature and a previous qualitative inquiry carried out in 2012 in Chicago and Madrid through in-depth interviewing, we generated a pool of 35 candidate scale items to reflect the dimensions of smart shopping. Then, a **pilot study** for initial scale refinement, scale purification and content validity assessment was conducted. The sample was composed by 180 master and undergraduate students from the US and Spain. In cross-cultural studies, well-matched samples are very useful because they allow more exact theoretical predictions and reduce the confounding effects of other factors (Hosftede 1991).

After screening the items independently, then jointly, we retained 25 items for initial psychometric assessment. Scale items that were not clear, not representative of the domain or were open to misunderstanding were removed. To select the items for the main study, we computed their reliability. For the two samples, Cronbach's alpha for the time/effort items associated to behavior was lower than 0.70, showing future problems for the next estimations. We also reworded several items to enhance clarity, based on the participants' comments. Principal-axis analyses with oblimin rotation was conducted to examine factor patterns and relationship between items. As result of the examination of factor loadings, 17 items were retained from the pretest.

Regarding the **main study**, the survey was carried out on people of over 18 years of age who were responsible for the purchase of packaged goods within their respective households. The final international sample included shoppers from four countries: Spain ($n = 202$), the United States (US) ($n = 201$), Germany ($n = 200$), and Italy ($n = 199$). The self-administrated questionnaire was part of a larger project. For this study, we worked with two types of variables: brand attitude and smart shopping. To evaluate brand attitude, two brands of shampoo were presented to the subject. One was a leading national brand sold in the four countries and the second one was a generic store brand. Shampoo was chosen as the product category because it is purchased on a regular basis and therefore is easily evaluated by consumers. Private labels also enjoy a significant market share in the category, making them a credible purchase alternative to national brands. Participants were asked to indicate which of the two brands they preferred. The degree of overall attitude (favorable or unfavorable) with respect to both brands was also evaluated using a seven-point Likert-type scale. The third section of the questionnaire was devoted to the smart shopping process. First, it introduced items related to smart shopping feeling together with items that assessed external validity (price consciousness, value consciousness and consumer innovativeness). Second, the respondents found items related to smart shopping behavior. They had to qualify what they thought a smart shopper did. Items were developed in third person on purpose since we looked to identify behavior traits attributed to smart shoppers rather than describing the particular participant's purchase behavior. Third, individuals had to reflect their own smart-shopper self-concept. In particular, they were asked to indicate on a seven-point Likert-type scale the degree to which they considered themselves to be smart shoppers.

4 Data Analysis and Results

Data analysis was performed with the statistical program Amos 22.0. Following Jarvis et al. (2003) terminology, a Type I second-order model with first-order latent factors (behavior-SB- and feeling-SF-) with reflective indicators is proposed. These first-order factors were themselves reflective indicators of an underlying second-order construct (smart). The process of estimating the overall model

consisted on a number of stages. Several successive confirmatory factor analysis (CFA) using maximum likelihood estimation were applied to set the number of dimensions and items in an overall model. First, the behavior dimension was analyzed. After determining its unidimensional nature, behavior and feeling relative to smart purchase were examined jointly. Then, the bi-dimensional structure for smart shopping was established. This configuration was not considered in the previous literature since, up to this study, both constructs were always analyzed separately. The scale fulfilled all the psychometric requirements for validity and reliability. Subsequently, the estimation of the second-order model was established.

The goodness of fit indexes for this final second-order overall model were good ($\chi^2/DF = 1.70$; $p = 0.37$; CFI = 0.99; TLI = 0.99; RMSA = 0.008). Table 2 presents the standardized coefficients of the model. Each indicator shaped by each of the dimensions was significant. The same occurred with all of the relationships between constructs. In this second-order overall model, the smart shopper self-concept reflected on the indicator that measures the degree that shoppers considered themselves smart ($\lambda = 0.65$). It also reflected on two dimensions: feeling ($\lambda = 0.98$) and behavior ($\lambda = 0.86$). Smart shopping feeling was also reflected on items that represent well-being ($\lambda = 0.80$), pride ($\lambda = 0.76$) and joy ($\lambda = 0.73$) experimented when making smart purchases. Smart shopping behavior was reflected on indicators such as “right purchase” which embodies a clear idea of needs ($\lambda = 0.80$), “good organization” represented by putting effort into gathering commercial information ($\lambda = 0.76$) and “savings” illustrated by obtaining good deals ($\lambda = 0.75$) and products on sale ($\lambda = 0.73$).

Then, a multi-group analyses (MGAFC) was carried out for the smart shopping scale. This model fulfilled all the psychometric properties (reliability, convergent and discriminant validity) and factor variance invariance. Its goodness of fit indexes were also good. In the estimation of the multi-group structural model (MGSEM), the full metric model (equal loadings) was compared with a scalar invariant model. This last model constrained factor variances to be equal across the four countries. The goodness of fit comparison fell within the recommended criteria ($\Delta\chi^2 = -29.41$; $p = 0.10$; $\Delta CFI = 0.001$; $\Delta TLI = 0.005$). Thus, factor variance invariance between different countries was fulfilled. Table 3 shows the results of this estimation.

Regarding behavior coefficients, Germany presented lower regression weights, especially those related to price promotions ($\lambda = 0.57$ for deals and $\lambda = 0.67$ for sales). In contrast, the US had higher coefficients for price promotions ($\lambda = 0.85$ for deals and $\lambda = 0.90$ for sales) and pre-purchase information ($\lambda = 0.82$). In relation to feelings, sense of wellbeing ($\lambda = 0.58$) and pride ($\lambda = 0.63$) were also lower in Germany than in the other countries, especially in comparison to US ($\lambda = 0.97$). Italy showed the lowest parameter for joy ($\lambda = 0.57$). All the coefficients for the relationship between smart shopper self-concept and brand attitude were positive. This means that the higher the degree the shoppers considered themselves as smart shoppers, the more favorable the attitude towards national brands (NB) in comparison to store brands (SB). These findings also indicated that the smart shopping mechanism produced a different effect in consumers' attitude towards brands

Table 2 Second-order model estimation. Parameters and significance

Description	Item	Construct	λ	C.R.	P
They gather as much information as possible	SB1	Behavior	0.76	23.78	***
They have a clear idea of their wants and needs	SB2	Behavior	0.80	23.15	***
They love to get a good deal on the purchase	SB3	Behavior	0.75		
They keep abreast when stores have sales	SB4	Behavior	0.73	23.84	***
When I go shopping, I take pride in making smart purchases	SF4	Feeling	0.76	26.37	***
Making smart purchases makes me feel good	SF3	Feeling	0.80	23.80	***
I get a real sense of joy when I make wise purchases	SF2	Feeling	0.73		
The degree I consider I am a smart shopper	Degree	Smart	0.65	13.27	***
	Behavior	Smart	0.86		
	Feeling	Smart	0.98	13.83	***

Table 3 MGSEM standardized regression weights and CR significance

Variable	Construct	SP	<i>p</i>	GE	<i>p</i>	IT	<i>p</i>	US	<i>p</i>
NBSB	Smart	0.30	***	0.17	0.04	0.40	***	0.14	0.10
Behavior	Smart	0.87	***	1.04	0.05	0.99	***	0.89	0.03
Feeling	Smart	0.93		0.89		0.94		0.83	
SB2	Behavior	0.74	***	0.61	***	0.77	***	0.82	***
SB1	Behavior	0.81	***	0.72	***	0.85	***	0.84	***
SB3	Behavior	0.69		0.57		0.72		0.85	
SB4	Behavior	0.70	***	0.67	***	0.72	***	0.90	***
SF4	Feeling	0.84	***	0.63	***	0.71	***	0.88	***
SF3	Feeling	0.83	***	0.58	***	0.73	***	0.97	***
SF2	Feeling	0.82		0.76		0.57		0.82	

SP Spain, GE Germany, IT Italy

depending on the country. The effect of smart shopper self-concept on national brand attitude was higher in Italy ($\lambda = 0.40$) and Spain ($\lambda = 0.30$). It was lower in Germany ($\lambda = 0.17$) and the US ($\lambda = 0.14$).

5 Conclusions, Limitations and Future Lines of Research

This research contributes to marketing theory by presenting the first cross-cultural validation of a smart shopping scale. Salient among the findings of this study is that the smart shopping scale should be modelled as a second-order reflective construct. In addition, it proves that this structure currently exists across all four countries included in the study and that the smart shopping scale items manifest in the same way in all of them, given that the variability of the factors is similar across the countries. Moreover, the relationships between the scale and consumers' brand

attitude are found to vary across the four countries. Therefore, researchers could use it with confidence in order to improve their understanding of specific cultural differences.

Additionally, the study has several managerial implications. This measure could be used by marketing managers to study the impact of different promotional activities targeted to smart shoppers. The revised 8-item scale suggests that information organization and obtaining good deals are fundamental behavioral aspects of smart shopping. It also suggests that smart shopper attribution reflects on feelings of pride, joy and wellbeing. Schindler (1998) suggests that smart shopper feeling can be enhanced by leading the consumer to feel responsible for the discount. Therefore, those marketing actions oriented to minimize the effort of comparing alternatives and to increase the responsibility attribution for a wise purchase, will have an effect on the smart shopper self-concept. If smart shopper feelings and behavior traits are measured before and after alternative promotions are implemented, managers could have a better understanding of which promotional mechanisms are more efficient. Although the scale is invariant across the four countries, individuals from some countries may still exhibit different behaviors, feelings and attitudes towards brands. Therefore, the scale could be used by global corporations to gain a better understanding of this phenomenon across cultures and to make meaningful cross-cultural comparisons, particularly between countries similar to those included in this study. The main limitation lies in having chosen only one product type (shampoo) and two brands (H&S and generic) to represent the purchase process. Future research could reproduce more realistic shopping conditions, by including more categories, omitting simulated generic brands, and adding real retail brands. This would allow researchers to study how the smart shopping mechanism is activated when a more complex shopping basket is presented. Another research line could seek to explain how differing cultural or economic market conditions among countries influence store versus national brand evaluation. The study could be replicated including Asian or Latin American countries that are culturally very different from the current sample. This paper documents research that is unique in developing a scale that jointly measures smart shopping attitudes and behaviors in a cross-country context. Therefore, it provides useful keys to approach the smart shopping process in different cultural and economic environments.

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