

Multitier Brand Influence on Premium Private Label Products

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Abstract

Stores have started introducing PLB products that are high-quality and reasonably priced, 'premium private label brand' (premium PLB). With more diverse brand consumer have choices between regular PLB, premium PLB and National Brand (NB) products. This study examines the influences on the premium PLB extension from the store and other brand choice categories. Two different products (milk and toaster) were used to check the variance by product categories. Findings show that regular PLBs, NBs and the store image have an influence on premium PLB evaluation, although this can vary by product category. For example, attitude to regular PLB for higher involvement products has no influence on attitude to premium PLBs.

Keywords: Private Label Branding, Product Choice, Brand Evaluation

Introduction

Sales of private label brands (PLB) have been growing in recent years. Globally, PLBs have already achieved 20% share and between 25 and 50% share in most of the European markets (A.C.Nielson, 2005). These products are aimed to have comparable quality and prices as national brand (NB) products and have been continuously eroding manufacturer's national brand market share (Bao, Bao and Sheng, 2010; Karray and Zaccour, 2006). Stores have also started introducing premium PLBs that are higher-quality and more reasonably priced compared to NBs. Since premium PLBs are priced higher than regular PLB and even above NBs, stores can expect to generate higher profits (Kumar and Steenkamp, 2007). Consumers as a consequence are now able to have a more diverse brand choice in store than ever before.

This research focuses on how these three brand categories in the consumers' choice consideration act as reference points to one another. Specifically we seek to understand how regular PLBs and NBs relative similarity to premium PLBs affect consumer perceptions of premium PLBs. Premium PLBs perceived more similar to regular PLBs are likely to result in cannibalization. However, premium PLB products perceived more similar to NBs have the ability to be positioned as serious NB competitors. How consumers perceive premium PLB products would provide strategic suggestions for retailer managers with specific suggestions on whether it is more effective: to position premium PLBs similarly or dissimilarly to NBs or regular PLBs, especially on the quality dimension and congruency with store image.

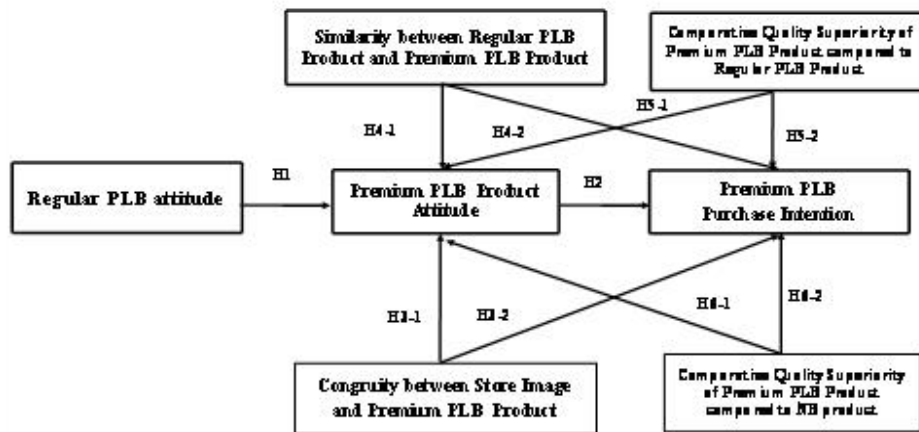
There is an extensive body of research on branding and brand extensions (e.g. Aaker and Keller, 1990) and more recently on PLBs (e.g. Garretson, Fisher and Burton, 2002). However there are no studies to date that look at the upgrading and influence of regular PLBs and NBs on the premium PLB brand extension. This research wishes to make a contribution to this gap using the consumer consideration set as the context.

In order to meet the above objectives, we investigate which factors heighten consumers' positive attitude and purchase intentions toward premium PLBs products. Additionally we anticipate that consumers' perception toward premium PLBs is differentiated by product category. To capture this we investigate our research model separately on milk and toaster products.

Theoretical Background and Hypotheses

When considering premium PLB product attitude, we expect five factors to have an influence: attitude toward regular PLB; perceived congruity between store image and premium PLBs; perceived similarity between regular PLB and premium PLB product; and comparison point to assess quality of the premium PLB product, either with regular PLB product or NB product. We expect that premium PLB product attitude and all of the factors mentioned except attitude toward regular PLB product to have a direct influence on consumer purchase intention of premium PLBs. Figure 1 gives the research model.

Figure 1. Research Model



To understand the relationship between the attitudes between regular and premium PLBs, we consider the literature on vertical brand extensions; the introduction of a similar brand in the same product category with a normally a different price or quality point (Keller and Aaker, 1992). Premium PLB can be regarded as a step-up vertical brand extension from the core brand (regular PLB) by increasing quality with a comparative high price (Aaker, 1991). Literature suggests that brand extensions will benefit if: there is greater perceived distance from the core brand (Kim, Lavack and Smith 2001); and positive awareness, associations, and emotional attachment to the core brand (Fedorikhlin, Park and Thompson, 2008; Bhat and Reddy, 2001). We hypothesize therefore:

H1. Regular PLB attitude will be positively associated with premium PLB product attitude.

PLB attitude is positively related to the consumer's actual percentage of PLB purchases, with consumer attitude towards PLBs being the strongest predictor of the percentage of PLB purchased (Burton, Lichtenstein, Netemeyer and Garretson, 1998; Gamliel and Herstein, 2007; Garretson et al., 2002). Since it was not feasible in our study to check sales receipts, we have used purchase intention as a proxy of PLB purchase. The strong relationship between attitude and purchase intention is well explained by the Fishbein model (Fishbein and Ajzen, 1980). Therefore, we hypothesize:

H2. Premium PLB product attitude will be positively associated with premium PLB product purchase intention.

Store image is determined by consumer beliefs about retailer-specific attributes at the retailer level or by the typical elements among stores at the same store category level (Lee and Hyman, 2008). In this study, store image is conceived at the store-category level. Collins-Dodd and Lindley (2003) show a positive relationship between perceived store image and attitudes toward the store brand. Store image of quality, shopping convenience, and price has therefore a positive influence on the affective dimensions of the PLB image (Vahie and Paswan, 2006). Similarly Lee and Hyman (2008) argued that the congruity between beliefs about a store and its PLB leads to more favorable PLB product attitude. Also Bao et al. (2010) showed that store image enhance quality perception and purchase intention of private brands while quality variation reduces both outcomes. Therefore, we hypothesize:

H3-1. Perceived congruity between store image and premium PLB product will be positively associated with premium PLB product attitude.

H3-2. Perceived congruity between store image and premium PLB product will be positively associated with premium PLB product purchase intention.

Zhang and Sood(2002) argued that consumers judge brand extensions on ‘deep’ features (i.e., attribute similarity) or ‘surface’ features (i.e., rhyming names). A large number of previous studies have shown that the similarity between original brand and extension brands positively influences the evaluation of brand extensions (Keller and Aaker, 1992; Smith and Park, 1992; Aaker and Keller, 1990). However a favorable evaluation of a brand extension can be formed even when the extension is quite dissimilar or inconsistent to the original brand (Klink and Smith, 2001). Price information is especially pointed to have a larger positive impact on perceived quality evaluations of dissimilar extensions, but a larger negative impact on perceived value and purchase intentions for similar extensions. Thus high-quality introductory strategy used to suggest a high-quality product will likely be more effective for dissimilar extensions than similar extensions (Taylor and Bearden, 2002). Since premium PLBs suggests high-quality products, we hypothesize:

H4-1. Perceived similarity between regular PLBs product and premium PLBs product will be negatively associated with premium PLB product attitude.

H4-2. Perceived similarity between regular PLBs product and premium PLBs product will be negatively associated with premium PLB product purchase intention.

Previous studies find that perceived quality variations between PLBs and NBs positively affect perceived value for money of PLBs, which in turn increases PLB proneness (Batra and Sinha, 2000). As quality of PLBs becomes more comparable to the quality of NBs, consumers are receiving conflicting messages about the once well-anchored perceptual positioning of PLBs as inferior to NBs (Nenycz-Thiel and Romaniuk, 2009). Therefore we hypothesize:

H5-1. Perceived comparative quality superiority toward premium PLB products compared to regular PLB products will be positively associated with premium PLB product attitude.

H5-2. Perceived comparative quality superiority toward premium PLB products compared to regular PLB products will be positively associated with premium PLB product purchase intention.

H6-1. Perceived comparative quality superiority toward premium PLB products compared to NB products will be positively associated with premium PLB product attitude.

H6-2. Perceived comparative quality superiority toward premium PLB products compared to NB products will be positively associated with premium PLB product purchase intention.

Method

Data were collected by an intercept survey conducted on consumers at grocery/variety stores. Two different versions of surveys were used; one used milk as the reference product and the other used a toaster. Except for the product stimuli, all survey questions are identical. These two products were anticipated, confirmed in the pretest, to be viewed by consumers as having different price points and purchase frequency therefore we expected that consumers’ perception and behavior patterns towards PLB milk and toasters would be different. The respective responses for the toaster and milk surveys were 198 and 218 (total 416, 61% female, across all

age ranges).. Respondents were asked to respond to a series of questions measured on 7 point Likert-type scales.

The survey consisted of questions that measured: the attitudes towards and purchase intention of regular PLBs, premium PLBs; the perceived similarity of regular PLBs and premium PLBs; the perceived congruity between store image and premium PLBs; and the perceived comparative quality superiority of premium PLBs compared against regular PLBs and NBs. Product images with specific explanations of the features of premium PLBs, regular PLBs and NBs were used as the stimuli for the question response. We developed scales to measure the research constructs. All constructs exceeded the Cronbach alpha .70 reliability standard (Nunnally and Bernstein 1994).

Results

To test the hypotheses, path analysis was conducted using LISREL 8.30. The path analysis for verification of the model produced satisfactory results. The validity index shows acceptable results ($n=416$; $X^2=58.01(df=24, p=.00)$, CFI=.98, GFI=.97, RMSEA=.057, NFI=.97, RMR=.091). The multi-group analysis for toaster and milk surveys were conducted separately with the assumption that the results would vary by product type. Results are shown in Table 1.

H1 predicts that the attitude to regular PLB is positively associated with premium PLB attitude. H1 for toaster was not supported ($t=1.12$), but was supported for milk ($t=2.61$). From this result, we could argue that the positive attitude toward regular PLBs is more easily transferred to attitude toward premium PLB products than for products with a lower price point or more frequently purchased such as milk. This difference originates from the customer's cognitive difference for product type. As expected, premium PLB product attitude influenced premium PLB product purchase intention, supporting H2.

We argue that the channel-category associations should have a significant impact on the attitude and the purchase intention of extended PLB. The store-category associations are strongly supported both in the attitude (H3-1) and purchase intention (H3-2) of extended PLBs.

The H4 result suggests that the perceived similarity between regular PLBs and premium PLBs doesn't influence attitudes towards premium PLBs. Instead it negatively influences the purchase intention of premium PLBs. This result is consistent with Taylor and Bearden (2002)'s study that a high-quality product will likely be more effective for dissimilar than for similar extensions.

Table 1. Result Summary

Hypotheses	Product	Support	t-value
H1	Toaster	Partially Supported	1.12
	Milk		2.61**
H2	Toaster	Supported	3.63**
	Milk		4.79**
H3-1	Toaster	Supported	4.75**
	Milk		4.95**
H3-2	Toaster	Supported	3.07**

	Milk		2.97**
、	Toaster	Unsupported	-0.03
	Milk		0.43
H4-2	Toaster	Supported	-2.11**
	Milk		-2.73**
H5-1	Toaster	Supported	6.61**
	Milk		4.54**
H5-2	Toaster	Unsupported	1.32
	Milk		1.57
H6-1	Toaster	Supported	2.59**
	Milk		5.37**
H6-2	Toaster	Supported	4.40**
	Milk		3.01**

H5 and 6 results also suggest that consumers consider NB quality comparatively more than regular PLBs when evaluating premium PLBs. To form premium PLB purchase intention, superior quality of premium PLBs compared to NB product rather than regular PLB product is expected to be more effective. Though recognizing quality superiority of premium PLBs compared to regular PLBs influences purchase intentions of premium PLB products, this occurs after an attitude for the premium PLB is formed. H5-1, H6-1, H6-2, are supported but not H5-2.

Discussion of results and future research directions

With the increasing retailer use of premium PLBs, the intention of this research was to examine how consumers use regular PLBs, NBs and store image as reference points as to the quality attitude towards and purchase intention of premium PLBs. Results suggest that to improve attitude and consumer purchase intention, positioning premium PLBs as distinctive and dissimilar with regular PLBs is necessary. Furthermore, they should be perceived as having superior quality to regular PLBs and especially NBs. Positioning premium PLBs congruently to store image is also important for positive attitude and purchase intention. Brand managers also should be mindful it is difficult to transfer attitudes toward premium PLB products for higher priced or irregularly purchased products.

In order to improve this research, the following alternatives should also be considered. To improve the research model's predictive power, more diverse products should be included in study. Other attributes of product should also be included such as design, brand name since we only considered quality as a factor within the consideration set.

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