

# **Consumer buying criteria for National and Premium Own- label Food Brands**

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To my dad, whose help, support, advice and unwavering believe in my ability has been tremendous throughout this journey. To Oluwafunmilayo, may this serve as evidence that anything can be achieved if you work hard.

# Abstract

Since its introduction, the premium own label range has become the fastest growing of the own label tiers available in supermarkets in spite of its high price. Accordingly, the question of who buys the premium own label and why attracted the interest of the researcher, especially when the growth of this new tier seem to be out-performing national brands.

Using choice determinants common to earlier generations of own label brands, this study examined whether factors common to the first and third generations of own labels, are also influential to the purchase of the premium own label. The study also investigated the demographic characteristic of the premium own label shopper. With the premium own label range positioned to compete directly with national brands in terms of price and quality, it was also imperative that a comparative study be carried out on the factors influencing consumer purchase of premium own label and national brands.

In order to test hypotheses developed for the study, five demographic variables - gender, age, educational qualification, income and family size - were employed. Self-administered questionnaires were distributed to shoppers as they existed leading supermarkets in London and a total of 266 questionnaires were completed.

The result indicated that gender, education and income could be used to profile the premium own label buyers, while household size gave inconclusive results. The typical premium own label consumers were found to be men. Other characteristics of the premium own label buyer included the fact that they were aged

above 46 years, had university degrees or professional qualifications, and were not financially constrained.

With regards to the choice criteria examined, only quality and taste were found to be common to the success of earlier generations of own label and the premium own label. It was also found that though taste, quality and brand name influenced the purchase of premium own labels and national brands, they were more important for national brands than premium own label brands. Finally, whilst the premium own label brand was purchased by specific demographic groups, national brand appealed to all consumers.



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# Contents

<b>Abstract</b>	iii
<b>Acknowledgement</b>	v
<b>CHAPTER 1 INTRODUCTION</b>	
<b>1.0</b> Introduction	1
<b>1.1</b> Research background	1
<b>1.2</b> Research aim	4
<b>1.3</b> Objectives of the thesis	5
<b>1.4</b> Methodological approach	6
<b>1.5</b> Significance of the study	6
<b>1.6</b> Structure of study	6
<b>1.7</b> Summary	7
<b>CHAPTER 2 LITERATURE REVIEW</b>	
<b>2.1</b> Introduction	8
<b>2.2</b> Decision making theories	8
<b>2.3</b> Information search strategies	11
<b>2.4</b> Decision strategies	13
<b>2.5</b> Consumer choice through decision making	16
<b>2.5.1</b> Drivers to choice	17
2.5.1.1 The Engel model	17
<b>2.6</b> Summary	20
<b>CHAPTER 3 FOOD BRANDS</b>	
<b>3.1</b> Introduction	21
<b>3.2</b> Overview of branding	21
<b>3.3</b> Importance of brands	23
<b>3.4</b> Types of food brands	24
<b>3.4.1</b> National brands	25
<b>3.4.2</b> Own-label brands	26
<b>3.4.2.1</b> Importance of own label brands	27
<b>3.4.2.2</b> Consumer perspective	28
<b>3.4.2.3</b> Retailer perspective	29

3.4.2.4	Manufacturer perspective	32
3.4.3	Development of own label brands	34
3.4.3.1	First generation	38
3.4.3.2	Second generation	40
3.4.3.3	Third generation	41
3.4.3.4	Fourth generation	42
3.4.3.5	Factors influencing premium brand success	46
3.4.4	Consumer perception of own label brands	48
3.4.4.1	Profile of own label brand buyer	50
3.4.4.1.1	Profile of the generic prone consumer	51
	Price	51
	Quality	52
	Price and quality	53
	Income	53
	Age	54
	Educational qualification	55
	Household size	55
3.4.4.1.2	Standard own label consumer	56
	Price	56
	Price consciousness	57
	Quality	58
	Price/quality perception	60
	Value for money	62
	Gender	63
	Income	64
	Age	65
	Educational qualification	66
	Household size	66
	Other characteristics	67
3.5	Impact of own labels on national brands	68
3.5.1	Price competition	68
3.5.2	Shelf allocation and display	69
3.6	National brand response	70
3.7	Hypothesis development and conceptual framework	72

3.7.1	Review of past studies	72
3.7.2	Factors influencing food brand choice	78
3.7.2.1	Quality	79
3.7.2.2	Price	81
3.7.2.3	Value for money	83
3.7.2.4	Packaging	86
3.7.2.5	Taste	88
3.7.2.6	Brand name	90
	Brand equity	90
	Customer-based brand equity	91
	The influence of brand equity on choice	92
3.7.2.7	Influence of consumer demographics on choice	96
	Gender	98
	Age	98
	Income	99
	Educational qualification	100
	Household size	101
3.8	Research framework	106
3.8.1	Research questions and hypotheses	109
3.9	Summary	113
<b>CHAPTER 4 RESEARCH DESIGN AND METHODOLOGY</b>		
4.1	Introduction	115
4.2	Selection of research methodology	116
4.3	Relating methodology to nature of research	118
4.4	Relating research nature to design	119
4.5	Research focus	121
4.6	Research methodology	124
4.7	Using questionnaire survey	125
4.8	Questionnaire construction	126
4.9	Questionnaire development and pre-test	131
4.10	Sampling procedure and data collection	132
4.11	Limitation of questionnaire design	134
4.12	Summary	134

## **CHAPTER 5 DATA ANALYSIS AND RESULTS**

<b>5.1</b>	Introduction	135
<b>5.2</b>	Statistical techniques	136
<b>5.3</b>	Measurement and data analysis	136
<b>5.4</b>	Statistical procedure and techniques	138
	<b>5.4.1</b> Descriptive statistics	138
<b>5.5</b>	Respondent characteristics	140
<b>5.6</b>	Analysis of results: Profile of premium own label shopper	142
<b>5.7</b>	Comparison of choice attributes: 2nd research question	146
<b>5.8</b>	Comparison of choice attributes: 3rd research question	148
<b>5.9</b>	Comparison of choice attributes: 4th research question	150
<b>5.10</b>	Limitation of findings	154
<b>5.11</b>	Summary	155

## **CHAPTER 6 CONCLUSIONS AND IMPLICATIONS**

<b>6.1</b>	Introduction	157
<b>6.2</b>	Conclusions from the research questions and propositions	158
	<b>6.2.1</b> First research question	159
	<b>6.2.2</b> Second research question	161
	<b>6.2.3</b> Third research question	163
	<b>6.2.4</b> Fourth research question	164
<b>6.3</b>	Discussion	165
<b>6.4</b>	Contribution of research findings	167
<b>6.5</b>	Implications of the study	168
<b>6.6</b>	Limitations and future research	170
	<b>References</b>	172
<b>Appendix 1</b>	Research questionnaire	200
<b>Appendix 2</b>	Data on own label premium brand buyer	205
<b>Appendix 3</b>	Frequency distribution for choice attributes for own label premium brands	211
<b>Appendix 4</b>	Frequency distribution for choice attributes for national brands	214
<b>Appendix 5</b>	Data on national brand buyer	217

## List of tables

<b>Table 3.1</b>	Functions of own label brands	28
<b>Table 3.2</b>	Main objectives for carrying own label brands	29
<b>Table 3.3</b>	Summary of studies on functions of own label brands	33
<b>Table 3.4</b>	Classification of own label brands by generation	34
<b>Table 3.4a</b>	Classification of own label brands	36
<b>Table 3.5</b>	The evolution of own label brands	37
<b>Table 3.6</b>	Selected definitions of premium brands	44
<b>Table 3.7</b>	Consumer response to different price and quality levels	60
<b>Table 3.8</b>	The role of brand name in influencing consumer choice	92
<b>Table 3.9</b>	Summary findings of prior studies on brand choice	103
<b>Table 4.1</b>	Linkage between research objectives and research questions	128
<b>Table 4.2</b>	Construction of statements used to collect demographic information	130
<b>Table 4.3</b>	Retailer's name, market share and sample size for data collected	133
<b>Table 5.1</b>	Summary consumer demographic characteristics	140
<b>Table 5.2</b>	Gender comparison of premium own label brand consumers	143
<b>Table 5.3</b>	Age profile of premium own label brand consumers	143
<b>Table 5.4</b>	Educational profile of premium own label brand consumers	144
<b>Table 5.5</b>	Income profile of premium own label brand consumers	144
<b>Table 5.6</b>	Household profile of premium own label brand consumers	145
<b>Table 5.7</b>	Evaluative choice criteria	146
<b>Table 5.8</b>	Comparison of choice criteria	148
<b>Table 5.9</b>	Comparison of demographic characteristics for premium own label brands and national brands	150
<b>Table 5.10</b>	summary of results	155

## **List of figures**

<b>Figure 3.1</b>	positioning of own-label brands	43
<b>Figure 3.2</b>	Research framework	108
<b>Figure 4.1</b>	Steps in research methodology	122
<b>Figure 4.2</b>	Context of evaluative research on buying criteria for premium and national food brands	123

# **Chapter one**

## **Introduction**

### **1.1 Introduction**

This chapter provides a general introduction for the current study. It gives a general picture of the proceeding chapters and the study as a whole. Section 1.2 gives a general introduction to the study and identifies the gaps in literature on drivers of premium food brands. Section 1.3 explains the aims of the study, while 1.4 states the objectives of the study.

Section 1.5 briefly discusses the general aspects of research methodology such as research types and research design. Section 1.6 explains the importance of the current study. Section 1.7 introduces the structure of the study and finally section 1.8 summarises the main points of chapter one.

### **1.2 Research background**

Since the introduction of own label brands within British retailing, its market share has grown to 46.5 percent of grocery retailing (Europanel, 2013). As at 2007, the market for premium brands was valued at £14.5bn (Mintel, 2008), with Tesco posting that 71% of consumers purchased Tesco finest range in 2007(IGD, 2008).

The continued success and growth of the own label brand has resulted in researchers examining the relationship that existed between national brand manufacturers and retailers (Ogbonna and Wilkinson, 1998, Segal-Horne and McGee, 1989), consumer own label brand proneness (Ailawadi and Keller, 2004, Batra and Sinha, 2000, Omar, 1996, Burger and Schott, 1972, Myers, 1967) consumer perception of own label brands when compared to national brands (Grunert et al., 2006,

Baltas, 1999, Richardson et al., 1996a, Lichtenstein et al., 1993, De Chernatony, 1989b, Cunningham et al., 1982, Bellizzi et al., 1981, Jacoby and Olson, 1976), as well as the role of own label brands in grocery retailing (Burt, 2000, Bhasin et al., 1995, Raju et al., 1995, De Chernatony, 1989b).

Consumer acceptance of own label brands has resulted in British retailers continually upgrading their product range from the introductory low-price/low-quality own label brands to the present high-quality/value-for-money premium brands (Burt and Davis, 1999). In spite of the success of premium brands, academics have only started paying attention to the premium own labels phenomenon. Previously research efforts concentrated on factors influencing the introduction and success of standard own label brands (Sethuraman, 2009, Kumar and Steenkamp, 2007, Sayman and Raju, 2004, Scott-Morton and Zettelmeyer, 2004, Raju et al., 1995). With the introduction and success of premium own labels, there is a need to assess the extent to which empirical generalisations gotten from literature on standard own label brands can be applied to premium own labels.

The introduction of premium own labels has resulted in a change in the competitive environment (Gielens, 2012, Toops, 2012). Prior to the introduction of the premium category, retailers only considered the possible reaction of national brand manufacturers when thinking of adding to their own label range (González-Benito and Martos-Partal, 2012). However since the successful introduction of standard own labels which are offered on almost all categories (IRI, 2009) and which have reached considerable penetration in most of them (Ailawadi et al., 2008), retailers now need to think of the possible cannibalization effect of the introduction of a premium tier to their product range. The danger posed to standard own labels when premium own labels are introduced, was discovered when Sainsbury and Asda introduced a premium segment to their own label offering

within the canned soup and cornflakes market. The introduction of the premium category led to a fall in sales of these retailers' standard own label brands (Geyskens et al., 2010a).

The introduction of premium own labels has resulted in a change in the value proposition of own labels and national brands. Previously, there used to be a difference in the value proposition of both brands, with standard own labels being regarded as imitations of national brands (Geyskens et al., 2010a) with price ranging between 20 & 30% below national brand prices (Steenkamp et al., 2010). The introduction of premium own labels has however enabled retailers target the top end of the market with products whose quality is perceived as being equivalent to that of top quality national brands (Geyskens et al., 2010a).

The prices of premium own labels are also similar and sometimes higher than the prices of top quality national brands (Pauwels and Srinivasan, 2009). As a result for premium own label brands, using product quality as a differentiating factor between themselves and national brands may not be as effective as it would be for standard own labels (Sethuraman and Raju, 2012). Finally, while standard own labels are usually regarded as brands targeted by price sensitive consumers, this may not be the case for premium own labels due to the fact that the high quality premium own labels are used by retailers as differentiators which would help build customer loyalty (Sethuraman, 2009).

Despite the fact that the emergence and growth in importance of the premium sector was recognised in the late eighties (Quelch, 1987), and in spite of the increasing popularity of premium food brands, research into consumer demand and preference for these brands is negligible. To date, literature on food brand choice have focused on the effects of the introduction of own-label brands on manufacturer brands (Chen et al., 2010, Gómez and Rubio Benito, 2008, Amrouche

and Zaccour, 2007, Oubiña et al., 2006, Corsten and Kumar, 2005, Scott-Morton and Zettelmeyer, 2004).

Other studies have examined factors influencing the introduction of own label brands (Meza and Sudhir, 2010, Pauwels and Srinivasan, 2009, Sethuraman, 2008, Choi and Coughlan, 2006, Ailawadi and Harlam, 2004, Bonfrer and Chintagunta, 2004, Batra and Sinha, 2000, Corstjens and Lal, 2000). In an attempt to gain a better understanding of the factors influencing the successful penetration of own label brands, researchers have attempted to build profiles of the own label shopper (Mihic and Čulina, 2006, Szymanski and Busch, 1987, Murphy, 1978, Coe, 1971, Frank and Boyd, 1965)

Thus although several studies have examined drivers of standard own label success, to the best of the researcher's knowledge, there is negligible studies on drivers influencing the success of premium own-label brands. Furthermore, as stated earlier, it is unclear as to the extent that empirical generalisations that were derived from the literature on food brand choice can be applied in the context of premium own label brands. This study therefore investigates whether there is a typical **premium own label food brand buyer**. It also **compares premium food brand choice variables with those of national brands**.

### **1.3 Research aim**

Much of the previous research on own label brands has focused on

- Reaction of national brands to own label brands (Cotterill and Putsis, 2000, Hoch, 1996, Quelch and Harding, 1996)
- The price gap that exist between national and own label brands (Heath et al., 2000)
- Factors influencing the introduction of own label brands (Raju et al., 1995)

- Factors determining the variation in own label market share amongst retailers (Dhar and Hoch, 1997)
- The appeal of own label brands (Dunne and Narasimhan, 1999)
- Retailer brands convincing consumers of their high quality (De Wulf et al., 2005)

Despite increasing popularity of premium brands, little attention has been paid to identifying drivers of premium own label brand purchase. This thus makes it interesting to research how consumers perceive premium own label brands and whether drivers of premium own label brands are similar to those of national brands.

As a consequence the aims of this thesis are twofold

- a. Investigate whether there is a typical premium own label food brand buyer.**
- b. Investigate whether the drivers of premium own label food brands are similar to those of national brands.**

## **1.4 Objectives of the study**

In order to achieve the aim of this study, the following objectives need to be met

- To provide evidence which demonstrates the characteristics of the premium own label consumer
- Analyse whether differences exist in the demographic characteristics of the premium own label and national brand shopper
- To empirically compare evaluation criteria for premium own label and national food brands

## **1.5 Methodological approach**

Given the stated purpose of this study, it is appropriate to employ quantitative research methods as this would enable consumer demographic profiling as well as make it possible to obtain attitudinal data. The drivers of brand choice were examined through the collection of quantitative data by questionnaire. The use of questionnaire for data collection is in line with previous studies (Lybeck et al., 2006, Veloutsou et al., 2004, DeIVecchio, 2001, Yelkur, 2000, Baltas, 1997, Prendergast and Marr, 1997, Dick et al., 1995)

## **1.6 Significance of the study**

This is the first comparative study of choice criteria for premium own labels and national food brands. The possible outcomes are to provide evidence which demonstrates the model of choice criteria for premium own label brands. The findings of the study will be useful for retailers in developing their marketing strategies in view of the fact that retailers are increasing their premium brand range

## **1.7 Structure of the study**

This thesis is made up of six chapters. Chapter one is the preliminary chapter which provides the background to the research, the objectives and aims of the study, a brief research methodology overview, and the contribution of the study

Chapters two and three aimed to integrate relevant contributions from literatures on decision strategies and own label food brands towards the measurement of choice determinants for national and premium own label food brands.

Chapter four detailed the research methodology design and research procedures. It discussed details of questionnaire development and the survey.

Chapter five discussed the statistical procedures of the SPSS programme used in the study and details of the results of the data collected. A descriptive statistic on the demographics of the respondents was followed by an analysis of the data to answer each research question.

Chapter six provided conclusions from the findings of the study based on the research questions and hypotheses. In addition, the chapter discussed the contributions and limitations of the study, while giving recommendations for future research.

## **1.8 Summary**

This study is designed to compare the choice determinants of national brands and premium own label food brands. In addition, the study aims to examine whether empirical generalisations on factors influencing own label brands can be applied to premium own label brands. It is believed that this is the first study to attempt a comparative analysis of national and premium own label food brands. The next chapter will review the literature on decision strategies to provide an understanding of how consumers make purchase decisions.

## **Chapter two**

### **Decision strategies**

#### **2.1 Introduction**

In order to gain an understanding of the internal motivations influencing consumer purchase decisions, this chapter will examine three key areas:- decision making theory and the role information plays in the decision process. This will be followed by an examination of the factors that impel consumer choice as well as the attributes that act as influencers which ultimately enable purchase decisions. Finally there will be a discussion on the importance of the brand and the resulting equity that contributes to the consumer's choice to purchase.

#### **2.2 Decision making theories**

Decisions cannot be made without the perception of a need that must be met (Solomon et al., 2010). Normative models of decision making explain that prior to making a choice between competing brands, consumers initially collect as much information as possible about an assortment of brands, evaluate these brands before making a choice of which one will maximise the value of the decision made (Hawkins et al., 2004). The normative model (also known as the value-maximisation theory) has however been criticised for being too broad whilst ignoring the limitations of consumers (Simonson et al., 2001, Moorthy et al., 1997).

Attempts to address the pitfalls of the value-maximisation theory led to the development of the bounded rationality model (Glöckner, 2008), which was developed on the assumption that consumers cannot process all information they are exposed to and as such only process selective information, conduct selective search for alternatives and stop the search process once an appropriate solution is achieved (Glöckner, 2008, Simon, 1985).

Like any model, the bounded rationality model has its criticisms which included the fact that there is not an explanation of how information is collected. This omission is very critical because the method used to obtain information would affect choice strategy, since the complexity of the task would have a bearing on decision strategy employed. Furthermore, by restricting selection, the consumer would compromise the random nature of information search, which would in turn compromise decision choice (Grüne-Yanoff, 2007, Johnson and Payne, 1985). Despite the development of other theories explaining the choice process, the value/maximisation model is still intact.

Traditional economic theory of consumer behaviour has always been based on the assumption that the consumer is a rational being capable of taking decisions. Consumers are thus regarded as rational individuals who use cost/benefit analysis to implement choice strategies whose outcome will be to their advantage (Moorthy et al., 1997). It has further been suggested that when making decisions, consumers use their “utility function” to rank alternatives, thus ensuring that the product selected will be the one with the highest utility (Dibb et al., 2006, Hawkins et al., 2004, Simon, 1975).

Irrespective of the level of consumer rationality, their choice decisions are guided by two main rules – compensatory and non-compensatory choice rules (Hauser et al., 2009, Hawkins et al., 2004). These rules have three main differentiating characteristics – commensurability across attributes, form of processing (inter-dimensional versus intra-dimensional) and the level of attractiveness

Compensatory choice rules make it possible for consumers to evaluate brands based on relevance and the level of importance of evaluative attributes. This decision rule allows for a negative evaluation or performance on a particular attribute to be compensated for by a positive evaluation on another attribute (Schiffman and Kanuk, 2004). Thus the commensurability requirement of

compensatory decision rules allows for a trade-off of attribute values of one over another.

Non-compensatory choice rules on the other hand does not compensate for a negative evaluation of the same brand on some other attribute (Schiffman and Kanuk, 2004). It therefore does not require either commensurability or attribute trade-offs. There are however three types of non-compensatory decision rules. They are conjunctive decision rule, disjunctive rule, and lexicographic decision rule.

The conjunctive decision rule, allows the consumer establish a separate, minimally acceptable level as a cut-off point for each attribute. If any particular brand falls below the cut-off point in any attribute, the brand is eliminated from further consideration. The conjunctive rule is useful in quickly reducing the number of alternatives to be considered (Hawkins et al., 2004, Schiffman and Kanuk, 2004).

The disjunctive rule is similar to the conjunctive rule. Just as in the conjunctive rule, the consumer establishes a separate, minimally acceptable cut off level for each attribute, if a brand alternative meets or exceeds the cut off established for any one attribute, it is accepted. A number of brands might then exceed the cut-off point, producing a situation in which another decision rule is required. When this, however occurs the consumer may accept the first satisfactory brand as the finale choice or apply some other decision rule (Hawkins et al., 2004, Schiffman and Kanuk, 2004).

The lexicographic decision rule, gives the consumer the opportunity to initially rank attributes according to perceived relevance or importance. This is followed by a comparison of the different brand alternatives in terms of a single attribute that is considered most important. Any brand that has a high score of the most important

attribute is selected thus ending the process (Hawkins et al., 2004, Schiffman and Kanuk, 2004).

### **2.3 Information search strategies**

Once a need has been established, consumers will begin a search for information which will help them in selecting a product. cumulatively Consumers process product information by attributes, brands, comparison between brands or a combination of all three factors. Attempts to explain consumer information search strategies initially led to decision theorists adopting the economists' rational choice theory to studying consumer decision making. This approach is based on the assumption that the decision-maker is a rational being with well defined preferences. These preferences are further assumed to be independent of each other and the method used to extract them. The alternatives in the choice set are also assumed to have a utility value which the consumer is capable of calculating. As a rational person, the consumer thus chooses the alternative that gives maximum utility (Solomon et al., 2010).

The rational choice theory has however been criticised as being incapable of enabling an understanding of the ways in which consumers actually make decisions. The criticisms of the rational choice approach led to the development of the bounded rationality and limited processing capacity theory which is based on the assumption that the consumer has limitations on their capacity to process information (Glöckner, 2008, Simon, 1955). They thus have limited working memory and computational abilities. It is further claimed that decision makers are characterised by perceptions which are attuned to changes rather than absolute magnitudes and diminishing sensitivity to changes to stimuli (Green, 2002, Tversky and Kahneman, 1991).

The bounded rationality and limited processing capacity theory are consistent with the growing beliefs among decision researchers that

consumers usually develop preferences during the decision process rather than having pre-existing preferences (Solomon et al., 2008, Payne et al., 1992, Tversky et al., 1988, Bettman, 1979). “people often do not have well-defined preferences; instead, they may construct them on the spot when needed, such as when they must make a choice” (Bettman et al., 1998). It is thus claimed that in forming preferences, consumers come up with their set of values, rather than depending on values already stored in their system (Hawkins et al., 2004, Blackwell et al., 2001, Gregory et al., 1993).

Constructive preference theorists claim that consumer decisions are not based on a simple referral to a master list of preferences based in the memory. Neither are preferences generated through the use of algorithm like the weighted adding model (Blume et al., 2009, Tversky et al., 1988). Furthermore consumers do not apply a single approach to problem solving. They rather use a variety of approaches which are developed on the spot, by structuring or restructuring available information (Blume et al., 2009, Coupey, 1994). This makes preferences highly context dependent, with the possibility of processing approaches changing as consumers learn more about problem structure whilst decisions are being made (Blume et al., 2009, Bettman et al., 1998).

It must be noted however that there are instances when consumer choices are not constructed but rather are based on firm stable preferences. In which case the consumer would simply retrieve previously formed evaluations from their memory and select the option with the highest evaluations (affect referral) (Brassington and Pettitt, 2006, Wright, 1975). Furthermore, consumer choices are not only based on the ability to evaluate alternatives, but are dependent on the buying situation, the type of product bought, and the social context in which the product will be used (Neal et al., 2007, Jobber, 2007, Brassington and Pettitt, 2006).

## **2.4 Decision strategies**

Consumer choice strategies are characterised by the amount of information processed, the selectivity in information processing, the pattern of processing i.e. either through alternative (brands) or by attributes, and whether the strategy adopted is compensatory or non-compensatory.

There is usually a variation in the amount of information processed before decisions are made. The level of variation will usually be dictated by the purchase situation. Thus for first time purchases, where the risk of a wrong purchase is high (the first time purchase of a car), there may be a detailed consideration of much information available about each car being considered. This type of information processing is similar to that used in rational choice models. If the car purchase is a repeat purchase on the other hand, then there is a possibility that only a cursory consideration of a limited set of information will be done (Jobber, 2007, Bettman et al., 1998).

The amount of information processed for each attribute could differ (selective processing) or be the same (consistent processing). Thus in deciding to buy the car, if the consumer believes that safety is the most important attribute for the car, a choice could be made based on the most important attribute. The choice process would therefore involve highly selective processing of attribute information (due to the fact that the amount of information considered would differ across attributes), but consistent processing of alternative brand information (as one piece of information is considered for each car).

The possession of limited working memory capacity ensures selective attention to information. Thus the more selective consumers are in processing information, the higher the probability that their decisions may be influenced by some irrelevant information.

Information may be processed by alternatives. Here multiple attributes of a single alternative are processed before another alternative is considered. Alternatively, values of several alternatives of a single attribute will be examined before information on another attribute is considered. Thus consumers could engage in attribute processing by assessing the price of different cars before making a choice. Alternatively the consumer could examine the reliability, price, safety and horsepower of a car in order to have an overall perception of the car. Most standard models of decision-making (weighed adding) assume alternative based processing despite the fact that attribute based processing is easier (Hansen, 2005, Lancaster and Reynolds, 2002).

An important distinction among strategies is the extent to which they are compensatory. A compensatory strategy is one in which a good value on one attribute can compensate for a low value on another. It thus requires trade-offs among attributes (Solomon et al., 2010, Engel et al., 1995). Trade-offs are necessary for high quality rational decision making (Blackwell et al., 2001, Frisch and Clemen, 1994). With the non-compensatory strategy on the other hand, a good value on one attribute cannot compensate for a low value on another attribute (Hawkins et al., 2001).

In order to make a product choice, consumers can use one of many decision strategies. These strategies include the weighed adding strategy, which is based on the assumption that the consumer is capable of assessing the importance of each attribute, and assigning a subjective value to them, making it possible to choose the alternative with the highest value (Hawkins et al., 2004, Lau, 1995). This strategy is thus characterised by extensive, consistent alternative-based and compensatory processing. It is believed to be more normatively accurate than heuristics (Hawkins et al., 2004, Frisch and Clemen, 1994). Despite its advantages, the weighed adding strategy places a

high level of strain on the consumer's working memory and computational capabilities.

The lexicographic strategy allows consumers choose the alternative with the best value. The strategy involves limited attributed-based non-compensatory processing that is selective across attributes and consistent across alternatives. Satisficing decision strategy is a classic strategy (Solomon et al., 2010, Simon, 1955) where alternatives are considered one after another in the order in which they occur in the choice set (Hawkins et al., 2004, Bettman et al., 1998, Solomon et al., 2010). The value of each attribute for the option under consideration is assessed for meeting the pre-determined cut-off level for that particular attribute. Once a product attributes fails to meet required cut-off, it is rejected and another alternative will be assessed. If none of the products in the consideration set meets the required cut-off level, there will be a relaxation of cut-offs whilst the process is repeated. Satisficing decision strategy is alternative based, selective and non-compensatory. Extent of processing will be dependent on cut-off values and attribute options (Solomon et al., 2010, Simon, 1955). Elimination-by-aspects (EBA) combines elements of both the lexicographic and satisficing strategies. EBA eliminates options that do not meet a minimum cut-off value for the most important attribute. This elimination process is repeated for the second most important attribute, with processing continuing until a single option remains (Solomon et al., 2010, Tversky, 1972). EBA is attribute-based, non-compensatory and the extensiveness and selectivity of processing will vary depending on the exact pattern of elimination of options.

Majority of confirming dimensions strategy allows alternatives to be processed in pairs, with the values of the pairs (Solomon et al., 2010, Russo and Doshier, 1983). The values of the two alternatives are compared on each attribute and the alternative with a majority of the better attribute values is retained. The retained option is compared to the next alternative in the choice set and the process of pair-wise

comparison is continued until all alternatives in the set are evaluated and only one option remains. With majority of confirming dimensions strategy, processing is extensive, consistent, attribute based and compensatory.

When making choice decisions, consumers usually use a combination of strategies. Most often, consumers go through an initial phase which allows for the elimination of some alternatives and a second phase which makes it possible for the remaining alternatives to be analysed in more detail (Solomon et al., 2010, Hawkins et al., 2004, Payne, 1976).

## **2.5 Consumer choice through decision making**

In order to address the question of what drives consumer choice and which attributes from these drivers influence purchase, it is necessary to have a discussion on the models that support the underlying drivers to consumer choice as well as the attributes that act as influencers to enable purchase decisions. It is hoped that this section will make it possible to understand the manner in which consumers approach the concept of decision making as well as the internal processes and tools used to arrive at a particular decision.

Choice has always been a double-edged sword. When not faced with it one feels mandated to make one. When faced with it in its entirety, it engulfs the chooser. A delicate balance needs to be achieved between the extreme feelings generated by choice, whereby the decision maker believes that his/her resources has been judiciously allocated towards the generation of a high quality decision. With regards to consumer choice, it must be noted that the process used by individuals in ensuring that the best decision has been made is driven by the individual, though the methodology used is similar to all, there is however uniqueness in deployment.

## **2.5.1 Drivers to choice**

The most important question for marketing academics is “what drives a consumer to choose one product or brand over another”? What are the variables, alternatives as well as factors that compel the decision? The simplest answer to these questions is human behaviour. The manner in which individuals process information and make choices around the selection and consumption of products helps answer the question of what propels actions taken. In an attempt at explaining the way consumers adapt and cope with decisions made, Engel et al., (1983) developed a model of consumer decision making which emphasised decision making as a problem solving process achieved by evaluating alternatives in order to make a choice.

### **2.5.1.1 The Engel Model**

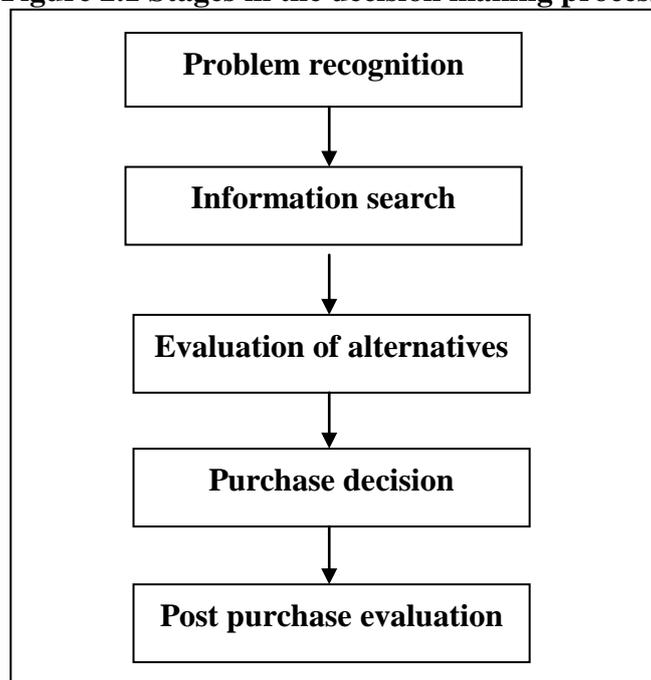
The Engel model portrays the decision making process as a problem solving exercise, through which the purchase of a product will resolve the initial problem. The Engel model depicts the decision making process as consisting of six stages namely problem definition; generation of alternatives; evaluate alternatives; decide on solution and evaluate the purchase.

In order to complete the stages in the decision-making process, the consumer would be motivated through the recognition of a need to define the problem in the first stage. Once the need has been identified, the consumer would conduct an information search which would lead to the generation of alternative solutions. Once alternatives are generated the consumer would go through the evaluation stage where the consumer would use some decision rules and strategies depending on the amount of information collected and the limitations of the consumer’s processing ability to arrive at a decision (Solomon et al., 2010, Hawkins et al., 2004, Rice, 1997).

The Engel model is used to explain and predict human behaviour and its relationship to decision-making. The model's main emphasis is the consumer's ability to make decisions by rationally evaluating alternatives and choosing the best of the alternatives

There is an acceptance amongst researcher that consumers possess a repertoire of strategies which are utilised when attempting to choose between brands (Solomon et al., 2010, Hawkins et al., 2004). Consumers usually evaluate the effort required to make a particular choice, and then choose a strategy best suited to the level of effort (Solomon et al., 2010). There has been studies on what and how grocery consumers use as evaluative criteria when faced with purchase decisions (Chaniotakis et al., 2010, Veloutsou et al., 2004, Omar, 1999, Prendergast and Marr, 1997) and all are agreed that there are five stages in the consumer decision making process (Solomon et al., 2010, Armstrong et al., 2009, Gómez and Fernández, 2009, Baker, 2006) as shown in figure 2.4 below

**Figure 2.1 Stages in the decision making process**



Problem recognition stage – the buying process starts when the consumer recognises that a need has to be fulfilled. The need

recognition stage can be internally or externally generated. Need recognition can be functional and take place due to routine depletion (food) or unpredictability (e.g. breakdown of an appliance). There are however situations where need recognition is triggered by emotional or psychological needs (the purchase of Duchy of Cornwall biscuits is likely to be motivated by psychological needs rather than by any marginal functional superiority over other biscuits).

Information search – this is the second stage in the decision buying process. Information search may be internal or external. Internal search usually involves the review of information stored in the consumer's memory. The review could result in the consumer coming up with a potential solution to the problem, methods of comparing solutions, reference to personal experiences, and marketing communications. If the consumer is unable to get a satisfactory solution from the internal search, then an external search would commence. External search could involve personal sources such as friends and family, commercial sources such as advertisements, third party reports such as *which?* And personal experiences may be sought such as tasting the product (if stores are offering the product as tasters as part of promotional activities). The main objective of the information search stage is for the consumer to build up an awareness set – the assortment of brands that may provide a solution to the problem.

Evaluation of alternatives: the first step a consumer takes when evaluating alternatives is reducing the awareness set to a smaller group of options which will be considered more seriously. The extent to which a consumer evaluates a brand is dependent on their level of involvement. Consumer involvement is the degree of perceived relevance and personal importance accompanying the brand choice (Blackwell et al., 2001). When a purchase is highly involving, the consumer would most likely conduct an extensive evaluation of the alternatives. With low involvement situations, consumers use choice

tactics to cut down on time and effort rather than maximise the consequences of the purchase (Jobber, 2007, Elliott and Hamilton, 1991). Thus when purchasing breakfast cereals consumers would make quick choices rather than agonise over the decision. However, when purchasing groceries for important social events where the risk of failure is high, consumers would agonize over the decision (Brassington and Pettitt, 2006)

Purchase decision occurs as a natural outcome of the evaluation stage. If a brand within the consideration set is regarded as the most superior, due to it out performing the others on all important criteria, then that brand would be chosen. If the choice is more difficult to make, then the consumer could prioritise the criteria further and the choice could be made on the bases of price, convenience or any other criteria which is considered as the deal breaker.

Post purchase evaluation – irrespective of the choice made, there is always the possibility that consumers would have concerns after buying the product. These concerns arise because of the uncertainty surrounding the making of right decision (Jobber, 2007). It must be noted that the choice of one product often means the rejection of the attractive features of the alternatives. The result of purchase evaluation is dependent on many factors such as consumer brand perception and the relationships consumers have with the brand.

## **2.6 Summary**

Before purchasing any product or brand, consumers consciously or unconsciously evaluate available alternatives. Evaluation of alternatives help in clarifying available options to ensure final decision made will give maximum satisfaction. This chapter has reviewed theories explaining strategies employed in the decision making process. Irrespective of the decision strategies employed, purchase will only be made after careful evaluation of all alternatives.

# **Chapter 3**

## **Own label food brands**

### **3.1 Introduction**

Following chapter two which reviewed consumer decision making strategies, this chapter reviews literature on own label food brands. The increasing significance of own label brands within the food retail sector, has led to the necessity to address issues such as the importance of brands in food retailing and consumer perception of own label brands. In addition to addressing this question, this chapter will identify the gap in existing knowledge and develop a theoretical model.

### **3.2 Overview of branding**

The American Marketing Association (1960) has given the definition of a brand as “a name, term, sign, symbol or design or a combination of them intended to identify the goods or services of one seller or group of sellers to differentiate them from those of competitors (Kotler and Armstrong, 2008).

The branding of products has been in existence since ancient times when Greek, Egyptian, Roman and Chinese merchants used pictures to communicate with customers who could not read. During this period hot irons were also used to permanently mark animals in order to enable farmers identify their stocks (Marc De Swaan, 2011, Moore and Reid, 2008). for more than a hundred years (Feldwick, 1996).

Brands in the modern sense was developed between the mid to late 1800s in the USA when the emergence of a literate middle class with the means to buy products by choice rather than necessity, and the introduction of mass media led to the development of media-assisted advertising and merchandising (Moore and Reid, 2008). By the 1920s,

society had completed its evolution from a culture of need to a culture of desire (Marc De Swaan, 2011)

Prior to the 1800s, manufacturer names were practically unknown to customers who bought their products. The need to give products distinctive and memorable packaging became clear with the ability to reach out to mass audiences. It has been claimed that tobacco companies were amongst the first to use brand names, by burning the manufacturer's name or symbol on wooden boxes used to ship their products (Moore and Reid, 2008, Low and Fullerton, 1994)

The period between the end of the Second World War and the mid 1950s can be regarded as the beginning of modern branding. During this period, there was a manufacturing boom in the west, with factories which were previously set up in order to produce military equipment being converted to make products. The resulting increase in product range and competition meant that manufacturers needed to distinguish themselves from their competitors in order to increase sales. This led to the development of the unique selling position (USP). Characters and symbols which were previously used as illustrations on packets started being used as the face of the brand with their own story and mythology (Marc De Swaan, 2011, Moore and Reid, 2008).

The earlier definition of branding, which was product oriented and emphasised visual features as a differentiating mechanism, was fit for purpose up to the end of the 1980s. Changes that are taking place in market conditions since the 1990s, has resulted in a shift from the product focus to the brand focus (El-Amir and Burt, 2010), with academics developing a more holistic approach which focuses on the brand itself rather than the product (Wood, 2000). This approach has resulted in the brand being defined as "the promise of the bundles of attributes that someone buys and provides satisfaction ... the attributes that make up a brand may be real, illusory, rational or emotional, tangible or intangible (Amber, 1992).

The holistic approach emphasizes brands as images in the consumer's mind (Keller, 2003a), brand personality (Aaker, 1996b, Goodyear, 1993), brands as value systems (Sheth et al., 1991) and brands as added value (De Chernatony and McDonald, 2003, Doyle, 1994). The brand is thus regarded as being capable of satisfying the consumer's functional and emotional needs.

### **3.3 Importance of brands**

Through their roles as product differentiators, brands have played important roles in attempts by businesses to gain competitive advantage within an increasingly harsh business environment. Aaker (2003) explained the roles played by brands as follows

- The existence of a brand can add credibility to claims made on its behalf
- The brand name makes it easier for consumers to remember the differentiator and enables the provision of a link to the parent or master brand
- Brands enable efficient and effective communication
- Actively managed brands provide sustainable competitive advantage by acting as differentiators.

The brand has been described as one of the most fundamental competitive attributes a product can have (Aaker, 2003, Keller, 2000). Recognition of the power of the brand as a source of competitive advantage has resulted in organisations (including supermarkets) investing resources in building their own labels, even though as in all investments, the possibility of failure will always be there. As part of their brand building strategies, the growth retailer advertising exceeded that of national brands during the 70's until the early 80's (Burt and Davis, 1999)

As noted earlier, the brand is one of the most important tools organisations use in gaining competitive advantage. It is thus not surprising that successful brands play a variety of roles for brand owners and consumers. Strong brands are significant to organisations as they help increase profitability through increases in sales volume. Thus it has been noted that consumers prefer brands because they offer added-value over and above commodities (King, 1970). Thus when consumers recognise relevant added value, they will be willing to pay a premium price (Sethuraman, 2000). This willingness by consumers to pay premium price for brand value can be seen as an explanation as to the reasons why organisations make brand building a priority. It can be argued that nothing can be gained in firms refusing to embrace the brand building process, as the brand also acts as a barrier against competitors.

It is generally accepted that the brand is important to consumers because it helps them save time when products need to be chosen. The brand also offers consumers additional value above and beyond simple product functions (Keller, 2008). Thus consumers gain prestige, trust, self-esteem and excitement through their actions of searching for a brand, buying a branded product, using the product, maintaining experience of searching, buying and using the bought brand. In spite of the advantages gained in using and buying a branded product, there are negativities to the use of brands. These include consumer uneasiness as to the payment of the appropriate monetary value for the brand. Thus while brands have positive impacts on consumers, there are also negative aspects to the use of brands.

### **3.4 Types of food brands**

Grocery retailers only stock two main types of brands, namely manufacturer brands also known as national brands and retailer own label brands.

### **3.4.1 National brands**

National brands (also known as manufacturer brands) are brands created by producers and given their chosen brand names (Kotler et al., 2005). These brands are sold at higher prices because consumers assume that as established brands, they are of better quality when compared to other less established brands (Walsh et al., 2012, Méndez et al., 2008). Thus consumers use the brand name as their signal of quality (Woodside and Ozcan, 2009) with an acceptance of the higher prices based on the believe that quality products should command such prices (De Mortanges and Van Riel, 2003).

Researchers have also confirmed perceived product quality as one of the main drivers of consumers purchase intention towards national brands (Binninger, 2008, Chen et al., 2007, Veloutsou et al., 2004, Semeijn et al., 2004, Miranda and Joshi, 2003, Sethuraman, 2003). Despite these findings, the assertion that national brands are of better quality compared to other brands is now increasingly challenged (ACNielsen, 2005), with the expansion of and improvements made to own-label brands, consumers no longer see them as being inferior to national brands (Lamey et al., 2007, Burt, 2000). Although lots of literature exist to explain consumer decisions with regards to their desire to purchase own-label brands, much cannot be found explaining the drivers of national brand choice. This lack of literature can be attributed to the fact that there is an underlying assumption that when consumers wish to purchase high quality brands, they would invariably buy national brands.

Furthermore, it should be noted that previous studies on consumer purchase intentions towards national brands focused on the symbolic and psychological benefits of the brand (Edson and Bettman, 2003, Supphellen and Gronhaug, 2003). The promise of higher quality has historically been associated with national brands, while own-label brands are usually associated giving with value-for-money (Walsh et

al., 2012, Verhoef et al., 2002). As a result of conventional wisdom, which claimed that successful brands earned credibility and a favourable reputation through their quality provision (Erdem, 1998), national brand manufacturers were for many years capable of producing brands which they supported with aggressive marketing and availability.

Recent studies have however shown that with the introduction of own-label premium brands (Darke, 2004, Garretson et al., 2002), consumers are becoming more wary about the true value of national brands (ACNielsen, 2008). The continued improvements in own-label brand innovations, (Ngobo, 2011), and consumer quality perception (Chaniotakis et al., 2010) has resulted in consumers increasingly switching to own-label brands at the expense of national brands (Zimmerman et al., 2007). As a result of these changes, this study will assess the motives behind consumer purchase intentions towards national and premium own-label brands.

### **3.4.2 Own-label brands**

Although widely researched and discussed, there is not a consensus definition that clarifies retailer products (Jonas and Roosen, 2005). Different authors have variously referred to these brands as “private label/brands/products”, “own label brands”, “retail brands” and “store brands”. These terms have been used interchangeably when discussing retailer products. The earliest definition of own-label brands can be credited to Morris (1979) who defined own-label brands as "products produced by or on behalf of distributors and sold under the distributor's own name or trade mark through the distributor's own outlets".

Although the above definition has taken the three main factors - process of production, labelling and availability - involved in the early development of own-label brands into consideration, it however failed to show that one of the main functions of own-label brands was to act

as a differentiator. Given the fact that the American Marketing Association has explained that "a brand identifies the goods and services of a seller and **differentiates** them from those of competitors" (Burt, 2000). Thus it can be argued that the early definition of own-labels as proffered by Morris (1979) is an inadequate definition of the term own-label brands because of its failure to capture the differentiating role of own-label brands. This failure by Morris (1979) can be attributed not to an oversight on the part of the author but rather to the fact that the first generation of own-label brands were not meant to be product differentiators. It can thus be concluded that own-label brands did not serve as true brands until the introduction of later generations of own-label brands (Huang and Huddleston, 2009, Burt, 2000)

There is an agreement amongst researchers that over the last two decades, there has been an evolutionary sequence of improvements to retailer own label brands from the low-priced low-quality products which were regarded as poor substitutes for manufacturer brands, to the high-priced high-quality premium products that reflect the personality of the stores (Burt and Davis, 1999, Choi and Coughlan, 2006, Davies et al., 1986) and compete directly with national brands (Huang and Huddleston, 2009).

### **3.4.2.1 Importance of own label brands**

The continued success of own label brands has resulted in academics examining the positive and negative effects of own label brands on grocery retailing. Attention has been paid to the factors influencing the introduction and success of own label brands (Choi and Coughlan, 2006, Richardson et al., 1996b, Raju et al., 1995, Bhasin et al., 1995, Hoch and Banerji, 1993). In their analysis of the importance of own label brands, Bhasin et al. (1995) noted that the significance of own label brands are centred around twelve main functions as summarised

in table 3.1 below. These functions can be further classified according to their effects on the consumer, retailer and manufacturer.

**Table 3.1 - Functions of own label brands**

<b>View point</b>	<b>Own label brand role</b>
Consumer	<ul style="list-style-type: none"> <li>• Gives value for money</li> <li>• Reduces risk of stock out</li> <li>• Improves shopping experience by ensuring variety of brand assortment and prices</li> <li>• Helps save shopping time</li> </ul>
Retailer	<ul style="list-style-type: none"> <li>• Helps build customer loyalty and store differentiation</li> <li>• Helps improve retailer gross margin</li> <li>• Supplements product assortment</li> <li>• Helps improve store image</li> <li>• Allows superior negotiating position with suppliers</li> <li>• Protects against stock out</li> </ul>
National brand manufacturer	<ul style="list-style-type: none"> <li>• Enhance new product development</li> <li>•</li> </ul>

### **3.4.2.2 Consumer perspective**

The introduction of own label brands provide consumers with the opportunity to boost their sensory experiences of sight, taste, touch and scent of grocery products (Brunsø et al., 2004). Although the sale of own label brands is done at the expense of national brands, the addition of own label brands to product categories however increases assortment and enable consumers have new experiences beyond those provided by national brand manufacturers.

In addition to this, studies have shown that one of the most important reasons why consumers buy own label brands is the price difference between own label and national brands (Bontemps et al., 2005, Scott-Morton and Zettelmeyer, 2004, Ward et al., 2002, Cunningham et al., 1982). Thus enabling retailers promote themselves as giving good value for money (Davies et al., 1986, McGoldrick, 1984). Finally, own label brands provide a competitive alternative to national brands

(Dick et al., 1996). The successful use of price as a significant competitive promotional factor has been discussed extensively by researchers (Anselmsson et al., 2008, Pauwels and Srinivasan, 2004, Cotterill and Putsis, 2000).

### 3.4.2.3 Retailer perspective

It can be argued that of all beneficiaries, retailers are the ones who have gained the most from the introduction of own label brands. Studies on the impact of own label brands usually focus on the higher gross margin contributions to retailer profits. The importance of higher gross profits was backed up by a 2002 study conducted in several European countries (table 3.1). Although the 2002 study showed that retailers introduced own label brands because of higher margins, the question needs to be asked if own label brands really give higher margins.

**Table 3.2: Main objectives for carrying own label brands**

Most important objectives	UK %	France %	Germany %	Spain %	Switzerland %	Total %
Better margins	90	90	86	83	62	82
Lower price competitors to A-brands	83	36	91	83	78	68
Improves retailer competitiveness	79	51	82	50	78	65
Image-building	74	64	55	67	44	62

Source: McGoldrick (2002)

Authors, who support the higher profit margin argument are of the opinion that it is possible for retailers to achieve higher profit margins with their own labels than with national brands. This line of reasoning is based on the believe that consumers are finding it more difficult to make price comparisons between own labels and national brands due to the difficulty in discerning the differences in the quality of both brands. This has resulted in more consumers opting for own labels as opposed to national brands thus increasing sales and gross profits of own labels (Bhasin et al., 1995).

Others have however argued that own label brands can actually contribute negatively towards gross profits (Ailawadi and Harlam, 2004, Raju et al., 1995). Researchers who argue that introducing own label brands to food retailing can lead to a negative contribution to gross profit explain that increasing own label category brands without taking maintenance of national brands into consideration, may force some national brand manufacturers to stay away from retailers whose terms of trade (prices and trading agreements) are unfavourable (Narasimhan and Wilcox, 1998). Furthermore, according to Ailawadi and Harlam (2004), the actual profits made from sales of own label brands is actually smaller than that made from selling national brands . Although retailers in the UK are actively supporting their own brands, Safeway and Kroger in the USA had to change their own label brand strategies into withdrawal in some product categories because of low profit margins (Salmon and Cmar, 1987)

It is widely accepted and recognised that own label brands help generate customer loyalty. Own label brands by their very nature are only available in the retailer's store and not stocked by competitors. Consumers who have positive first-hand experiences with own label brands, will always revisit the retailer in order to purchase the same product. It has been proven that a positive buying and consumption experience can change future buying behaviour (De Wulf et al., 2005, Dick et al., 1996, Bhasin et al., 1995). Contrasting the customer loyalty argument, is the discovery that when own label brand prone consumers switched support to a different retailer, they also switch to the new retailer's brand. (Rao, 1969).

The introduction of own label brands further enables retailers use their brands as a bargaining counter when negotiating with suppliers. Prior to the introduction and consumer acceptance of own label brands, retailers' bargaining positions were relatively weak. Most terms of trade e.g. buying prices, order units and lead times were suggested by national brand manufacturers and accepted by retailers without

negotiations. The more powerful the national brand, the is weaker the position of the retailer. The introduction and acceptance of own label brands enabled retailers use their brands as negotiating tools which offset the tyranny of large suppliers (Bhasin et al., 1995). As retailer brands are becoming more and more acceptable to consumers, they have become more of a threat to national brand manufacturers (Sayman et al., 2002, Hoch, 1996).

Finally, academics have extensively examined the relationship store image and its relationship to the introduction of own label brands. (Vahie and Paswan, 2006, Sudhir and Talukdar, 2004, Semeijn et al., 2004, Ailawadi et al., 2001, Baltas, 1999). It is accepted that the sale of own label brands at prices lower than national brands, portrays a lower-priced image of the retailer in the minds of consumers (Narasimhan and Wilcox, 1998). A low-price image is a very strong strategy which can be used to persuade potential customers to visit a store as well as retain existing customers.

Studies have shown that own label brands are about 30 percent cheaper than national brands, in spite of the fact that national brand manufacturers promote their products with discounts of 20-30% (Ailawadi et al., 2001). Furthermore, there is agreement amongst academics that own label brands have a better impact on store differentiation than price sensitivity in the market place (Sudhir and Talukdar, 2004).

It can therefore be concluded that with favourable store image, good value and good product assortments being the key factors required by retailers to achieve and maintain success in the competitive marketplace (Grewal et al., 1994), in spite of their drawbacks, own label brands have been able to give retailers the competitive advantage they seek.

#### **3.4.2.4 Manufacturer perspective**

When examined from the manufacturers' perspective, the introduction of own label brands can be regarded as being bad for business. Not only have manufacturers been forced to recognise and accept the pressures placed on them with the growth of own label brand power, they have also had to determine strategies which they would use to react to the growing acceptance of own label brands by consumers (Wileman and Jary, 1997). It is thus not surprising that the acceptance of own label brands by consumers is seen as a threat to market share by manufacturers. In fact whilst major manufacturers are losing market share, marginal brands are constantly being delisted from the shelves of major retailers in favour of own label brands (McGoldrick, 1984).

Furthermore, in order to respond to the increasing power of own label brands, national brand manufacturers are being forced to take one of four options

- 1) Become suppliers of own label brands either completely or in part
- 2) Investigate distribution opportunities that may emerge from the changing emphasis towards own label brands
- 3) Vigorously defend market encroachment by own label brands
- 4) Integrate vertically (Salmon and Cmar, 1987)

As own label brands become more established in the market place, manufacturers are forced to constantly develop new innovative products in order to ensure they maintain their negotiating positions with retailers (Amrouche and Zaccour, 2007).

Further analysis of the effects of own label brands on national brands will be discussed in more detail later.

**Table 3.3 - Summary of studies on functions of own label brands**

	<b>Functions</b>	<b>Authors</b>
1	Creation of better customer values	Burt (2000), Baltas (1999) Richardson (1997), Martell (1986) Swan (1974)
2	Retail differentiation	Scott-Morton and Zettelmeyer (2004), Corstjens and Lal (2000), Baltas (1999), Narasimhan and Wilcox (1998), Mills (1995)
3	Sales creation	Mills (1995), Liesse (1993)
4	Development of customer loyalty	Jonas and Roosen (2005), Ailawadi et al. (2001), Corstjens and Lal (2000), Wolf (1999), Steenkamp and Dekimpe (1997), Richardson et al., (1996b), Nandan and Dickinson (1994), Liesse (1993), Leahy (1987), Martell (1986), Cunningham (1959)
5	Creation of high gross margins	Ailawadi and Harlam (2004), Davies and Brito (2004), Scott-Morton and Zettelmeyer (2004), Corstjens and Lal (2000), Wolf (1999), Baltas (1999), Narasimhan and Wilcox (1998), Richardson et al., (1996b), Hoch (1996), Raju et al (1995), Mills (1995), Liesse (1993), Hoch and Banerji (1993), Martell (1986), Handy (1985), McGoldrick (1984), Simmons and Meredith (1983)
6	Facilitate Robinson_Patman Act avoidance	Thurik et al. (2002)
7	Provision of additional leverage vs. manufacturers	Tarzijan (2004), ), Scott-Morton and Zettelmeyer (2004), Baltas (1999), Narasimhan and Wilcox (1998), Richardson et al., (1996b), Mills (1995), Nandan and Dickinson (1994), Simmons and Meredith (1983)
8	Facilitate price discrimination	Baltas (1999), Nandan and Dickinson (1994), Martell (1986), McGoldrick (1984)
9	Change choice dynamics	Burt (2000), Baltas (1999), ), Nandan and Dickinson (1994), Leahy (1987), Martell (1986)
10	Facilitate the implementation of some merchandise "knock-offs"	Nandan and Dickinson (1994)
11	Create stock-out advantages	Erzene (2012)
12	Facilitate loss leader pricing	Chen and Rey (2011)

### 3.4.3 Development of own-label brands

The evolution of own label brands have been dictated by the objectives of retailers, who rely on consumer shopping experiences for brand development (Ailawadi and Keller, 2004). Attempts have been made by academics to categorise own label brands according to the aims of retailers at the time of development (Burt, 2000, Wileman and Jary, 1997, Laaksonen and Reynolds, 1994).

Laaksonen and Reynolds (1994) explained that the development of own label brands can be divided into four main stages as characterised by the level of retailer participation and aims at the time of development, product sophistication, marketing concept adoption and marketing know-how

**Table 3.4 - Classification of own label brands by generation**

Heading	1st generation	2nd generation	3rd generation	4th generation
Type of brand	<ul style="list-style-type: none"> <li>• Generic</li> <li>• No name</li> <li>• Brand free</li> <li>• Unbranded</li> </ul>	<ul style="list-style-type: none"> <li>• Quasi brand</li> <li>• Own label</li> </ul>	<ul style="list-style-type: none"> <li>• Own brand</li> </ul>	<ul style="list-style-type: none"> <li>• Extended own brand (segmented own brands)</li> </ul>
Strategy	Generics	Cheapest price	Me too	Value added
Objective	<ul style="list-style-type: none"> <li>• Increase margins</li> <li>• provide choice in pricing</li> </ul>	<ul style="list-style-type: none"> <li>• Increase margins</li> <li>• Reduce manufacturer's power by setting the entry price</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance category margins</li> <li>• Expand product assortment</li> </ul>	<ul style="list-style-type: none"> <li>• Increase and retain client base</li> <li>• Enhance category margins</li> <li>• Improve image</li> <li>• Differentiation</li> </ul>
Product	Basic and functional products	One-off staple line with large volume	Big category products	Image-forming product groups  Large number of products with small volume (niche)
Technology	Simple production process and basic technology lagging behind market leader	Technology still lagging behind market leader	Close to the brand leader	Innovative technology

**Table 3.4 - Classification of own label brands (cont'd)**

<b>Heading</b>	<b>1st generation</b>	<b>2nd generation</b>	<b>3rd generation</b>	<b>4th generation</b>
Quality/image	<ul style="list-style-type: none"> <li>• Lower quality and inferior image to manufacturer brands</li> </ul>	<ul style="list-style-type: none"> <li>• Medium quality but still perceived as lower than leading manufacturer brands</li> <li>• Secondary brands alongside the leading manufacturer brands</li> </ul>	<ul style="list-style-type: none"> <li>• Comparable to the brand leaders</li> </ul>	<ul style="list-style-type: none"> <li>• Same or better than brand leader</li> <li>• Innovative and different products from brand leaders</li> </ul>
Approximate pricing	20% or more below the brand leader	10 - 20% below	5 - 10% below	Equal to or higher than known brand leader
Consumers' motivation to buy	<ul style="list-style-type: none"> <li>• Price is the main criterion for buying</li> </ul>	<ul style="list-style-type: none"> <li>• Price is still important</li> </ul>	<ul style="list-style-type: none"> <li>• Both quality and price (value for money)</li> </ul>	<ul style="list-style-type: none"> <li>• Better and unique products</li> </ul>
Suppliers	National, not specialized	National, partly specializing to own brand manufacturing	National, mostly specializing to own brand manufacturing	International, manufacturing mostly own brand

Source: Laaksonen and Reynolds (1994)

Unlike Laaksonen and Reynolds (1994) who categorized own label brands according to their developmental stages, Levy and Weitz (2004) claimed own label brands can only be classed into four groups - bargain, copycat, premium and parallel own label brands

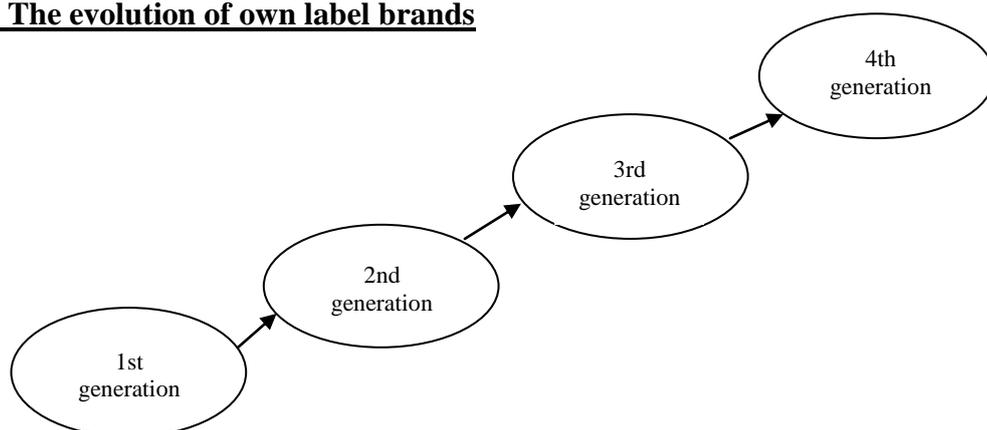
**Table 3.4a - Classification of own label brands**

<b>Heading</b>	<b>Bargain</b>	<b>Copycat</b>	<b>Premium</b>	<b>Parallel</b>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Generic</li> <li>• House brands</li> </ul>	<ul style="list-style-type: none"> <li>• Confuse consumers</li> </ul>	<ul style="list-style-type: none"> <li>• Compete against national brands</li> </ul>	<ul style="list-style-type: none"> <li>• Steal sales from national brands</li> </ul>
<b>Consumers' characteristics</b>	Price sensitive		Competing manufacturer brands	
<b>Quality/image</b>	<ul style="list-style-type: none"> <li>• Lower quality</li> <li>• Unbranded</li> </ul>	<ul style="list-style-type: none"> <li>• Lower quality</li> </ul>	<ul style="list-style-type: none"> <li>• Comparable or excessive quality to national brands</li> </ul>	<ul style="list-style-type: none"> <li>• Better value for consumers products</li> </ul>
<b>Response to national brands</b>	Defensive	Imitate market leader	Directly compete	Me-too
<b>Price</b>	Discount pricing	Lower price	Modest price saving	Lower than national brands
<b>Advertising</b>	No advertising			

Source: Levy and Weitz (2004)

In their attempt to classify and explain the evolutionary process of own label brands, Glemet and Mira (1993) developed the McKinsey analysis

**Table 3.5: The evolution of own label brands**



<b>Type</b>	<ul style="list-style-type: none"> <li>• Generic</li> </ul>	<ul style="list-style-type: none"> <li>• Quasi brand</li> </ul>	<ul style="list-style-type: none"> <li>• Umbrella brand</li> </ul>	<ul style="list-style-type: none"> <li>• segmented retailer brands: a brand with its own personality developed using traditional techniques</li> </ul>
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Increase margins</li> <li>• provide a lower price product for consumers during inflationary times</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce manufacturers' power by setting the entry price</li> <li>• Increase margins</li> <li>• provide better value products (quality/price)</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance category margins</li> <li>• Expand product assortments</li> <li>• Build retailers' image amongst consumers</li> </ul>	<ul style="list-style-type: none"> <li>• Increase and retain client base</li> <li>• Enhance category margins</li> </ul>
<b>Characteristics</b>	<ul style="list-style-type: none"> <li>• Low volume functional product</li> <li>• Technology lagging behind market leader</li> <li>• Perceived as lower quality inferior image</li> <li>• Price as necessary to attract customers</li> </ul>	<ul style="list-style-type: none"> <li>• Large volume one-off product</li> <li>• Technology lagging behind market leader</li> <li>• Average quality (but perceived as lower)</li> <li>• Price is major criterion for purchase</li> <li>• national manufacturers partly specializing in own label brands</li> </ul>	<ul style="list-style-type: none"> <li>• Big category products</li> <li>• Expend the number of SKUs</li> <li>• Technology close to market leader</li> <li>• Quality/image in line with leading brands</li> <li>• Quality and price as criteria for purchase</li> <li>• National manufacturers mostly specializing in own label brands</li> </ul>	<ul style="list-style-type: none"> <li>• Image forming groups</li> <li>• Many SKUs but with small volume</li> <li>• Innovative technology</li> <li>• Quality/image equal or superior to leading brands</li> <li>• Better products as criterion for purchase</li> <li>• International manufacturers mostly specializing in own label brands</li> </ul>

Source: Adapted from Glemet and Mira, (1993)

From the different classifications of own label brands, it will be noted that irrespective of the type of analysis used for classification, each stage of the evolutionary process has different traits with common criteria. It should be stressed however that the evolution of own label brands is **NOT** a stepwise spectrum. There are occasions when each of the developmental stages co-existed as confirmed by Burt (2000), Wileman and Jary (1997), and Laaksonen and Reynolds (1994). Furthermore, retailers are also known to have adopted the four generations of own label brands spontaneously depending on their development strategies.

When retailers adopt all four generations of own label brands spontaneously, they become brand hierarchies with each generation having distinctive characteristics within the same store at the same time. In conclusion, it will be noted that the development of own label brands are different across retailers and product categories, depending on emergence background, development objectives, development strategies and development experiences (Choi and Coughlan, 2006)

### **3.4.3.1 First generation (generic brands)**

The development of own label brands started with the introduction of the generic brand, which has been accepted as the first generation of own labels (Levy and Weitz, 2004). Researchers are in agreement that the introduction of generics marked a significant innovation in retail branding (Burck, 1979, Cox, 1978, Jackson, 1978), despite the fact that they are perceived as being of the lowest quality and price level (McGoldrick, 1984).

Generics were first introduced into the British grocery retail market in 1977 (De Chernatony, 1988). These brands consisted of basic functional products which often adopted a “commodity-style presentation” with “minimalist white packs and black print (or print in the store colours) stating store name and contents (Corstjens and Corstjens, 1995). Generics were never meant to compete with national

brands, but were introduced into the market as product alternatives with lower quality and inferior image when compared to national brands (Huang and Huddleston, 2009).

These brands were initially introduced as no-frill, bottom-of-the-market fighter brands which targeted hard discounters (Dekimpe et al., 2011). From the consumer's point of view, one of the main attractions of the generic products was the significant price gap between them and their branded equivalents (Prendergast and Marr, 1997). According to Dick et al. (1995), generic products appealed to price sensitive consumers because they were roughly 20 percent cheaper than the next brand types. Prior to the Dick et al. (1995) study, and in further support of the argument that generics appealed to the price sensitive consumer, Bellizzi et al. (1981) established that generics were 30 to 40 percent cheaper than the next brand generations.

Although generics were introduced to attract the price sensitive consumer, they however could not be used to maintain customer loyalty because of the difficulty of differentiating between low-quality-low-priced products (Dick et al., 1995). It has however been noted by Newman and Becknell (1970) that in spite of the difficulty of differentiating between generics, some consumers were able to evaluate product quality on the basis of price rather than use physical product quality. These were consumers who believed that retailers could charge lower prices for generics without compromising on quality, by combining a refusal to advertise these products with a policy of using no-frill packaging (Dekimpe et al., 2011, Corstjens and Corstjens, 1995, Kleppner, 1979).

### **3.4.3.2 Second generation**

After generics came second generation own label brands. These brands were introduced into the market with the aim of increasing market share as well as reducing manufacturers' power (Wileman and Jary, 1997). Just like generics, the second generation of own labels focused on low prices (Laaksonen and Reynolds, 1994), but gave consumers better value for money when compared to generics (Swan, 1974).

The main distinction between the first and second generation of own label brands is the use of retailer-own name, which started with the realization that giving their names to their products helped enhance consumer perception of product quality while differentiating them from generics (Grunert et al., 2006).

Studies have found that the introduction of the second generation of own label brands came with its advantages and disadvantages. The second generation of own label brands gave consumers the impression that they could choose from a wide product selection and range. This stage of own label branding also made it possible for retailers to replace secondary and tertiary brands with own offering whilst ensuring that consumers were unlikely to associate product defects with the store (Husson, 2002). Despite its advantages, the second generation of own label brands were unable to create shopper loyalty because of the low quality perception consumers had of these products coupled with their low selling prices (Husson, 2002).

Although much has been written about generics brands (Prendergast and Marr, 1997, De Chernatony and McWilliam, 1989, Szymanski and Busch, 1987, McGoldrick, 1984, Granzin, 1981, Bellizzi et al., 1981, Burck, 1979, Jackson, 1978, Cox, 1978), little attention has been paid to second generation own labels (De Chernatony and McWilliam, 1989).

### **3.4.3.3 Third generation (standard own labels)**

The third generation of own label brands heralded the arrival of own labels which were on a par with national brands in terms of quality. These generation of own labels are known as standard own labels or "me-too" products, because they mimicked national brands (Wileman and Jary, 1997). With retailers saving costs on marketing overheads, these products became one of their sources of extra profits (Leahy, 1994), even though there was a price gap (against national brands) either 10 - 25% (Wileman and Jary, 1997) or 5 - 10% (Laaksonen and Reynolds, 1994).

Along with improving product quality as a means of imitating market leaders, retailers were also able to use their new improved brands as a means of changing consumer perception of their stores. This generation of own label brands has been perceived by consumers as being better than generics with no name, and has been called the "parallel branding type" (Levy and Weitz, 2004). Thus it can be seen that with the third generation of own label brands, retailers discovered that improving their brands could encourage consumers to visit their stores and as a result increase store patronage and image.

The use of a me-too strategy for the third generation of own label brands, led to national brand manufacturers claiming that retailers copied their products in terms of packaging, colouring, lettering and the like (Burt and Davis, 1999, Balabanis and Craven, 1997). This claim resulted in Sainsbury's launch of classic cola in 1994 provoking an angry response from Coca Cola because of the use of the word "classic" and the fact that the package design used red and silver colours which are very similar to that of Coca Cola (Kapferer, 1995a, Kapferer, 1995b).

Furthermore, these brands are also positioned as medium-quality, medium-priced alternatives to the higher-priced national brands (Geyskens et al., 2010b, Burt and Davis, 1999). The positioning of

third generation own labels as “value for money” products, ensures that they are priced 10 -15% lower than national brands (Laaksonen and Reynolds, 1994), with quality varying from medium to equivalent (Huang and Huddleston, 2009, Burt, 2000).

In conclusion, researchers have always emphasised the fact that the third generation of own label brands played an important role in establishing store loyalty (Jonas and Roosen, 2005, Ailawadi et al., 2001, Corstjens and Lal, 2000, Steenkamp and Dekimpe, 1997, Richardson et al., 1996b, Nandan and Dickinson, 1994, Liesse, 1993, Martell, 1986)

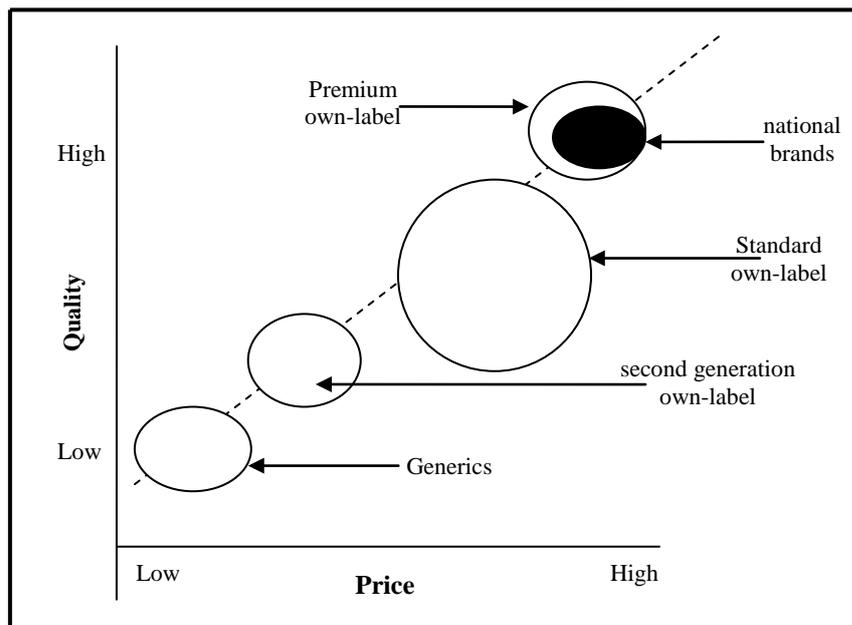
#### **3.4.3.4 Fourth generation (premium own labels)**

From the above discussion, it can be concluded that the first three generations of own label brands were perceived as inferior to national brands in terms of quality, product design and the ability to compete efficiently and effectively with their direct competitors. The need to differentiate and target upscale markets led to the development of the fourth generation of own label brands, known as premium brands. These brands were developed as innovative, sophisticated and highly competitive brands (Burt, 2000).

Premium own-label brands were developed with the intention of targeting upscale markets. These brands were developed with the specific intention of either matching or exceeding national food brands in terms of quality and image (Grunert et al., 2006). The introduction of premium own-label brands, thus helped improve retailer image, as well as provide a tangible basis for differentiation amongst competitors (Leahy, 1994).

These brands are positioned at the top end of the market (as shown in figure 3.1) and their unique features - taste, origin and ingredients -

**Figure 3.1: positioning of own-label brands**



Source: Huang and Huddleston (2009)

made it possible for retailers to compete with the highest-quality national brands (Geyskens et al., 2010c, Jonas and Roosen, 2005, Bazoche et al., 2005). Within the UK market, Marks and Spencer is one of the most notable retailers of premium own-label food brands. Other notable examples are Tesco finest and Sainsbury's taste the difference.

Although premium brands are not offered in lots of product categories (Sethuraman and Raju, 2012), their market share has however been the fastest growing of all tiers of own-label brands (Dobson and Chakraborty, 2009). Of the three tiers of own-label brands, only premium own-label brands were developed with the purpose of competing directly with leading national brands whilst differentiating their retailers from competition, and as a result, providing consumers with a real brand choice (Huang and Huddleston, 2009).

### **Definition of the premium own label brand**

Although consumers are capable of identifying brands which they regard as premium, there isn't a consensus definition of the term. The following terms have been used in academic literature to explain what

premium means: - luxury; exclusive; prestige; scarce; quality; brands; high price; pleasure; indulgence; unique, esteem; hedonic; conspicuous; sophisticated; status; precious; social value (list compiled from literature on luxury).

The proliferation of definitions results from the fact that many authors introduce their own definitions (Kapferer, 2006), and premium is also based on perception, hence “... depends entirely on what the person (consumer) believes that other people (consumers) believe about the product” (Bernstein, 1999). Perception is thus subject to individual experiences and interpretation.

**Table 3.6: Selected definitions of premium brands**

<b>Definition</b>	<b>Source</b>
“...those whose ratio of functional utility to price is low, while the ratio of intangible and situational utility to price is high”	Nueno and Quelch (1998 p.62)
“...luxury brands compete on the ability to evoke exclusivity, a well known brand identity, [...] brand awareness and perceived quality	Phau and Prendergast (2000 p. 123-124)
“.....those whose price/quality relationship is the highest of the market”	Mintel (2004)
“... that which nobody needs, but desires”	Danziger (2005 p. 17)

Irrespective of perception, premium brands share a common definition which is “goods for which the simple use or display of a particular branded product brings esteem on the owner apart from any functional utility” (Vigneron and Johnson, 2004). This definition is similar to that used by Phau and Prendergast who defined prestigious brands as “brands that evoke exclusivity, have a well known brand identity, enjoy high brand awareness and perceived quality and retain sales level and customer loyalty” (Phau and Prendergast, 2000).

The most evident aspect of premium products is their command of high prices. The high prices charged for these products can be attributed to higher quality products, beautiful packaging, exclusive store locations, higher retail margins, limited advertising campaigns, and exclusive brand names (Husic and Cicic, 2009). It must be noted

however that the high price of these products can be perceived as indicators of conspicuousness, uniqueness, extended self-value (social value), hedonism and quality (Vigneron and Johnson, 1999).

For the purpose of this study, premium brand will be defined by combining Morris (1979) and the American Marketing Association's definition of a brand. Morris defines own label brands as consumer products produced by or on behalf of distributors and sold under the distributor's own name or trademark through the distributors' own outlets (Morris, 1979). Although this definition, demonstrated three key factors in development of earlier generations of retailer own label brands (process of production, labelling, and availability) (Burt, 2000), it does not however reveal much about the purpose or the role of own label brands as differentiators. The American Marketing Association on the other hand, defines a brand as "a name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers".

It will be noted that Morris's definition of own label brands, did not take the take the role of a brand as differentiator into consideration. This could be due to the fact that earlier generations of own labels were not developed to serve as differentiators. This researcher believes that only premium own brands fulfil the role of differentiator and as such can be regarded as a true retailer own brand. When Morris's (1979) and the American Marketing Association's definitions of a brand are combined, own-label premium brands is thus defined as **"consumer products produced by and on behalf of retailers with the highest quality and priced close to or above national brands. These brands contribute towards differentiating the retailer from its competitors"**

### **3.4.3.5 Factors influencing premium brand success**

Previous studies on factors influencing consumer purchase of premium brands have concentrated on the purchase on non-grocery products. This stream of research focused attention on the benefits obtained through the ownership of these brands. It has been established that the success of premium brands is dependent on the brand's ability to fulfil the motivational factors (financial, functional, personal and social dimensions of premium value perceptions) driving purchase (Eng and Bogaert, 2010). These factors help fulfil the five (conspicuous, unique, social, hedonic and quality) values that differentiates premium from non premium products (Vigneron and Johnson, 1999)

One of the main factors influencing premium brand purchase is the consumer's need for conspicuous consumption (Eastman and Eastman, 2011, Wiedmann et al., 2007, Mason, 2001, Vigneron and Johnson, 1999). The conspicuous value of premium products is obtained by purchasing these brands for status consumption purposes. Status consumption is "the motivational process by which individuals strive to improve their social standing through the conspicuous consumption of consumer products that confer and symbolize status both for the individual and surrounding significant others" (Eastman and Eastman, 2011, Eastman et al., 1999).

Thus consumers would buy premium branded products because of the "...the status and social prestige value that they confer on their owners" (Eastman et al., 1999). Since consumers of these brands gain some degree of satisfaction from the reaction of peers to the wealth implied rather than from the value of the product itself (Mason, 2001). The maintenance of social value is achieved through the use of "prestige-pricing strategy" which ensure that premium brands are always priced above standard brands within the same product category (Vigneron and Johnson, 1999).

The success of premium brands can also be linked to their ability to confer unique value (Vigneron and Johnson, 1999). Uniqueness makes it possible for consumers of premium branded products to differentiate themselves from others (Burns and Brandy, 2001), since these group of consumers would rather not purchase the brand if it is seen as being consumed by everybody. (Vigneron and Johnson, 1999).

Apart from the ability to satisfy consumers' needs to be seen as being different or unique, premium branded products also satisfy the need to be used as a tool for expressing membership of a social group (Vigneron and Johnson, 1999). Studies have found that consumers usually have a high tendency to purchase products associated with an affluent lifestyle (O'Guinn and Shrum, 1997) in order to take advantage of the social impact the use of these brands would have on peers (O'Cass and McEwen, 2004).

Product symbolism represents the feelings consumers experience through the use and purchase of the product. These feelings could be excitement, arousal or pressure (O' Cass and Frost, 2002). Thus any brand that has the symbolic properties that consumers can use to put across meaning on three levels (group level through shared social meaning, individual level through self concept and on a broad cultural level) would be successful (O' Cass and Frost, 2002).

It can be argued that brands perceived as being of high quality are more favoured by consumers. Consumer's quality perception is based on their evaluation of a brand's overall excellence using intrinsic (performance and durability) and extrinsic (brand name and warranty) evaluative cues (Zeithaml, 1988). This makes quality judgement about the overall excellence or superiority of a product (Lim et al., 2010), with brand name being a key indicator of quality (Lim et al., 2010, Rao and Monroe, 1989).

Apart from brand name, another commonly used indicator of the quality of a product or brand is the price. Price and quality are known

to play important roles in brand choice because they are at the core of the consumer's judgement and decisions, thereby influencing their attitudes towards the brand as well as purchase behaviour (Laroche et al., 2001). Studies have shown that there is a strong believe amongst consumers that there is a correlation between price and quality (Laroche and Toffoli, 1999). Thus when consumers have a positive price/quality perception, they are more likely to associate a high price with a high quality. Thus it can be asserted that premium brands are usually positively evaluated when included in the consumer's consideration set because they are priced at the premium level and thus evaluated positively by consumers

#### **3.4.4 Consumer perception of own label brands**

The success of own label brands have been based on their understanding of consumer needs and wants. This is due to the fact that the development of successful strategies is usually anchored on their understanding of consumers (Narus and Anderson, 1996, Foxall and Goldsmith, 1994). It is thus imperative that an identification of consumers' perceptions of own label and national brands is examined in order to gain a better understanding of factors influencing own label success.

The growth in own label brands has led to academics attempting to identify the characteristics of consumers who purchase either national or own label brands (Herstein and Tifferet, 2007, Baltas and Argouslidis, 2007, Prendergast and Marr, 1997, Dick et al., 1996, Omar, 1996, Dick et al., 1995, Szymanski and Busch, 1987, Yucelt, 1987, Wilkes and Valencia, 1985, Harris and Strang, 1985, McEnally and Hawes, 1984, Neidell et al., 1984, Cunningham et al., 1982, Granzin, 1981, Bellizzi et al., 1981, Wheatley, 1981, Murphy and Laczniak, 1979, Strang et al., 1979, Livesey and Lennon, 1978, Dietrich, 1978, Murphy, 1978, Bettman, 1974, Burger and Schott, 1972, Coe, 1971, Frank, 1967, Myers, 1967, Frank and Boyd, 1965).

Dick et al., (1996) classified early studies on own label purchase into four main categories - studies based on socioeconomic variables (Granzin, 1981, Livesey and Lennon, 1978, Murphy, 1978, Coe, 1971, Frank and Boyd, 1965); studies based on personality characteristics (Myers, 1967); consumer shopping style (Bellizzi et al., 1981) and information processing (Bettman, 1974). More recent studies have combined own label purchase with factors such as store image, product evaluation, perceived risk and store patronage.

Since the successful introduction of own label brands, academics have attempted to draw a profile of the own label prone consumer and at the same time develop predictors of the propensity to purchase own label brands using demographic, socioeconomic and attitudinal or behavioural characteristics. Early studies placed importance on demographic elements as a means of profiling consumers who purchased own label brands (Granzin, 1981). Academics have also examined the demographic, socio-economic and attitudinal differences between consumers who are frequent purchasers of own labels and national brands (Mieres et al., 2006, Whelan and Davies, 2006, Omar, 1996, Cunningham et al., 1982).

Although there are four main generations of own label brands, within this section, attention will only be paid to consumer perceptions of "standard" own labels i.e. the third generation of own labels, whose quality has been increased with a narrowing of the price gap between it and national brands. Although there has been studies on consumer perceptions of generic brands (Herstein and Tifferet, 2007, Prendergast and Marr, 1997, Szymanski and Busch, 1987, Harris and Strang, 1985, Wilkes and Valencia, 1985, McEnally and Hawes, 1984, Wheatley et al., 1982), it should be noted however that generics are too far removed from premium own labels.

Many consumers perceive the third generation of own label brands as being positioned in the middle based on price, reliability, prestige, quality, package attraction, confidence, uniformity, texture, and colour (Bellizzi et al., 1981). A Gallup poll conducted in America in 1990, showed that for 85% of consumers product quality influenced that decision to repurchase standard own label brands, whilst only 73% based their repurchase decision on price (Hoch, 1996).

In spite of the fact that retailers have increased the quality of their products and reduced the price gap between stand own labels and national brands, these brands are still perceived by consumers as being inferior alternatives to national brands. In an attempt to improve consumer perception of their brands, retailers made changes to the design of their packages, colouring and labelling. Most of these changes were designed to make their products appear to be similar to the leading national brands (Choi and Coughlan, 2006, Sayman et al., 2002). Consumer perceptions however remained unchanged, with many viewing them as being better than generics but inferior to national brands (Mieres et al., 2006).

#### **3.4.4.1 Profile of own label brand buyer**

Since the introduction of own label brands, research has focused the factors influencing the success of generic brands (Herstein and Tifferet, 2007, Prendergast and Marr, 1997, Szymanski and Busch, 1987, Harris and Strang, 1985, Wilkes and Valencia, 1985, McEnally and Hawes, 1984, Wheatley et al., 1982, Granzin, 1981, Bellizzi et al., 1981); consumer perception of standard own label brands (Baltas and Argouslidis, 2007, Mieres et al., 2006, Hansen et al., 2006, Miquel et al., 2002, Baltas, 1997, Balabanis and Craven, 1997, Dick et al., 1996, Omar, 1994); on the competition between own labels and national brands (De Wulf et al., 2005, Parker and Kim, 1997, Omar, 1996, Buck, 1993, Cunningham et al., 1982, Bellizzi et al., 1981).

Using existing literature, a profile of the own label buyer will be drawn based on their reactions to price, their quality perceptions, and their need to obtain value for money. Other basis for classifying the own label buyer has been age, income, educational qualification and household size.

#### **3.4.4.1.1 Profile of the generic prone consumer**

It has been argued that the introduction of the generic brand was one of the most successful innovations within the grocery industry (Aders and Jenkins, 1980). Consumer acceptance of the generic brand can be noted in the fact that the growth rate of the generic brand was higher than that of national brands (Cunningham et al., 1982). The success of the generic brand resulted in academics attempting to draw a profile of the generic brand prone consumer.

##### **a. Price**

Studies have shown that price plays an important role in consumer decisions (Imperia, 1981, Jacoby et al., 1974, Olson and Jacoby, 1972, Jacoby et al., 1971). It has been shown that price had a strong influence on the success of the generic brand with its low price acting as an attraction for the generic brand prone consumer (Szymanski and Busch, 1987, Yucelt, 1987, Neidell et al., 1984, McGoldrick, 1984, Wheatley, 1981, Murphy and Laczniak, 1979, Dietrich, 1978). Generic brands were sold at between 30 to 40 percent below national brands (Bellizzi et al., 1981) and occasionally as much as 65 percent below national brands (Strang et al., 1979).

With consumers perceiving generic brands as low-priced products (De Chernatony, 1985, Murphy and Laczniak, 1979), the use of a pricing strategic based on a significantly lower price appealed to the mass market and helped tempt consumers away from national brands (Bellizzi et al., 1981). Studies showed that 67 percent of consumers who purchased generic brands gave price as the main factor

influencing purchase (Faria, 1979). It can thus be argued that the success of the generic brand was influenced by its price since most generic brand prone consumers had low brand loyalty (McEnally and Hawes, 1984)

### **b. Quality**

With generic brand being priced much lower than national brands, it can only be fair to assume that consumers would view them as being of low quality. However studies showed that consumer perception of generic brands contradicted this assumption, with 70 to 72 percent of generic brand buyers claiming that they believed the quality of generics was equal to that of other brands (Murphy and Laczniak, 1979, Dietrich, 1978, Cox, 1978).

In contrast to the above studies, other academics have found that only 30 percent of consumers who purchased generic brands were satisfied with product quality, in spite of the fact that they nonetheless believed that generics offered better value for money (Yucelt, 1987, McGoldrick, 1984). With findings that contradict each other, it can be concluded that consumers are aware of the existence of quality differences between generics and national brands and this influences their choice behaviour (Wheatley, 1981).

Studies have shown that consumers use price as a product quality cue (Dodds et al., 1991, Zeithaml, 1988, Wheatley, 1981, Wheatley and Chiu, 1977). It has further been established that rather than evaluate a product on its physical attributes, consumers had a tendency to use price as a quality evaluative criterion (Newman and Becknell, 1970). Studies on the relationship between price and perceived quality have shown that changes in price has a more significant effect on consumer perceptions than changes in product quality (Wheatley, 1981).

Studies on the price/quality relationship of generic brands found that there was a strong interdependent relationship (Szymanski and Busch, 1987). This result has been supported by other studies which showed that consumers perceived generics as giving good value for money because its prices were better than those of national brands even though national brands were rated as having the best quality (Cunningham et al., 1982, Faria, 1979). It can thus be concluded that price and quality are important to the generic brand prone consumer.

### **c. Price and quality**

Studies have shown that consumers use price as an implied extrinsic quality cue (Wheatley, 1981, Wheatley and Chiu, 1977), with some consumers showing a tendency to evaluate product quality on the basis of price rather than physical product attribute (Newman and Becknell, 1970). There has been suggestions that price changes have a higher effect on consumer perception than quality changes (Wheatley et al., 1981).

Studies have found that there is a strong inter-dependent relationship between the price and quality of generic brands (Szymanski and Busch, 1987). This is supported by other studies which found that generic prone consumers view generics as good value for money brands, even though they regard national brands as being of better quality (Cunningham et al., 1982, Faria, 1979).

### **d. Income**

Much research has been conducted on the effect of income levels on consumer purchase of generic brands (Prendergast and Marr, 1997, McEnally and Hawes, 1984, Neidell et al., 1984, Cunningham et al., 1982, Granzin, 1981, Strang et al., 1979, Dietrich, 1978). There has however been contradictory results on the effects of income on generic brand choice.

There are studies that found that the generic brand prone consumers were low income earners (Prendergast and Marr, 1997, Granzin, 1981, Dietrich, 1978). Other studies found that there was a higher tendency for the middle income earner to purchase generic brands (McEnally and Hawes, 1984, Neidell et al., 1984, Pasini, 1982, Cunningham et al., 1982, Strang et al., 1979, Zbytniewski and Heller, 1979, Burck, 1979).

With results that contradict each other, it would be unwise to claim that the generic brand consumer belonged to a particular income group.

#### **e. Age**

Although it is believed that age has an effect on purchase behaviour, it has been difficult to clearly show its impact on the purchase of generic brands. It has been argued that due to the limitations of the discretionary income of pensioners, elderly consumers were more likely to purchase generic brands (Prendergast and Marr, 1997).

Other authors have found that consumers within the young and middle aged groups were more likely to buy generic brands (Cunningham et al., 1982, Pasini, 1982, Wilkes and Valencia, 1985, Granzin and Schjelderup, 1980). Further studies on the effect of age on the purchase of generic brands found that clearly that young and middle income earners purchased generic brands, it was however unclear as to the heavy or light users of the brand (Wilkes and Valencia, 1985). Others in support of the use of generic brands by middle-aged consumers found that generic brands were purchased by middle-aged consumers who had large families (Yucelt, 1987, Wilkes and Valencia, 1985, Dietrich, 1978).

Finally, it has been argued that all consumers have a tendency to purchase generic brands and as a result, age cannot be used as a factor to profile the generic brand prone consumer (McGoldrick, 1984, Murphy and Laczniak, 1979, Faria, 1979). A more recent survey has however found that generic brand prone consumers belonged to the 29 to 55 age groups, though it was noted that economic conditions also had an effect on the buying patterns of these consumers (Herstein and Tifferet, 2007).

#### **f. Educational qualification**

Studies on the effect of educational qualification on the purchase of generic brands found that the better educated a consumer is the higher their tendency to purchase generic brands (Herstein and Tifferet, 2007, Cunningham et al., 1982, Pasini, 1982, Murphy and Laczniak, 1979, Strang et al., 1979). It has however been argued that well educated consumers may have a higher inclination to purchase generic brands because they are better informed with a tendency to exhibit higher perceived risk (McEnally and Hawes, 1984).

#### **g. Household size**

It is generally agreed that large households have a higher tendency to buy generics than any other brands. This could be attributed to the fact that household budgets are limited and thus purchasing generics could stretch the budget further (Herstein and Tifferet, 2007, Granzin, 1981, Zbytniewski and Heller, 1979, Nevils and Sundel, 1979, Murphy and Laczniak, 1979, Dietrich, 1978)

### **3.4.4.1.2 Profile of the standard own label prone consumer**

Following the success of the third tier own label brands (standard own labels), there has been attempts to construct a profile of consumers who have a tendency to purchase this tier of own label brands.

#### **a. Price**

Price has always being regarded as one of the important traditional tools retailers use in attracting consumers to their stores (Solomon et al., 2010, Monroe, 2003). In order to profile the own label buyer, there is a need to understand the consumer's perception of price and how this influences their purchase behaviour. Price is the monetary amount or value placed on a product (Monroe, 2003), which makes it the sum of all the values that consumers exchange for the benefits of having or using a product or service (Kotler and Armstrong, 2008). Thus for consumers, paying for a product or service can be equated to them giving up or sacrificing some of their assets (Zeithaml, 1988). As a result, price information becomes an important influence on purchase decisions (Weber and Johnson, 2009, Jacoby and Olson, 1976).

Although academics have claimed that the success of own label brands has been due to a large part on improvements in product quality (Steenkamp and Dekimpe, 1997, Hoch and Banerji, 1993), it should be noted that price has also contributed to its growth (Bronnenberg and Wathieu, 1996), with consumers taking advantage of the price difference between national and own label brands (Lindquist and Sirgy, 2006, Lichtenstein et al., 1993). If for any reason the price gap between own labels and national brands closes, there will be a fall in own label market share, because consumers who purchase own label brands because of its lower price will be forced to switch to national brands (Ashley, 1998).

As further proof of the influence of price on own label purchase, Omar (1996) found that consumers who had a tendency to purchase own label brands rated price as a much important factor influencing their purchase decisions when compared to national brand prone consumers.

In order to gain a better understanding of the way in which price perception can be used to develop a profile of the own label buyer, it is necessary to understand the influence of price-consciousness on their perception of own label brands .

### **b. Price consciousness**

Despite the fact that price is important to consumers, the question that needs to be asked is "what type of consumer uses prices as an influencer of own label purchase". The way in which consumers react to price levels has been termed "price consciousness" and it has been defined as the degree to which the consumers use price in its negative role as a decision making criterion (Lichtenstein et al., 1988). Hence price-conscious consumers focus exclusively on paying low prices (Lichtenstein et al., 1993, Tellis and Gaeth, 1990, Echikson and Johansson, 1985, Monroe and Petroschius, 1981).

Studies have found that one of the important variables influencing the success of own label brands is the low prices at which they are sold relative to national brands (Bontemps et al., 2005, Ward et al., 2002, Raju et al., 1995). Thus for price conscious consumers, a lower price, will increase their propensity to purchase. This has been collaborated with studies that showed that the purchase of own label brands increases significantly within product categories where consumers show a high level of price-consciousness (Batra and Sinha, 2000), as this gives them the feeling of obtaining value for money spent (Steiner, 2004).

Although price-conscious consumers have a higher tendency to purchase own label brands, it must be noted however that the price-conscious consumer cannot be profiled using demographic and socio-economic factors. There are studies which show that a consumer's level of price-consciousness can be correlated to demographic and socio-economic factors. Academics who researched the relationship between price consciousness and consumer characteristics found that low income earners have a higher tendency to be price-conscious (Lumpkin et al., 1986, Gabor and Granger, 1961). These findings have however been contradicted on numerous occasions when the relationship between low income and own label purchase frequency was studied see (De Chernatony, 1985, McEnally and Hawes, 1984, Neidell et al., 1984, Cunningham et al., 1982, Strang et al., 1979, Burck, 1979).

What has however been proven is that consumers who have a higher tendency to purchase own label brands are more price conscious than those with a preference for national brands (Erdem and Swait, 2004, Omar, 1996).

### **c. Quality**

Apart from price, academics who attempted to distinguish consumers who purchase national brands from those who purchase own label brands placed emphasis on consumer quality perceptions. This could be attributed to the fact that retailers are constantly attempting to improve the quality of their products in order to ensure that they either match that of national brands (Grunert et al., 2006, Quelch and Harding, 1996, Zeithaml, 1988). Studies have found that quality is a strong influencer on consumer decision to purchase own label brands (Batra and Sinha, 2000, Dick et al., 1995, Dawar and Parker, 1994, Hoch and Banerji, 1993).

Consumers' quality perceptions has been found to be important when deciding to purchase own label brands (Binninger, 2008, Miranda and

Joshi, 2003, Richardson et al., 1996a, Hoch and Banerji, 1993), and it is an important factor influencing the success of own label brands (Semeijn et al., 2004, Richardson et al., 1994). It has been argued that as retailers stock more high quality own label brands, consumers show a higher propensity to switch from the more expensive national brands to the cheaper better quality own label brands (Quelch and Harding, 1996). When consumers switch from national to own label brands, the biggest fear they overcome is their uncertainty about the quality of the own label (Batra and Sinha, 2000).

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In the same vein, consumers who are less likely to purchase own label brands perceive them as being of lower quality to national brands (Choi and Coughlan, 2006, Nielsen, 2005, Dick et al., 1995, McEnally and Hawes, 1984, Cunningham et al., 1982, Bellizzi et al., 1981, Granzin, 1981). Most consumers however perceive own label brands as being mid-way between national and generic brands in terms of quality (De Chernatony, 1985).

As a contrast to the above studies, it has been found that consumers are aware of the fact that the quality differential between own labels and national brands has fallen due to retailers efforts to improve product quality (Herbert, 2009, Raju et al., 1995, Richardson et al.,

1994). It has been argued that the improved quality of own label brands is one of the major factors contributing to its growth and encouraging consumers to switch from national brands (Wellman, 1997, Steenkamp and Dekimpe, 1997, Hoch and Banerji, 1993).

**d. Price-Quality perception**

There has been studies investigating whether the association of price and quality affects consumers in their decisions to purchase own label brands (Finlay et al., 1996, Rao and Monroe, 1988). Price-quality perception is explained as the generalised belief that across product categories, price can be used as a positive or negative quality cue (Lichtenstein et al., 1993). Some studies have shown that consumers use price as a quality indicator (Shapiro, 1973, Lambert, 1972). Other studies have shown that when brand name (Gardner, 1971) are recognised by consumers, the price effect loses significance.

Early research on the price-quality association and own label brand choice was carried out by Myers (1967), who used a self-evaluative questionnaire to propose four types of shopping attitudes as shown in table 3.6

**Table 3.7: Consumer response to different price and quality levels**

conditions	Frequency of buying own label brands				Total
	Regularly	occasionally	Rarely	Never	
Lower price-lower quality	26%	49%	56%	64%	48%
Lower price-same quality	51%	21%	13%	6%	23%
Same price-lower quality	-	6%	3%	4%	4%
Same price-same quality	23%	24%	24%	24%	25%
Total	100	100	100	100	100

Source: Adapted from Myers (1967)

Although the study by Myers (1967) pre-dates improvements to the quality of own label brands, later studies still show that consumers have a negative price-quality perception of own label brands (Garretson et al., 2002).

It should be noted that consumers' inference of own label quality from price is usually based on three main factors namely

**Past experience:** Consumers who have past experience of using own label brands, usually tend to view the price-quality relationship as positive

**Rationalization:** Consumers who are of the believe that the higher the price of a product, the better its quality, most likely rationalize their reasoning based on the belief that firms whose products are more expensive invest more in order to produce better quality products

**Beliefs:** Other consumers just belief that some products/services are priced higher because of the willingness of consumers to pay more for better quality (Tellis and Gaeth, 1990).

These assertions are based on studies which show that price is used as a product evaluative cue (Zeithaml, 1988, Newman and Becknell, 1970). When price is used as an evaluative cue, some consumers buying lower-priced products may feel uncomfortable because of their believe that the higher the price, the better the quality (Tull et al., 1964). This has resulted in some consumers showing a tendency of purchasing higher-priced products in order to avoid the psychological, economical and functional risks associated with the purchase of low-priced products (Shapiro, 1968).

Academics who have endeavoured to research consumers' price-quality association of own label brands, found that there are consumers who believe that the lower prices charged for own label brands is as a result of some problematic attributes of their products, thus resulting in own label brand being perceived as having an overall inferior quality when compared to national brands (Garretson et al., 2002, Burton et al., 1998). Other consumers are of the believe that the lower prices charged for own label brands are not an indication of lower quality (they perceive own labels as being of equal quality to national brands) but an indication of a reduction in other costs such as advertising (Burt, 2000)

#### **e. Value for money**

Academics have attempted to define to perceived value. Definitions offered have ranged from "the consumer's overall assessment of the product's utility based on their perception of what is received and what is given" (Zeithaml, 1988). Zeithaml's (1988) definition refers to a comparison of the product's 'get' and 'give' components. Later definitions of perceived value includes consumer expectation about the consequence of purchasing a product on the basis of future benefits and sacrifices (Spreng et al., 1993). More recently perceived value has been defined as the consumer's perception of the net benefits gained in exchange for the costs incurred in obtaining the desired benefits (Chen and Dubinsky, 2003). When applied to branding, perceived value has been defined as "the perceived brand utility relative to its costs, assessed by the consumer and based on simultaneous considerations of what is received and what is given up to receive it (Lassar et al., 1995).

Thus value is gotten from the trade-off between product benefits (e.g. product quality) and monetary sacrifice (Lindquist and Sirgy, 2006). Consumers' value judgements are based on their "overall assessment of the utility of a product based on perceptions of what is received and what is given" (Sweeney and Soutar, 2001, Zeithaml, 1988). Thus value for money implies consideration of quality not in absolute terms but in relation to the price of a particular brand (Batra and Sinha, 2000, Richardson et al., 1996a).

Product performance influences consumers' value perceptions, and value has been found to be one of the most important factors influencing consumers decisions to purchase own label brands. Hence a lower priced own label product with attractive features such as organic ingredients may be regarded as providing better value for money, when compared to more expensive brands with less attractive

attributes (Lindquist and Sirgy, 2006, Batra and Sinha, 2000, Richardson et al., 1996a). As a result, consumer perception of value will be higher when they believe that the benefits obtained from using the product out-weighs the price paid.

Research conducted by Omar (1996) found that value for money was one of three factors (taste, price and value for money) which frequent purchasers of own label brands take into consideration. This study was later reinforced by Richardson (1996) who showed that perceived value for money influenced the purchase of own label brands

#### **f. Gender**

Researchers have always worked on the assumption that there are attitudinal differences to the way the sexes go about making choice decisions (Berg and Teigen, 2009). Previous research on grocery shopping habits have always polled female shoppers as research samples (Livesey and Lennon, 1978, Burger and Schott, 1972, Myers, 1967), based on the believe that women are the main grocery shoppers within the family (Ellis et al., 2008).

Studies that have included men in their survey, found that men are more materialistic and have a stronger orientation towards external validation through visually portraying prestige and have a higher tendency to emphasize the conspicuousness of brands. Women on the other hand are less inclined to choose brands that stand out (Ellis et al., 2008, O'Cass and McEwen, 2004).

Women are regarded as being the more careful shoppers especially when buying grocery items. Women tend to read labels, absorb data and compare nutritional information where available (Sanlier and Karakus, 2010). As a result of their careful consideration of nutritional information, women are more inclined to buy cheaper brands because they believe they give better value for money (Ailawadi et al., 2001, Omar, 1996).

### **g. Income**

Income can have an effect on the price consumers are willing to pay for a product and as such influence brand choice. During periods of economic downturns, consumers become more price conscious and prefer to buy less expensive brands in order to stretch their income further (Hoch and Banerji, 1993). It has been argued that high income earners are more likely to purchase higher priced brands because of time constraints (McGoldrick, 1984). For these consumers, time is important because it is usually translated in financial terms. Thus rather than spend time searching for brand information before shopping, they would rather buy well known familiar brands. When the brands on offer are unfamiliar, they would buy the more expensive brands believing them to be of superior quality (De Wulf et al., 2005).

There have however been studies that show that income may not have a strong relationship with brand choice. This is due to the fact that it has been proven that not only do high income earners prefer buying the more expensive national brands over the less expensive own-label brands, but that low income earners also prefer buying the more expensive brands over the cheaper alternatives. Low income earners' preference for national brands could be attributed to the fact that national brands are seen as status and self-concept enhancers (Sethuraman and Cole, 1999). It must be noted however that females earning high income are more prone to buy cheaper brands (Coe, 1971).

Furthermore, it has been found that high income consumers are more price perceptive than low income earners. They thus have a higher tendency to buy less expensive brands (Ailawadi et al., 2001). With mixed results on the influence of income on brand choice, it is therefore necessary to investigate whether income would have an influence on brand choice between national and premium brands

## **h. Age**

One of the most frequently examined factor influencing brand choice is age. It was proposed that older consumers being more experienced shoppers with sophisticated choice processes would use their shopping expertise when evaluating brands (Richardson et al., 1996a). It was also proposed that when these consumers need to choose between brands, they would choose familiar brands which they trust (Richardson et al., 1996a). Finding did not however support this proposition. Other studies replicating the proposition investigated by Richardson et al., (1996) also found insignificant relationships between older consumers and brand choice (Cotterill et al., 2002, Cotterill and Putsis, 2000, Burton et al., 1998).

There are researchers who have argued that age is a good indicator of brand choice. These researchers have argued that while older consumers are more likely to buy national brands, younger consumers on the other hand would be more prone to buying own-label brands (Omar, 1996, Dick et al., 1995). Younger consumers tendency to purchase own-label brands has been attributed to the fact that these consumers do not like spending more than is necessary on national brands which are regarded as too expensive, added to the fact that these consumers are not brand loyal (Szymanski and Busch, 1987). Younger consumers are also more prone to make brand choices based package design when they are unfamiliar with the brands on offer (Szymanski and Busch, 1987).

These findings is consistent with earlier studies which show that younger consumers are more prone to purchase cheaper own-label brands (Cunningham et al., 1982, Coe, 1971). In contrast to these findings, other researchers have argued that older consumers are more price sensitive, and have more severe budget constraints than younger

consumers (Dhar and Hoch, 1997, Hoch, 1996), and as such are more likely to buy less expensive brands.

**i. Educational qualifications**

Studies on the effect of educational qualifications on brand choice have reported mixed results. Some studies have found that the better educated a consumer is the higher their chances of earning more. They thus have fewer financial constraints and are more quality conscious (Ailawadi et al., 2001) and have lower price sensitivity (Hoch, 1996, Becker, 1965). These factors gives them more liberty to choose high-priced brands over cheaper ones (Sethuraman and Cole, 1999, Omar, 1996).

In contrast to studies showing that better educated consumers would prefer more expensive brands over cheaper ones, other researcher have found that better educated consumers have more confidence in their evaluative abilities and are more informed about the relative quality of food brands (Hoch, 1996). They therefore are un-reliant on brand name when assessing the quality of products (Murphy and Laczniak, 1979), and are thus more prone to purchase less expensive brands (Cunningham et al., 1982, Burton et al., 1998, Hoch, 1996). There has however been studies which indicated that there is no correlation between educational qualification and brand preference (Richardson et al., 1996a, Richardson et al., 1996b).

**j. Household size**

Studies on the influence of the household size on brand choice have increased since the 1990s. Studies are based on the influence of household size on the propensity to purchase own-label brands. These studies have shown that the size of the family has a significant influence on the proneness to purchase own-label brands, which are usually cheaper than national brands. From past studies it can be concluded that the larger the family size, the more sensitive they are to

product prices because their fixed budgets means they have fewer financial resources available to make ends meet (Sudhir and Talukdar, 2004, Richardson et al., 1996a).

Studies have consistently shown that there is a positive correlation between family size and the tendency to purchase own-label brands, with surveys showing that smaller households have a higher tendency to purchase more expensive national brand products (Omar, 1996, Hoch, 1996, Dick et al., 1995, Cunningham et al., 1982).

#### **k. Other characteristics**

Although studies have discussed the impact of household size on own label purchase, little attention has been given to the influence of a woman's work status on the decision to purchase own label brands. Early studies on own label brand purchase found that house wives were more likely to purchase own label brands (Myers, 1967). In his study, Myers (1967) explained that due to time pressure, working women had a preference for national brands, which were perceived as safe and known brands. However when studies were conducted in the 1990s, Dhar and Hoch (1997) found that working women had a higher inclination to purchase own label brands. This shift in attitude could be attributed to the improved quality of own label brands.

Although there has been attempts to segment own label prone consumers through the use of demographic or socio-economic variables, there are authors who have claimed that own label prone consumers are no different from national brand prone consumers demographically. Studies conducted by Burger and Schott (1972), Bettman (1974) and Fulgate (1979) found that socio-economic variables were ineffectual factors when analyzing the differences between the two consumer groups. More recently, Baltas (2000) found that socio-economic variables were poor predictors of own label proneness.

### **3.5 The impact of own-labels on national brands**

As explained earlier in the study, own label brands were introduced into the market as a means of curtailing manufacturer's trading power. Most studies on the effect of own-label introduction within the grocery industry, has concentrated on its effects on national brand market share. This section will discuss own label/national brand competition through an examination of the price competition between the brands and shelf space allocation and display.

#### **3.5.1 Price competition**

The continued success of own label brands, has resulted in academics studying the price competition between own labels and national brands (Dick et al., 1996, Sethuraman, 1995). Cutting own label price against competing national brands is an obvious price weapon. But its effectiveness is often overstated (Aggarwal and Cha, 1998). Studies have shown that cutting the price of an own label brand below its reputation disadvantage could be injurious since many consumers perceive that too great a difference in the national brand/own label price spread suggests that the own label brand's quality is inferior.

Studies have found that when national brand manufacturers cut prices, the resultant effect has been a fall in the sale of own label brands (Ailawadi et al., 2001, Cotterill and Putsis, 2000, Blattberg and Wisniewski, 1989). It should be further noted that national brands lose fewer sales to own labels when they increase the price of their products. When own label prices are however increased, they lose more market share to national brands (Sivakumar and Raj, 1997, Sivakumar, 1996). In spite of this, it has been observed that own labels do take market shares from national brands when they cut

prices, and when national brand manufacturers increase their prices, they lose shares to own label brands.

In spite of the fact that own label brands are promoted with huge price discounts, studies showed that the number of consumers switching from national brands to own label brands were not as much as retailers expected. (Steenkamp and Dekimpe, 1997). Studies conducted by Dhar and Hoch (1997) across 106 retail stores examining 34 edible grocery categories found that across all categories the mean price gap between national brands and own labels was 40 percent and a 10 percent change in price gap resulted in a 0.8 percent change in own label market share. This finding has been further confirmed by studies which showed that price cutting does not increase market share over the long term, rather it reduces profit levels (Ailawadi et al., 2001).

It can thus be concluded that the policy of charging low prices which used to attract consumers to own label brands may no longer be good enough to entice more consumers away from national brands to own label brands.

### **3.5.2 Shelf allocation and display**

As the quality of own label brands improved, retailers stepped up the competitive environment with shelf space allocation and display. Shelf space refers to the retailer's power to decide on how and where to put products/brands on the store shelves, endcaps and island displays for everyday sales and during promotional periods. It is this prerogative that distinguishes the competition between national brands and own label brands (Hoch et al., 2002).

Attempts to measure the degree of shelf space efficiency have resulted in researchers examining the relationship between space occupancy rate and profit (Baltas, 1999, Dreze et al., 1994, Bultez and Naert,

1988, Martell, 1986). It should be noted that technological advances has made shelf-space allocation a source of profitability for retailers. Prior to the introduction of the Electronic Point-of-sale System, checking stock turnover on shelves used to be labour intensive and lacking in effectiveness (Dreze et al., 1994).

The introduction of the Electronic Point-of-sale System has resulted in retailers assigning shelf space according to sales levels or product/brand market share. In order to gain competitive advantage over national brands, retailers have doubled the shelf space allocated to their brands at the expense of national brands (Suarez, 2005, Baltas, 1999, Martell, 1986). It should be noted that the more retailers assign space to their brands, the higher would be the possibility of increasing market share.

In order to enhance the effectiveness of shelf space allocation, own label brands are placed around market leaders thus attracting consumer attention (Amrouche and Zaccour, 2007, Sayman et al., 2002, Fernandez et al., 2001, Scott-Morton and Zettelmeyer, 2004). Using the strategy of displaying own label brands around leading market brands helps increase consumer exposure to own labels and enables easy comparison of own label and national brand prices. This sort of exposure can lead to a positive perception of own labels by consumers especially if they are of good quality and lower priced.

### **3.6 National brand manufacturer response to own label threat**

In other to deal with the fallout of the successful introduction of the own label brand, national brand manufacturers have intensified the price competition between the brands through the introduction of temporary price promotions and lower priced varieties. In addition, manufacturers of national brands furthest away from own-labels have increased prices as a means of emphasising the differences between

the two brands (Gruca et al., 2001, Hauser and Shugan, 1983, Lal, 1990, Hoch, 1996, Quelch and Harding, 1996), this strategy has only been successful because it has been combined with national brand quality improvements (Gruca et al., 2001, Hauser and Shugan, 1983).

Marketing academics cite improved quality as one of the main factors behind the continued success of own label brands. Studies conducted by Hoch and Banerji (1993), found that own label market shares were greatest where its quality relative to national brands were high. In spite of this, national brand manufacturers can only compete effectively with own labels by becoming more innovative. Good product improvement by national brand manufacturers would ensure that retailers will always be playing catch-up by imitating yesterday's favourites. It should however be noted that the introduction of the premium own label brand can be viewed as the retailer's response to continued successful innovations by national brand manufacturers. However, retailers do not enjoy comparable economies of scale that would permit them to employ a first rate R&D staff, and as such would always wait for national brands to innovate and respond by copying successful high volume product introduction by the national brand manufacturer.

Furthermore, the continued success of own label brands has resulted in some national brand manufacturers (especially those with weaker brand power, who are losing market share) producing own-labels (Oubiña et al., 2006). This move may be undertaken as a means of avoiding idle capacity (Bergès-Sennou, 2006), associated with the fixed costs and cost of staff not engaged in direct productive work (Slack et al., 2007). Furthermore, the production of own label brands might be the best way of gaining shelf space as explained by Mangold and Faulds (1993).

It must be noted however that the level of success which national brand manufacturers and own-label retailers would achieve when

competing against each other would be dependent on consumer response to own-label brands. Studies have shown that the introduction of own-label brands is beneficial to consumers because own-labels help increase consumer choice within the product category, thus improving category attractiveness (Mason, 1990). Furthermore, the lower price and improved quality of own-label brands (Hoch and Banerji, 1993), makes it possible for price-conscious consumers to become regular buyers of products within categories where they wouldn't normally buy.

### **3.7 Hypothesis development and conceptual framework for the study**

Although previous research on own label food brand choice focused on the factors influencing the purchase of own-label and national food brands, as well as the characteristics of consumers of either brands (Lybeck et al., 2006, Semeijn et al., 2004, Ailawadi and Keller, 2004, Miquel et al., 2002, DelVecchio, 2001, Batra and Sinha, 2000, Yelkur, 2000, Dhar and Hoch, 1997), to the best of the researcher's knowledge, there are no studies examining the choice criteria for premium food brands neither are there studies comparing consumer preference of premium food brands with national brands. Within this section, the conceptual framework for the study as well as the hypothesis to be tested will be developed.

#### **3.7.1 Review of past studies**

Studies on consumer food brand preference have dominated marketing research. Most brand choice investigation has been centred on understanding consumer brand selection amongst different product categories (Bentz and Merunka, 2000). Studies on food brand choice have focused on the factors influencing the purchase of own-label and national food brands, as well as the characteristics of consumers of either brands (Lybeck et al., 2006, Semeijn et al., 2004, Ailawadi and

Keller, 2004, Miquel et al., 2002, DeIVecchio, 2001, Batra and Sinha, 2000, Yelkur, 2000, Dhar and Hoch, 1997).

Previous studies on food brand choice concentrated on specifying variables which would enable an identification of market segments. Research had concentrated on attempts to identify consumer demographic variables that could be used to identify own-label loyal consumers as well as the product characteristics that influenced the purchase of own-label brands (Szymanski and Busch, 1987, Lybeck et al., 2006).

Most of the studies attempting to build a profile of the own-label consumer, examined the possibility of associating own-label brand purchase with consumer demographic or socio-economic characteristics. The first study conducted in this regard was by (Frank and Boyd, 1965), who studied the nature of consumer demand for own-label products. Using 44 product categories, they were able to conclude that there were no differences between own-label brand and national brand consumers. Households surveyed shared the same socio-economic and consumption characteristics irrespective of the brands bought.

Building on research attempting to build the profile of own-label brand consumers, Coe, (1971) conducted a study to determine if there was any differential preference between national and own-label brand consumers amongst lower and middle income groups. Her study showed difference in the brand preference of between these groups. Consumer brand preference was dictated by level of education, consumer awareness and acceptance of advertising as well as price. Low income earners showed a higher tendency to purchase own-label brands (Coe, 1971).

In an attempt to build previous studies examining the influence of consumer demographic variables on brand preference, Burger and Schott (1972) examined the influence of consumer demographics,

product class salience, product use and marketing attitude variables on grocery brand preference. Although only female consumers were surveyed, the researchers concluded that own-label consumers were spread across all socio-economic groups. They however proposed that differences in attitudinal and behavioural variables were better predictors of brand choice (Burger and Schott, 1972)

In order to rectify inconsistencies in findings resulting from the variety of statistics used to report individual search results, Szymanski and Busch (1987) used meta-analysis to investigate whether there were consumers who were prone to purchase own-label food brands. Their studies showed that the best indicator of own-label brand preference was consumer perception of product quality and price, as well as consumer overall perception of own-label brands. Demographic and psychographic variables as well as consumer shopping behaviour were found to be weak predictors of own-label purchase. They however noted that the most commonly used demographic variables were income, family size, age, education, marital status, sex, occupation, housing and race (Szymanski and Busch, 1987).

Studies using consumer demographics to determine brand choice though capable of providing some insights into brand preference were however unable to conclusively explain the reasons behind consumer preference of either national or own-label food brands. Attempts to fill this gap in the literature led to academics examining the effects of psychographic variables on choice.

The first person to study the influence of psychographic variables on choice was Myers (1967), who proposed that the best way of classifying consumers was by examining perceptions of own-label brands rather than examining the influence of individual characteristics or socio-economic factors. By developing an attitudinal construct, which made it possible to identify differences in consumer type, it was concluded that socio-economic and personality

determinants had low predictive power with a suggestion for further theoretical and empirical investigation (Myers, 1967)

The acceptance of the difficulty of constructing a theory which could conclusively explain consumer choice of own-label and national brand products led to Livesey and Lennon (1978) attempting to explain the choice difference using consumer perceptions. They found that consumers could be classified as either national or own-label prone shoppers based on their needs, their responses to marketing activities, perceived risk, degree of experience with own-label brands as well as product importance. It was also concluded that the classification of consumers was only valid when applied on a product-by-product basis. It was noted that personal budget also influenced choice (Livesey and Lennon, 1978).

The study by Burger and Schott (1972) which proposed that differences in attitudinal and behavioural variables were better predictors of own-label brand choice listed price attitude, advertising attitude and careful shopping as the main variables explaining behavioural differences between own-label and national brand prone shoppers. Although advertising attitude and careful shopping were noted as influential as price attitude (Burger and Schott, 1972).

By developing an integrated framework which could be used to explain own-label brand proneness, Richardson et al., (1996) were able to argue previous studies on choice determinants for premium and national brands. Their study showed that consumer familiarity with own-label brands, the level of reliance on extrinsic cues such as price and packaging as determinants of product quality, intolerance for ambiguity, perceived quality variation between national and own-label brands, perceived value for money, income and family size could be used as correlates for own-label brand proneness (Richardson et al., 1996a).

Further development of frameworks used to explain the tendency of consumer to purchase own-label brands led to the introduction of behavioural and attitudinal characteristics which could be used to predict own-label prone consumers. By using panel data collected on 13 independent variables categorised as shopping behaviour, reasons for buying own-label brands, indicators of consumer relationships with own-label brands, and consumer involvement categories, it was concluded that heterogeneous models were better predictors of own-label brand proneness (Baltas, 1997)

The perception of own-label products as being inferior to national branded products led to a new stream of studies focusing on the influence of perceived risk on brand choice. Studies assessing the influence of various determinants of perceived risks on variations in national brand and own label purchase led to the conclusion that own-label purchase within product categories increases as consumers' perception of penalties of making a purchase mistake falls. It was further concluded that consumers had a higher tendency to buy own-label brands that had more search attributes and preferred national brands when experience attributes that cannot be listed on packages were taken into consideration (Batra and Sinha, 2000).

An extension of studies on factors influencing consumer choice of either own-label or national brands were conducted by Shannon and Mandhachitara (2005). Using cross-cultural studies, they attempted to identify attitudinal and behavioural factors that influenced the purchase of own-label brands amongst consumers in the USA and Thailand. Their examination of variables such as own-label brand familiarity, perceived quality differences, perceived own-label risk, time pressure, shopping enjoyment, shopping group size, price signalling and extrinsic cue reliance. Their study showed that attitudinal and behavioural factors had different effects on consumer own-label proneness depending on the consumer's cultural background (Shannon and Mandhachitara, 2005).

Although most studies on food brand choice have concentrated on the factors influencing the success of own-label brands, some researchers have also investigated factors influencing the continued success of national brands, despite the fact that own-label market share has been growing continually over the last 20 years.

It has been established that the continued success of national food brands can be attributed to consumer perception of national brands as being of superior quality to own-label brands. Initial studies on consumer quality perception of national and own-label brands showed that national brands were consistently rated as being superior quality in terms of taste and appearance (Besharat, 2010, Chen et al., 2007, De Chernatony, 1989a, Szymanski and Busch, 1987, Rosen, 1984, Cunningham et al., 1982, Bellizzi et al., 1981).

Consumers further claimed that their purchase of national brands can be attributed to their perception of these brands being of better prestige, reliability, quality, packaging, taste, aroma, colour, texture, appeal, purity, freshness, familiarity and confidence in use (Besharat, 2010, O'Cass and McEwen, 2004, Bellizzi et al., 1981). However, when blind taste tests were conducted to assess whether national brands actually tasted better than own-label brands, it was noted that consumers were unable to detect any difference in the taste of national and own-label brands (Omar, 1994) though national brands were rated as being of superior quality and taste to own-label brands.

The continued success of national brands has also been linked to their ability to command premium prices which act as a differentiating factor. Studies have also shown that consumers are willing to pay a price premium for national brands because they are perceived as being of superior quality and give higher consumption pleasure (Sethuraman, 2000). However, consumers who are perceived as being price-conscious showed a higher tendency to purchase own-label brands due to the lower prices charged (Erdem and Swait, 2004, Ailawadi et al., 2001, Batra and Sinha, 2000).

Studies on the effects of consumer psychological factors on national brand choice showed a positive relationship between these factors and national brand preference. Factors studied include quality perception, economic perception, brand familiarity, price/quality perception (value for money), brand loyalty, brand name effect, smart shopper perception, intolerance of ambiguity, reliance on extrinsic cues, and consumer affinity with brand personality (Dolekoglu et al., 2008, Berné et al., 2004, Ailawadi et al., 2001, Batra and Sinha, 2000, Burton et al., 1998, Baltas and Doyle, 1998, Baltas et al., 1997, Omar, 1996, Richardson et al., 1996a, Dick et al., 1995, Simonson et al., 1994)

Although price does not influence the purchase of national brands, there however exist a positive relationship between national brand purchase and value for money. Quality consciousness and quality consistency are also positively related to national brand purchase. Furthermore, results from these studies show that demographic variables such as education, income, and family size can be used to determine brand choice (Burton et al., 1998, Dick et al., 1995, Omar, 1996, Richardson et al., 1996a)

From the review of past literature, it will be noted that the most commonly measured attributes used by consumers when evaluating own-labels and national brands are: quality (Dolekoglu et al., 2008, Semeijn et al., 2004, Erdem and Swait, 2004, Miranda and Joshi, 2003, Richardson et al., 1996a, Hoch and Banerji, 1993), price (Erdem and Swait, 2004, Ailawadi et al., 2001, Batra and Sinha, 2000, Sethuraman and Cole, 1999, Baltas and Doyle, 1998, Omar, 1996), brand name (Dolekoglu et al., 2008, Vranešević and Stančec, 2003, Belén del Río et al., 2001), value for money (Garretson et al., 2002, Burton et al., 1998), and taste (Lindstrom, 2005, Brunsø et al., 2004, Vranešević and Stančec, 2003).

### **3.7.2 Factors influencing food brand choice**

The review of past studies undertaken on factors influencing food brand choice, show that although there is extensive research on factors influencing brand preference, these studies have been limited to the consumer-level factors that influence the success of own-label and national brands. And despite the continued growth of premium brands - with market size estimated to be around £14 billion by 2014 (IGD, 2009, Mintel, 2008, O'Bornick, 2008), researchers are yet to examine consumer-level factors that influence the purchase of premium food brands. Research is therefore required to bridge the gap in choice determinant literature, through an examination of the effects of key variables on the demand for premium food brands.

Prior to developing hypotheses to be tested, there will be detailed examination of factors influencing food brand choice.

#### **3.7.2.1 Quality**

Quality is essential to an organisation achieving competitive advantage and has been used by researchers as an important indicator of competitiveness (Hansen and Solgaard, 2004). Although there is not a consensus definition of the term, quality has been defined as the perception of the superiority of a brand when compared to alternative brands (Low and Lamb, 2000). Others have defined it as “the ability to satisfy the expectations and needs of customers” (Hansen, 2001).

Quality is fundamental to the competition between brands (Veloutsou et al., 2004, Hoch, 1996). The quality of products play an important role in purchase decisions (Binninger, 2008, Sethuraman, 2003). When making choices, quality cognition is important, because quality help consumers recognise a brand thus making the brand prominent in the consumer's consciousness (Aaker, 2002, Aaker, 1996b).

Product quality is usually related to two main concepts – that of consumer value and consumer satisfaction (Keller, 2008). Consumer value refers to the difference between what the consumer obtains by using the product and the monetary value paid for it (Aaker and Joachimsthaler, 2002). Consumer satisfaction on the other hand refers level at which the product's delivery of value meets the user's expectations (Kotler et al., 2008). Quality is thus the ability of the product to fulfil its functions (Kotler and Armstrong, 2006)

Product quality has been defined in terms of the consumer's quality perception, which is based on overall judgements related to the superiority of the product (Mtimet et al., 2008). Quality is thus “all those products that satisfy the explicit and implicit needs of consumers” (García et al., 2002). In simpler terms, quality refers to the degree of excellence in a product (Xiaohua and Germain, 2003).

Perceived quality which is the consumer's overall perception of brand excellence and superiority (Parvin and Chowdhury, 2006), is one of the main influencers of food brand choice (Binninger, 2008), and has been explained as “a special type of association because it influences brand associations in many contexts” (Aaker and Joachimsthaler, 2002). It is the difference between the overall quality of a product and the undetected quality which can lead to customer satisfaction (Chaudhuri, 2002). It is thus a judgment made by consumers in the evoked set and as such should be regarded as being part of a high level of abstraction instead of being treated as a set of product attributes (Zeithaml, 1988).

One of the main factors influencing purchase decisions is perceived quality, which enables a brand to be included amongst those being evaluated. It reflects a measure of goodness that permeates all elements of a brand. It must be noted that the functional benefits associated with brand identity are related to perceived quality. Thus if consumers have a good perception of a brand's quality, their overall

perception of the brand will also be positive (Blythe, 2001, Aaker, 1996a)

Brands perceived as being of high quality have higher purchase incidence when compared to brands with lesser quality perception (Sethuraman and Cole, 1999). When a choice has to be made between two brands, there is usually an assumption amongst consumers that the lower priced brand is of a lower quality, which reduces the consumer's purchase intention towards it (Sudhir and Talukdar, 2004).

Furthermore, there is a positive relationship between brand awareness and purchase intention (Sudhir and Talukdar, 2004), with quality being found to be a more important choice criterion than price (Sethuraman, 2003, Miranda and Joshi, 2003). Studies have found that the introduction of premium own-label brands with its perceived high product quality has helped retailers increase market penetration (Dhar and Hoch, 1997, Chaniotakis et al., 2010).

Finally consumers have high quality consciousness for brands with high quality products (Binninger, 2008), and studies have shown that there is a general believe amongst consumers that national foods brands taste better, has better flavours and overall quality (Steiner, 2004, Richardson et al., 1996a).

### **3.7.2.2 Price**

Price is the monetary amount or value placed on a product (Brassington and Pettitt, 2006, Monroe, 2003), which makes it the sum of all the values that consumers exchange for the benefits of having or using a product or service (Kotler and Armstrong, 2008). Although price is just one of the factors used to evaluate a product, it is nonetheless an important one. This is due to the fact that with the quality variability between brands getting more difficult to discern, consumers now use price as the final determinant of choice (Solomon et al., 2010, Baker and O'Brien, 1997). Price only becomes

unimportant when the prices of competing brands are very similar, allowing subjective associations created by promotions to be the main choice determinant (Baker and O'Brien, 1997).

Economists assume that brand preference and brand choice can be inferred from the perceived utilities of a product. Psychologists on the other hand believe that brand preferences are made based on a variety of dimensions which include personal psychological processes (Weber and Johnson, 2009). Thus for some consumers, there is an assumption that the purchase of expensive brands will increase their social perception amongst peers (Vigneron and Johnson, 1999, Lichtenstein et al., 1993). These consumers are prestige-sensitive, and they also equate high price with high quality (Grunert, 2002). When there is a need to choose between competing brands, these set of consumers will also buy the higher priced product.

Studies have shown that when making brand choices, price can have a positive or negative effect on choice. Thus it can have a direct negative effect on purchase intention or an indirect positive effect on purchase intention through quality inferences (Monroe, 2003). When price has a direct negative effect on purchase intention, consumers were price conscious and thus would rather pay the lowest possible price for the best quality product (Lindquist and Sirgy, 2006, Lichtenstein et al., 1993), others were value conscious and willing to pay lowest price to obtain best value for money (Richardson et al., 1996a).

When price has an indirect positive effect on purchase intention, it is used to evaluate the quality of a product. Thus the high price of a product would be used to infer a high quality level, which would also lead to a higher tendency to purchase (Garretson et al., 2002). Consumers who are prestige-sensitive or socially conscious, would be willing to buy higher priced products because for them, the high price signifies high social status (Johansson-Stenman and Martinsson, 2006)

Price is however not used in isolation but is one of a mix of evaluative criteria. When used to evaluate food brands, price is not used in terms of a specific fixed price but rather is used to define acceptable price ranges. Previous purchase, perception of product benefits and perception of possible product costs are all used to determine acceptable price ranges (Monroe, 2003, Lane and Lindquist, 1982).

It can be concluded that the importance of price in influencing brand choice is related to its function as a surrogate for quality. When consumers have inadequate information about product attributes, or when they are unfamiliar with brands on offer, price helps them infer quality (Brassington and Pettitt, 2007). Price also influences brand choice when there is a high perceived risk of making unsatisfactory choices. Consumers in an attempt to reduce the level of risk will choose the higher priced brand believing that it will offer higher quality and better value for money (Kardes et al., 2004). Thus when there is unfamiliarity with product category as well as a lack of objective knowledge, price significantly influences brand choice.

Furthermore, there is evidence to show that increases in the market share for own-label products is consistent with increases in the price of national food brands (Bontemps et al., 2005, Ward et al., 2002). Thus it can be concluded that when given a choice, consumers will choose the less expensive brands. It needs to be further noted that consumers are perceived as being sensitive to national brand price changes with prices increases leading to a fall in sales (Huang et al., 2004).

### **3.7.2.3 Value for money**

Value is gotten from the trade-off between product benefits (e.g. product quality) and monetary sacrifice (Lindquist and Sirgy, 2006). Consumers' value judgements are based on their "overall assessment of the utility of a product based on perceptions of what is received and what is given" (Sweeney and Soutar, 2001, Zeithaml, 1988). Thus

value for money implies consideration of quality not in absolute terms but in relation to the price of a particular brand (Batra and Sinha, 2000, Richardson et al., 1996a).

Price reflects the product's value marked in monetary terms, and (Jobber, 2007, Barnes et al., 1997), with consumers assessing the quality of a product through its price (Keller, 2008). This evaluation of perceived quality, through an assessment of price enables consumers determine perceived value (Keller, 2008).

Perceived value is made up of beneficial and sacrificial elements. In order to obtain value for money spent, product purchased would have intrinsic and extrinsic attributes as well as quality as perceived by the consumer (Marconi, 2000).

Hence a lower priced product with attractive features such as organic ingredients may be regarded as providing better value for money, when compared to more expensive brands with less attractive attributes (Lindquist and Sirgy, 2006, Batra and Sinha, 2000, Richardson et al., 1996a). As a result, consumer perception of value will be higher when they believe that the benefits obtained from using the product out-weighs the price paid.

Most studies on the effect of perceived value either examine the manner in which consumers differentiate products by their attributes, or the manner in which brand preferences are influenced by perceived value. Studies have found that perceived value is specifically related to differences between brands (Rekerttye and Liu, 2001).

The influence of perceived value on choice can be better understood through an examination of various definitions of perceived value. The concept of perceived value has been defined as the reasoning process based on consumers' intuition of market efficiency (Chernev, 2007), based on the belief that market efficiency ensures products are priced at value parity ensuring that the trade-off between benefits and costs

were constant across all available alternatives. Thus higher priced products would offer better value and vice versa (Chernev and Caprenter, 2001)

In their study on perceived value and positioning, Chernev (2007) compared consumer reaction to specialized single-focused positions and all-in-one product positions. It proved that when a focused specialised positioning strategy was compared to an all-in-one positioning strategy, the perceived performance of the specific specialised option is taken as being superior to the all-in-one option. The perceived performance of the all-in-one decreased when compared to a specialised product on a specific characteristic. Thus consumer perception of value is related to the market positioning of brands.

Using Zeithaml (1988) definition of perceived value as the consumer's overall assessment of the utility of a product or service based on perceptions of what is received and what is given, Kwon et al., (2007) explained that in order to determine whether a product to be purchased would give good value for money, consumers would weigh the cost against the expected benefits to be gained through usage. Thus the product's value will be determined by its functionality. Thus a particular brand of biscuit may be chosen over all other brands based on its perceived taste and texture (Kwon et al., 2007). Perceived value will be influenced by perceived offering since there is usually a difference between what the organisation believes it is offering the consumers and what consumers perceive they are receiving (Kwon et al., 2007, Erdem and Swait, 2004).

When related to food brands, studies have proven that consumers' perception of own-label brands as low quality low priced products affects their willingness to purchase these brands (Steiner, 2004, Batra and Sinha, 2000). In order to improve market share, premium brands have been introduced into the market, which are regarded as giving better value for money, with these brands being positioned as high

quality brands which can rival any national branded products within their product category (Anselmsson et al., 2008). Thus when consumers have a higher recognition of value, they have a higher tendency to purchase (Steiner, 2004).

#### **3.7.2.4 Packaging**

Packaging has been defined as “all products made of any materials of any nature to be used for the containment, protection handling, delivery and preservation of goods from the producer to the consumer” (Kotler et al., 2010). Although the primary function of the package is the protection of products (Kuvykaite et al., 2009, Gonzalez et al., 2007, Wells et al., 2007), it also influences the decision making process by drawing the consumer’s attention to particular brands by enhancing its image and influencing consumer perception about the product (Rundh, 2005).

Studies have further shown that the package gives products unique value (Silayoi and Speece, 2004, Best, 2002, Underwood et al., 2001, Underwood and Ozanne, 1998), acts a product differentiation and identification tool that helps stimulate purchase (Wells et al., 2007)It therefore functions as a communication tool (Butkeviciene et al., 2008, Gonzalez et al., 2007, Vila and Ampuero, 2007, Ampuero and Vila, 2006, Silayoi and Speece, 2004, Smith and Taylor, 2004, Underwood, 2003, Vazquez et al., 2003, Prendergast and Pitt, 1996) Thus product package enhances value (Jakhar, 2004, Kundu and Sehwawet, 2000).

Studies on consumer buying behaviour within the grocery sector has proven that before choices are made, consumers actively or passively seek information about the product’s brand, manufacturer name, country of origin, and nutritional information (Peters-Teixeira and Badrie, 2007). When a need arises to buy unfamiliar products or brands, product packages can influence choice (Lifu, 2003).

Attractive product packages are found to be more effective at attracting consumers than any promotional activity (Lifu, 2012), because packages gives firms the last opportunity to persuade consumers to purchase their products (Ares and Deliza, 2010, Terblanche, 2006).

In addition to influencing purchase decisions, packages also help enhance consumer expectations. If the hedonic expectations created by the package are high, it may attract consumer interest and purchase. The confirmation of expectation will then lead to repeat purchase (Ares and Deliza, 2010, Deliza and MacFie, 1996).

Package features help emphasize the uniqueness and originality of products. Quality judgements are usually influenced by product characteristics which are reflected in the package thus influencing brand preference. If the package communicates high quality, there is an assumption that the product will be of high quality and vice versa (Silayoi and Speece, 2004, Underwood et al., 2001). The package thus becomes the tool that conveys favourable implied meaning about the product (Lifu, 2003), by triggering consumer imagination about the product's smell, taste, look and feel through images shown on the package (Underwood et al., 2001).

The visual imagery on packages help differentiate products, ensure it can be chosen at the point of sale and embed the brand in the consumer's consciousness since images are more stimulating than words (Underwood et al., 2001), and they are easier and quicker for consumers to process especially when consumers are in low involvement buying situations (Fill, 2006a). Thus a well-produced product image has a high tendency of invoking memorable and positive associations with the product thus leading to choice (Fill, 2006b, Underwood et al., 2001).

Thus it can be concluded that packages promotes and reinforces the purchase decision (Fill, 2006a, Rundh, 2005), acts as a key vehicle for

communicating brand positioning (Kuvykaite et al., 2009), helps consumers differentiate and choose products (Wells et al., 2007), gives products unique value (Silayoi and Speece, 2004, Best, 2002, Underwood et al., 2001, Underwood and Ozanne, 1998), functions as a communication tool (Butkeviciene et al., 2008, Gonzalez et al., 2007, Vila and Ampuero, 2007, Ampuero and Vila, 2006, Silayoi and Speece, 2004, Smith and Taylor, 2004, Underwood, 2003, Vazquez et al., 2003, Prendergast and Pitt, 1996)

### **3.7.2.5 Taste**

Consumers would purchase food products if they have a perception that the taste will be acceptable. This makes perceived taste an important hedonic attribute which is capable of influencing choice (Brunsø et al., 2004). There is varied research on the sense of taste and includes the administration of taste tests (Vranešević and Stančec, 2003, Omar, 1994, Buchanan et al., 1987), the effect of taste expectations as it relates to new product formulation, packaging, branding (Sprott and Shimp, 2004, Bellizzi and Martin, 1982, Allison and Uhl, 1964), store sampling (Nowlis and Shiv, 2005, Shiv and Nowlis, 2004, Johnson et al., 1985) and taste as a form of direct product experience (Braun, 1999, Compeau et al., 1998, Levin and Gaeth, 1988)

Consumers rate taste perception of known brands higher than that of unfamiliar brands. Early study on the effect of taste on brand choice found that in blind taste tests, experienced drinkers were unable to distinguish between their preferred beer brands and other brands. However when brand identities were revealed these drinkers rated the taste of their preferred brands higher than that of other brands. They also cited the taste of their preferred brand as the main factor influencing choice (Allison and Uhl, 1964).

In a similar manner, test conducted by Bellizzi and Martin (1982) found that consumer perception of taste was influenced by the brand.

National branded products were rated as tasting better than own-label and generic brands. Further studies conducted by Sprott and Shrimp (2004) examined the interactions of brand status (national brands and own-label brands) and quality of the tasting experience. They found that tasting an own-label brand subsequently increased evaluation for the own-label brands. It also increased the choice of own-labels by consumers who tasted them. However there were no benefits accruing to the national brands.

It can thus be concluded that when consumers make quality judgements, they base these judgments on inherent product features and extrinsic cues such as price and brand name. Intrinsic cues such as taste would dominate the extrinsic cues whenever the intrinsic cues can be evaluated before purchase. When the intrinsic cue (taste) cannot be evaluated, consumers base their judgments on more extrinsic cues (brand name). Thus the provision of an opportunity to taste an own-label brand made it possible for consumers to change product perception and consequently brand preference (Peck and Childers, 2008, Sprott and Shimp, 2004).

Product trials through tasting has been found to be diagnostic and influence perception of choice (Peck and Childers, 2008). In their study, Levin and Gaeth (1988) varied the temporal order of tasting a product (before and after reading the ground beef label) and the valence of the label information. The authors found that the framing effect of the labelling information was reduced when the participants sampled the product compared to when they did not. Thus product experience (through tasting) will have greater weight in brand choice when it is unambiguous or diagnostic (Peck and Childers, 2008, Levin and Gaeth, 1988).

Finally studies examining the effect of distraction through food sampling on choice found that distraction of a shopper increased subsequent purchase of the sampled item. This is explained by the fact that distracting a shopper by giving them a food item to taste, will

result in the shopper being able to experience the product and subsequently evaluate it. If the product's taste is to the consumer's liking, then they will purchase that particular brand because they already know what it will taste like (Nowlis and Shiv, 2005, Shiv and Nowlis, 2004)

### **3.7.2.6 Brand name**

Brand name plays an important role in enhancing a product's value because it helps communicate quality and brings to mind specific knowledge structures associated with the brand (Srinivasan and Till, 2002, Keller, 1993, Hoyer and Brown, 1990). The brand name is one of the brand elements that help consumers identify and differentiate competing products. It identifies and embodies all that the organisation represents (Greenbaum, 2006). The brand name gives value or brand equity and has a direct impact on consumer choice. There are consumers who purchase own label brands based on their perception of the retailer's equity. A detailed analysis of the effect of brand equity on choice is given below.

#### **a Brand equity**

One of the significant concepts in brand management is brand equity (Kim et al., 2008). Brand equity is the incremental utility and value that the brand name bestows on the product (Keller, 2003b, Yoo et al., 2000, Park and Srinivasan, 1994), and a source of competitive advantage (Chen et al., 2010). The added value brand name gives a product is noticed in the way consumers feel and react to the brand, which reflects in the prices, market share and profitability the brand commands (Kotler and Keller, 2006).

Brand equity has been defined as “the set of assets (and liabilities) linked to a brand's name and symbol that adds the value provided by a product or service to a firm and /or that firm's customers” (Aaker, 1991). It has also been defined as the marketing effects uniquely

attributed to the brand because of its brand name, that would not occur if the same product did not have that name (Rangaswamy et al., 1993). From the organisation's perspective, the equity of the brand affects its profits and long term cash flow, the willingness of consumers to pay premium prices for the brand's products, any merger and acquisition decisions, marketing communication effectiveness, stock prices, long term sustainable competitive advantage and the marketing success of the firm (Chen et al., 2010, Yoo and Donthu, 2001, Aaker, 1991).

### **b Customer-based brand equity**

Research on brand equity effects are researched either from the customer's perspective, the financial perspective or a combination of both (Keller, 2003b, Keller, 1993). This study will only examine the effects of brand equity from the consumer's perspective.

It is generally assumed that market structures are imperfect and asymmetrical (Erdem, 1998), and in order to reduce the level of uncertainty which consumers experience in asymmetrical market situations, brands are required to act as to inform consumers about the product as well as act as a signal that the product's claims are credible (Erdem et al., 2006, Erdem, 1998). Through their ability to minimise consumer uncertainty, brands help consumer obtain value by reducing the level of perceived risk, cost of information search as well as create favourable attribute perceptions (Erdem, 1998).

Consumer psychologists examine brand equity using the premise of associative network memory models (Keller, 2003b, Krishnan, 1996, Lassar et al., 1995, Keller, 1993, Aaker, 1991). These theories are based on the assumption that the brand is a node in the consumer's memory, which is linked with different associations. These perceptions form the basis of consumer attitudes towards the brand. Thus brand equity is a function of associations developed in the consumer's mind (Farquhar, 1989). The brand's value will either be

positive or negative depending on the manner in which the consumer reacts to marketing mix of the product associated with the brand, when compared to the reaction to the marketing mix of a similar unbranded product (Keller, 2003b, Keller, 1993).

Thus customer-based brand equity is the study of brand equity from the consumer's perspective (Xu and Chen, 2010) examining the effects of brand familiarity and consumer associations on brand choice (Tong and Hawley, 2009, Keller, 1993). It is dependent on consumer familiarity with the brand and the associations held in their memory (Wang et al., 2008). Thus positive customer-based brand equity would have a positive influence on brand choice.

### c The influence of brand equity on choice

In their study of brand equity, Teas and Grapentine (1996) produced a framework that was used to assess the effect of brand name on consumer choice and the degree to which it provides equity for the consumer.

**Table 3.8: The role of brand name in influencing consumer choice**

<b>Brand effects issues</b>	<b>Information search</b>	<b>Establishing the consideration</b>	<b>Purchase decision</b>	<b>Post-purchase evaluation</b>
Indicator of search attributes	Reduce information acquisition	Included as evaluative criteria		
Indicator of use attributes		Included as evaluative criteria	Risk reducer through attribution indicator	
Indicator of credence attributes				Risk reducer through attribution indicator
Brand loyalty/inertia	Reduce information acquisition effort	Decision simplification	Decision simplification and risk reduction	
Brand as a valued attribute		Included as evaluative criteria	Decision criterion	Satisfaction/prestige

Source: Teas and Grapentine (1996: 26)

At different stages of the buying process, the brand name gives consumers a sense of value because it helps simplify the purchase decision-making process, reduce the level of perceived risk associated with product quality, and provides added value directly to the consumers by acting as an evaluative attribute (Brassington and Pettitt, 2007, Greenbaum, 2006). The brand name thus influences every step of the decision-making process (Teas and Grapentine, 1996). The table above shows that brand equity has considerable influence consumer purchase decisions.

A detailed examination of the brand effects issues will enable a better understanding of the roles the brand name plays in the decision-making process. The search attribute is the first brand effect issue and it is defined as “a characteristic of a product that can be evaluated by acquiring information during the pre-purchase decision process (Teas and Grapentine, 1996). Thus before embarking on the search process, consumers usually have a loosely defined choice set. Thus when attempting to buy a television, consumers will include size, resolution, HD, suitability for wall mounting as search attributes. Because of the utility the brand name provides, consumers usually limit information search by including the brand as an evaluative criteria on which purchase decisions are based (Hawkins et al., 2001, Teas and Grapentine, 1996).

Although search attributes can be evaluated before a product is bought, use attributes on the other hand can only be evaluated after purchase (Solomon et al., 2010, Schiffman and Kanuk, 2004). Use attributes include food taste, which can only be evaluated after the product has been purchased and consumed. Due to the difficulty of evaluating use attributes before purchase, brand name makes it simpler and easier to evaluate use attributes before purchase. When the brand is used as an indicator of a use attribute, the consumer is projecting the performance of the product on the brand alone, by

assuming that the product brand will have a perceived advantage over all other alternatives. Thus if the perceived equity is high, the product will be included in the consumer's consideration set along with other products that has been used. Brand equity thus makes consideration possible even without prior experience (Teas and Grapentine, 1996).

Credibility attributes are difficult to evaluate but are associated with perceived risks. Although the brand cannot completely take out the consumer's inability to evaluate credibility attributes, it can give a sense of perception of possible risks. Thus organic food brands are usually associated with less risk when compared to other brands because they are believed to be chemical and preservative free. The brand thus serves as a risk reducer and helps consumers put uncertainties into perspective. Furthermore, the risk reducing role of the brand is enhanced through the sense of confidence which the brand commands. Consumers have a lot of confidence in brands with high equity (Teas and Grapentine, 1996, Rangaswamy et al., 1993). Thus while the consumer may be unable to evaluate credence attributes, the equity of the brand will help alleviate some of the anxiety this limitation may cause (Keller, 2003b, Teas and Grapentine, 1996)

Brand name also makes it possible for a brand whose product is substandard when compared to other brands within the product category to be included in the consideration set and even chosen over higher quality brands. Thus a Panasonic DVD player may be chosen over an unknown brand, despite the fact that the unknown brand is of better quality, simply because consumers know and believe in the Panasonic brand name. Furthermore brand equity allows consumers substantially reduce and even eliminate information search when familiar brands are purchased. In this case, the evaluation of other brands will be avoided (Teas and Grapentine, 1996).

There are brands that command a level of prestige or status (e.g. Rolls Royce, Aston Martin, Harrods or Fortnum and Mason). Apart from prestige, these brands also project a sense of quality, safety and other intrinsic values which are inherent within the brand but difficult to explain. Thus the brand name may make it possible to include products in the consideration set. Furthermore, some consumers might choose a product because of the prestige the brand name might project on them (Belén del Río et al., 2001, Vigneron and Johnson, 1999, Teas and Grapentine, 1996).

Thus brand name and the equity it confers on products influences choice because it enhances the consumer's trust in purchasing a product as well as enable a better understanding of intangible brand elements (Chen et al., 2010). The influence of brand equity and thus brand name starts with the selection of evaluative attributes and continues until a choice is made. Brand equity can also be the main reason a product is purchased or the determining factor to consider in spite of other values being known (Yoo et al., 2000, Park and Srinivasan, 1994).

In spite of the effect of brand name on choice, studies have found that there are variations in consumer acceptance of the notion that the brand name reflects product quality (DeVecchio, 2001), with 64 percent of consumers surveyed by the integer group claiming that they do not believe that national brands name confer quality on products (Tuttle, 2012, Elston and Wahl, 2012). Studies have also found that when consumers have a positive perception of the retailer's image and thus name, they have a higher propensity to purchase the retailer's own brand because they automatically transfer their perception of the retailer to its products (Semeijn et al., 2004, Brown and Dacin, 1997, Wansink, 1989).

### **3.7.2.7 Influence of consumer demographic characteristics on choice**

A question of continued interest to marketing practitioners and academics alike is whether consumer demographic characteristics can be used to predict consumers who are more prone to purchasing particular type of brands (i.e. can consumer personal characteristics be used to predict own-label, national brand or premium brand buyer). Studies on the effects of demographic variables on brand preference are mixed, unclear or outdated (Glynn and Chen, 2009).

Studies that show a significant relationship between consumer demographics and brand choice found the influence of demographics to be weak (Gómez and Fernández, 2009). Early studies found a relationship between income, family size and educational qualification and the tendency to purchase own-label brands. It must be noted however that the influence of demographic variables was rather minimal (Frank and Boyd, 1965).

Studies by Myers (1967) showed that income and employment had no influence on brand choice. The results obtained by Myers (1967) was supported by Burger and Schott (1972) who were able to conclude that demographic variables cannot be used to determine the brand proneness. In the past only three studies have significantly proven that demographic variables have an influence on brand choice. One study showed that significantly more middle income housewives had a tendency to purchase own-label brands than low income housewives (Coe, 1971). Although it contradicted the study by Coe, (1971), another study showed that higher-income consumers were more willing to buy own-label brands than lower or middle income earners (Murphy, 1978).

Studies by Omar (1996) found that consumers who were more likely to purchase own-label brands were young females aged between 18

and 24 years, with one or two children living at home and have slightly less formal education. Such shoppers were also seen as being more adventurous. National brand shoppers on the other hand were defined as being older (34 years and above) home owners in occupations that required educational qualifications and who were unwilling to take risks food purchased. Omar also found that consumers with larger households had a higher tendency to purchase own-label brands.

Richardson et al., (1996) found that income as well as family size had an influence brand preference, with low income consumers showing a higher tendency to purchase own-label brands, while high income earners showed a higher tendency to purchase national brands. It was further noted that family size influenced brand choice, with consumers from large families preferring own-label brands over national brands (Richardson et al., 1996a).

It has been proven that higher income makes consumers less price conscious, which in turn leads to a higher tendency to purchase more expensive brands. Furthermore, it has been found that the better educated a consumer is, the less financial constraints the consumer has and as a result the higher will be the consumer's preference for higher priced brands (Ailawadi et al., 2001).

With demographic factors having a significant association with psychographic characteristics, they are useful for market segmentation, targeting and communication purposes (Ailawadi et al., 2001). Examining the influence of demographic characteristics on consumer preference for premium or national brands is therefore imperative. The next subsection gives a review of gender, age, income, educational qualification and family size.

## **a**                    **Gender**

Researchers have always worked on the assumption that there are attitudinal differences to the way the sexes go about making choice decisions (Berg and Teigen, 2009). Previous research on grocery shopping habits have always polled female shoppers as research samples (Livesey and Lennon, 1978, Burger and Schott, 1972, Myers, 1967), based on the believe that women are the main grocery shoppers within the family (Ellis et al., 2008).

Studies that have included men in their survey, found that men are more materialistic and have a stronger orientation towards external validation through visually portraying prestige and have a higher tendency to emphasize the conspicuousness of brands. Women on the other hand are less inclined to choose brands that stand out (Ellis et al., 2008, O'Cass and McEwen, 2004).

Women are regarded as being the more careful shoppers especially when buying grocery items. Women tend to read labels, absorb data and compare nutritional information where available (Sanlier and Karakus, 2010). As a result of their careful consideration of nutritional information, women are more inclined to buy cheaper brands because they believe they give better value for money (Ailawadi et al., 2001, Omar, 1996)

## **b**                    **Age**

One of the most frequently examined factor influencing brand choice is age. It was proposed that older consumers being more experienced shoppers with sophisticated choice processes would use their shopping expertise when evaluating brands (Richardson et al., 1996a). It was also proposed that when these consumers need to choose between brands, they would choose familiar brands which they trust (Richardson et al., 1996a). Finding did not however support this proposition. Other studies replicating the proposition investigated by

Richardson et al., (1996) also found insignificant relationships between older consumers and brand choice (Cotterill et al., 2002, Cotterill and Putsis, 2000, Burton et al., 1998).

There are researchers who have argued that age is a good indicator of brand choice. These researchers have argued that while older consumers are more likely to buy national brands, younger consumers on the other hand would be more prone to buying own-label brands (Omar, 1996, Dick et al., 1995). Younger consumers tendency to purchase own-label brands has been attributed to the fact that these consumers do not like spending more than is necessary on national brands which are regarded as too expensive, added to the fact that these consumers are not brand loyal (Szymanski and Busch, 1987). Younger consumers are also more prone to make brand choices based package design when they are unfamiliar with the brands on offer (Szymanski and Busch, 1987).

These findings is consistent with earlier studies which show that younger consumers are more prone to purchase cheaper own-label brands (Cunningham et al., 1982, Coe, 1971). In contrast to these findings, other researchers have argued that older consumers are more price sensitive, and have more severe budget constraints than younger consumers (Dhar and Hoch, 1997, Hoch, 1996), and as such are more likely to buy less expensive brands.

### **c                   Income**

Income can have an effect on the price consumers are willing to pay for a product and as such influence brand choice. During periods of economic downturns, consumers become more price conscious and prefer to buy less expensive brands in order to stretch their income further (Hoch and Banerji, 1993). It has been argued that high income earners are more likely to purchase higher priced brands because of time constraints (McGoldrick, 1984). For these consumers, time is

important because it is usually translated in financial terms. Thus rather than spend time searching for brand information before shopping, they would rather buy well known familiar brands. When the brands on offer are unfamiliar, they would buy the more expensive brands believing them to be of superior quality (De Wulf et al., 2005).

There have however been studies that show that income may not have a strong relationship with brand choice. This is due to the fact that it has been proven that not only do high income earners prefer buying the more expensive national brands over the less expensive own-label brands, but that low income earners also prefer buying the more expensive brands over the cheaper alternatives. Low income earners' preference for national brands could be attributed to the fact that national brands are seen as status and self-concept enhancers (Sethuraman and Cole, 1999). It must be noted however that females earning high income earners are more prone to buy cheaper brands (Coe, 1971). Furthermore, it has been found that high income consumers are more price perceptive than low income earners. They thus have a higher tendency to buy less expensive brands (Ailawadi et al., 2001). With mixed results on the influence of income on brand choice, it is therefore necessary to investigate whether income would have an influence on brand choice between national and premium brands

#### **d Educational qualifications**

Studies on the effect of educational qualifications on brand choice have reported mixed results. Some studies have found that the better educated a consumer is the higher their chances of earning more. They thus have fewer financial constraints and are more quality conscious (Ailawadi et al., 2001) and have lower price sensitivity (Hoch, 1996, Becker, 1965). These factors gives them more liberty to choose high-priced brands over cheaper ones (Sethuraman and Cole, 1999, Omar, 1996).

In contrast to studies showing that better educated consumers would prefer more expensive brands over cheaper ones, other researcher have found that better educated consumers have more confidence in their evaluative abilities and are more informed about the relative quality of food brands (Hoch, 1996). They therefore are un-reliant on brand name when assessing the quality of products (Murphy and Laczniak, 1979), and are thus more prone to purchase less expensive brands (Cunningham et al., 1982, Burton et al., 1998, Hoch, 1996). There has however been studies which indicated that there is no correlation between educational qualification and brand preference (Richardson et al., 1996a, Richardson et al., 1996b).

#### **e Household size**

Studies on the influence of the household size on brand choice have increased since the 1990s. Studies are based on the influence of household size on the propensity to purchase own-label brands. These studies have shown that the size of the family has a significant influence on the proneness to purchase own-label brands, which are usually cheaper than national brands. From past studies it can be concluded that the larger the family size, the more sensitive they are to product prices because their fixed budgets means they have fewer financial resources available to make ends meet (Sudhir and Talukdar, 2004, Richardson et al., 1996a).

Studies have consistently shown that there is a positive correlation between family size and the tendency to purchase own-label brands, with surveys showing that smaller households have a higher tendency to purchase more expensive national brand products (Omar, 1996, Hoch, 1996, Dick et al., 1995, Cunningham et al., 1982).

With demographic factors having a significant association with psychographic characteristics, they are useful for market

segmentation, targeting and communication purposes (Ailawadi et al., 2001). Examining the influence of demographic characteristics on consumer preference for premium or national brands is therefore imperative.

**Table 3.9: Summary of key findings of prior studies on brand choice**

Consumer factors	Relevant findings	Relevant studies
Quality	<ul style="list-style-type: none"> <li>• Quality used as evaluative criteria influencing brand choice</li> <li>• Quality key factor in own label success</li> <li>• Quality fundamental to brand choice</li> <li>• Lower priced brands perceived as being of lower quality</li> <li>• National brands have high quality perception</li> <li>• Brands perceived as high quality have higher purchase incidence</li> </ul>	<ul style="list-style-type: none"> <li>• Binninger (2008)</li> <li>• Sethuraman (2003)</li> <li>• Miranda &amp; Joshi (2003)</li> <li>• Blythe (2001)</li> <li>• Aaker (1996a)</li> <li>• Semijn et al., ((2004)</li> <li>• Richardson et al., (1994)</li> <li>• Veloutsou et al., (2004)</li> <li>• Hoch, (1996)</li> <li>• Sudhir &amp; Talukdar, (2004)</li> <li>• Besharat 2010</li> <li>• Chen et al., 2007</li> <li>• Steiner (2004)</li> <li>• Richardson et al (1996a)</li> <li>• Binninger (2008)</li> <li>• Sethuraman &amp; Cole (1999)</li> </ul>
Price	<ul style="list-style-type: none"> <li>• Price important evaluative criteria</li> <li>• High-priced brands have high purchase incidence</li> <li>• Price conscious consumers always buy own label brands</li> <li>• National brand consumers not price conscious</li> </ul>	<ul style="list-style-type: none"> <li>• Solomon et al (2010)</li> <li>• Monroe (2003)</li> <li>• Baker &amp; O'Brien (1997)</li> <li>• Johansson-Stenman &amp; Martinsson (2006)</li> <li>• Garretson et (2006)</li> <li>• Bontemps et al (2005)</li> <li>• Ward (2002)</li> <li>• Erdem et al., 2004</li> <li>• Ailawadi et al., 2001</li> </ul>
Value for money	<ul style="list-style-type: none"> <li>• The higher the perceived value, the higher the purchase incidence</li> <li>• Brands perceived as giving low value for money have low purchase incidence</li> <li>• Own label purchase influenced by value for money</li> </ul>	<ul style="list-style-type: none"> <li>• Steiner (2004)</li> <li>• Garretson et al (2002)</li> <li>• Steiner (2004)</li> <li>• Batra &amp; Sinha (2000)</li> <li>• Omar (1996)</li> <li>• Richardson (1996)</li> </ul>

**Table 3.9: Summary of key findings of prior studies on brand choice (cont'd)**

Consumer factors	Relevant findings	Relevant studies
Taste	<ul style="list-style-type: none"> <li>• Taste influences brand choice</li> <li>• National brands purchased because of taste perception</li> <li>• National brands perceived as tasting better than own label and generic brands</li> </ul>	<ul style="list-style-type: none"> <li>• Allison and Uhl, 1964</li> <li>• Vranešević and Stančec (2003)</li> <li>• Brunsø et al., (2004)</li> <li>• Bellizzi and Martin (1982)</li> <li>• Garretson et (2006)</li> </ul>
Brand name	<ul style="list-style-type: none"> <li>• Brand name acts as an important evaluative criteria</li> <li>• Own label purchase not influenced by brand name</li> <li>• Consumers usually buy brands whose name they are familiar with</li> <li>• Brand name does influences national brand purchase</li> <li>• Own label brands rated more favourably</li> </ul>	<ul style="list-style-type: none"> <li>• Solomon et al., (2010)</li> <li>• Schiffman &amp; Kanuk (2004)</li> <li>• Hawkins et al., (2001)</li> <li>• Teas &amp; Grapentine (1996)</li> <li>• Garretson (2002)</li> <li>• Ailawadi et al., (2001)</li> <li>• Burton et al., (1998)</li> <li>• Chen &amp; Paliwoda (2006)</li> <li>• Brassington &amp; Pettitt (2006)</li> <li>• Hoyer &amp; Brown (1990)</li> <li>• Anselmsson (2007)</li> <li>• DelVecchio (2001)</li> </ul>
Packaging	<ul style="list-style-type: none"> <li>• Packages promotes and reinforces purchase decisions</li> <li>• Helps consumers differentiate and choose products</li> <li>• Attractive package signifies quality</li> </ul>	<ul style="list-style-type: none"> <li>• Fill (2006a)</li> <li>• Rundh (2005)</li> <li>• Wells et al., 2007</li> <li>• Silayoi &amp; Speece 2004</li> <li>• Underwood et al., 2001</li> </ul>

**Table 3.9: Summary of key findings of prior studies on brand choice (cont'd)**

Consumer factors	Relevant findings	Relevant studies
Demographics	<ul style="list-style-type: none"> <li>• Demographics not important factors to identify own label brand buyers</li>   <li>• Young people more likely to buy own label brands</li>   <li>• Older consumers more likely to buy national brands</li>   <li>• Men have a higher likelihood of buying higher priced brands</li>   <li>• Women base purchases decisions on obtaining value for money</li>   <li>• Low income consumers more likely to buy own label brands</li>   <li>• Higher income consumers more likely to buy higher priced brands</li>   <li>• Women prefer own labels because of price sensitivity</li> <li>• Higher educated consumers not influenced by brand name</li> <li>• Higher educated consumers not influenced by price</li> <li>• Higher educated consumers are more quality conscious</li>   <li>• Smaller households more likely to buy national brands</li>   <li>• Young consumers rely on brand name</li>   <li>• The better educated the consumer the less important brand name is as an evaluative cue</li> </ul>	<ul style="list-style-type: none"> <li>• Gómez &amp; Fernández (2009)</li> <li>• Burger and Schott (1972)</li> <li>• Frank &amp; Boyd (1965)</li> <li>• Frank (1967)</li> <li>• Myers (1967)</li>   <li>• Omar (1996)</li> <li>• Dick et al (1995)</li> <li>• Cunningham (1982)</li> <li>• Coe (1971)</li>   <li>• Omar, (1996)</li> <li>• Dick et al (1995)</li>   <li>• Ellis et al (2008)</li> <li>• O’Cass et al (2004)</li>   <li>• Ailawadi et al (2001)</li> <li>• Omar (1996)</li>   <li>• Cotterill et al., (2000)</li> <li>• McGoldrick (1984)</li>   <li>• Sethuraman &amp; Cole (1999)</li>   <li>• Sethuraman &amp; Cole (1999)</li> <li>• Geykens et al., (2010)</li> <li>• Murphy &amp; Lacznick (1979)</li> <li>• Hoch (1976)</li> <li>• Becker (1965)</li> <li>• Ailawadi et al (2001)</li>   <li>• Sudhir &amp; Talukdar (2004)</li> <li>• Omar (1996)</li> <li>• Hoch (1996)</li> <li>• Dick et al (1995)</li> <li>• Cunningham (1982)</li>   <li>• Richardson et al (1996a)</li>   <li>• Richardson et al (1996a)</li> </ul>

### **3.8 Research framework**

There has been considerable growth in the market for own label brands (Toops, 2012). Standard own label brands are now present in every consumer packaged goods category (De Jong, 2011). The desire of retailers to continually expand their own label products has resulted in the adoption of a multi-tiered portfolio which helps ensure that retailers appeal to a wide customer base (Martos-Partal and González-Benito, 2011) by offering economy, standard and premium own label brands (Palmeira and Thomas, 2011).

As noted in the literature review, premium own label brands are positioned at the top end of the market competing with the highest quality national brands (Geyskens et al., 2010a, Bazoche et al., 2005). As the fastest growing of all own label tiers (Dobson and Chakraborty, 2009) there is a need to understand the factors influencing the purchase of premium own label brands.

There has been studies investigating factors influencing the purchase of standard own label brands and national brands (Mihic and Čulina, 2006, Veloutsou et al., 2004, Ailawadi and Keller, 2004, Semeijn et al., 2004, Miquel et al., 2002, DeVecchio, 2001, Ailawadi et al., 2001, Sethuraman, 2000, Richardson et al., 1996a, Hoch, 1996, Dick et al., 1995, Richardson et al., 1994). The most relevant of the models developed from these studies for comparing consumer choice criteria, is the Veloutsou et al., (2004) model which was developed from the Engel (1983) decision making model.

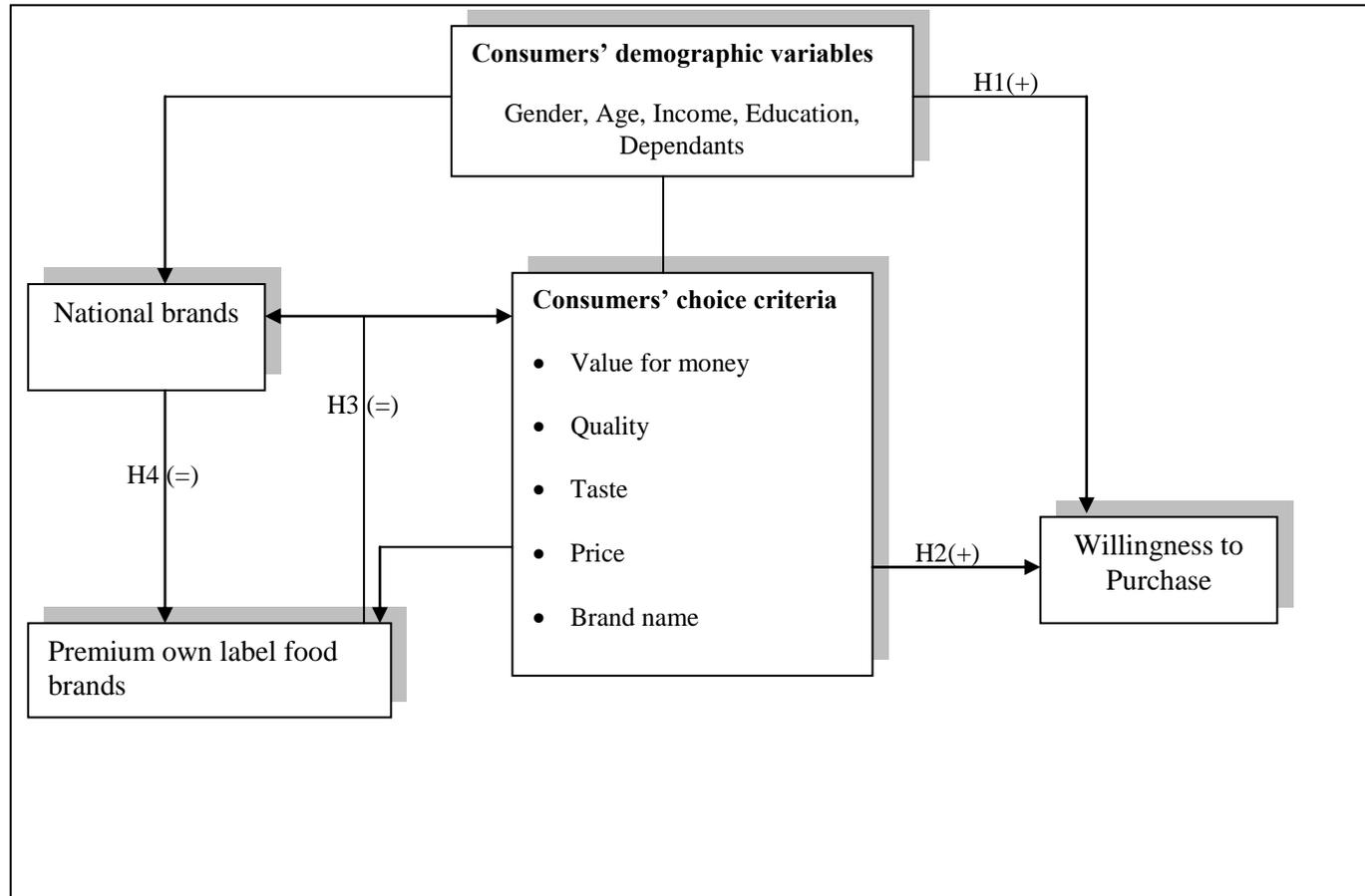
The framework for this study was thus adapted from the Veloutsou et al (2004) model which examined the similarities and differences in consumers' choice criteria and evaluation of national and standard own label brands. With this study comparing choice criteria of premium own label brands with national brands, it is believed that this model is the most suitable, since the only difference in the study is the own label tier category under consideration.

It will be noted from chapter one that it is unclear as to the extent that empirical generalisations derived from the literature on food brand choice can be applied in the context of premium own label brands. In view of this fact, the study will only examine choice criteria that are common to the first generation and standard own label brands in order to determine whether empirical generalisations derived from the literature can be applied to premium food brands.

Thus the choice criteria to be examined within this study will be value for money, quality, taste, price and brand name. Packaging will not be added to the choice criteria in spite of the fact that studies on own label brand have shown that product package can influence brand choice. Product package has been excluded from this study, because research examining its effect on choice only examined its effect on standard own label brands. The intention of the researcher is to determine whether factors that are common to the first generation and standard (third generation) own label brands can be applied in the context of premium own label brands.

It should be noted that the researcher was unable to find studies examining the choice criteria of the second generation of own labels. Hence the use of factors common to the first and third generations.

**Figure 3.2: Research framework**



Adapted from Veloutsou et al., 2004

### **3.8.1 Research questions and hypotheses**

The review of past studies undertaken on factors influencing food brand choice, show that although there is extensive research on factors influencing brand preference, these studies have been limited to the consumer-level factors that influence the success of own-label brands. It is however unclear as to the extent that empirical generalisations that were derived from the literature on food brand choice can be applied in the context of premium own label brands.

There is therefore a need to bridge the gap in choice determinant literature, through an examination of the effects of key variables and consumer demographic characteristics on the demand for premium own label food brands, as well as compare choice determinants for premium own labels and national food brands.

In order to make a contribution towards filling the gap in literature, this current doctoral research will address four main research questions

- Is there a typical premium own label buyer?
- Are the drivers of the premium own label brand similar to those found for the first generation and standard own label brands? (This question addresses the issue of the possibility of applying generalisations on standard own label purchase to the premium own label brand)
- Are there differences or similarities in attributes considered in the choice of premium own label and national food brands?
- Are there differences or similarities in the demographic characteristics of the premium own label and national food buyers?

Using insight gained whilst reviewing the relevant literature, hypothesis to be investigated be developed.

The first research question examines the possibility of profiling the typical premium own label consumer. From the review of relevant literature it is clear that there has been difficulty profiling the typical own label consumer. Studies attempting to profile the typical generic own label consumer showed inconclusive results (Baltas and Doyle, 1998, Baltas, 1997, Dick et al., 1995, Myers, 1967, Frank, 1967, Frank and Boyd, 1965).

Attempts to profile the standard own label prone consumer showed that young (Coe, 1971) female (Omar, 1996) better educated (Dhar and Hoch, 1997, Hoch, 1996, Richardson et al., 1996a, Cunningham et al., 1982, Rothe and Lamont, 1973) consumers had a high propensity to purchase standard own label brands. buyer showed the impact of demographic variables on brand choice is neither strong nor consistent. While there were studies which showed that income, family size and educational qualification have an impact on the consumer's tendency to buy own-label brands (Frank and Boyd, 1965, Richardson et al., 1996a), others showed that income could not be used in explaining preference for own-label brands (Myers, 1967, Dick et al., 1995).

In the light of such contradictory findings it is of interest to see whether consumer demographics influences the choice of premium own-label food brands. It is therefore hypothesised that:

**H1: Consumer demographics are related to the willingness to purchase premium own label food brands**

The second research question examines the similarity in the factors driving consumer purchase of premium own label food brands and those that were found to influence the purchase of the first and third generations of own label brands.

Past studies showed that price strongly influenced the purchase of own label brands (Imperia, 1981, Monroe and Petroschius, 1981, Jacoby et

al., 1974, Olson and Jacoby, 1972, Jacoby et al., 1971) with its low price acting as an inducement to purchase (Monroe, 2003, Baker and O'Brien, 1997, Omar, 1996, Szymanski and Busch, 1987, Yucelt, 1987, McGoldrick, 1984). Empirical evidence was found by Fitzell (1992) who came to the conclusion that quality perceptions of own label brands are equal to quality perceptions of national brands, with perceived quality and quality consistency acting as strong influencers of purchase (Christodoulides and De Chernatony, 2010, Semeijn et al., 2004, Veloutsou et al., 2004, Dhar and Hoch, 1997, Hoch, 1996, Richardson et al., 1994, Murphy and Laczniak, 1979, Dietrich, 1978). This is also consistent with recent trends suggesting that a large number of consumers feel own label brands usually perform as well as (Fitzell, 1992) and taste as good as (Garretson et al., 2002) nationally advertised brands. Own label brands are perceived as giving good value for money (Cunningham et al., 1982, Faria, 1979) with value for money and taste rated as part of the three main factors influencing purchase (Garretson et al., 2002, Omar, 1996)

Although premium own label brands has been successfully introduced into British grocery retailing, little is known about the real influence of these factors on consumers' willingness to purchase premium own label brands. As such it is hypothesised that

**H2: Own label choice criteria are related to the willingness to purchase premium own label brands**

The third research question examines the similarities and differences in factors influencing the purchase of premium own labels and national brands.

Own labels in their early appearance were perceived as inferior, low quality and cheap versions of national brands. It has been suggested that although the sale of own label brands has increased over the last two decades, consumer quality perception of own labels are still low (Ghose and Lowengart, 2001, Vaidyanathan and Aggarwal, 2000).

Other academics have argued that consumers are becoming less interested in national brands, and their attitude towards own-label brands have become positive due to the up-graded quality of own-label brands (Steenkamp and Dekimpe, 1997, Verhoef et al., 2002), and consumers perceiving own-labels as having similar characteristics with national brands (Cooper and Nelson, 2003).

The introduction of the premium own label brand targeting the upscale market, has led to claims that the premium own label brand is equivalent to or exceeds national brands in terms of quality and taste (Grunert et al., 2006). It has also been claimed that the success of the premium own label brand can be attributed to

This discussion and the views expressed increases the interest for the examination of the similarities and differences in the consumers' choice criteria and evaluation of national and premium own-label brands. It is thus hypothesised that

**H3: Similar emphasis is given to various choice criteria for premium own label and national food brands**

The fourth research question examines the similarities and differences in the demographic characteristics of consumers who purchase premium and national food brands.

Review of the literature has shown that there are inconsistent findings on the effect of demographic characteristics on food brand choice. The review of literature has shown that where a relationship can be proven to exist between consumer demographic characteristic and brand choice, this relationship has been weak (Gómez and Fernández, 2009, Burger and Schott, 1972, Myers, 1967). Whilst studies showed that women had a tendency to purchase own label brands (Ailawadi et al., 2001, Omar, 1996), working women showed an inclination to purchase national brands (Myers, 1967).

High income earners showed a proneness to purchase national brands (Sethuraman and Cole, 1999), women high income earners however showed a preference for own label brands (Ailawadi et al., 2001, Coe, 1971). Early studies showed that the better educated a consumer is the lower the possibility of their choice decisions being influenced by brand name (Murphy and Laczniak, 1979) or price (Hoch, 1996, Becker, 1965). Others showed no correlation between educational qualification and choice (Richardson et al., 1996a, Richardson et al., 1996b).

It is therefore of interest to see whether there are similarities or differences in the effect of consumer demographic characteristics on willingness to purchase premium own label and national food brands. It is thus hypothesised that

**H4: There will be differences in the demographic characteristics of consumers who purchase premium and national food brands.**

### **3.9 Summary**

Although own label brands were initially introduced as no-frills-bottom-of-the market brands, aimed at hard discounters (Dekimpe et al., 2011), continued improvement and innovations to product quality resulted in the development of the premium tier own label products whose quality is regarded as being equal to if not better than top-quality national brands.

Since the introduction of own label brands into grocery retailing, they have been regarded as threats to national brands (Quelch and Harding, 1996). Previous studies on factors influencing own label success concentrated on economic and quality issues. Due to consumer perception of own labels as low priced inferior quality alternatives to national brands, most research concentrated on whether economic and quality factors could be associated with consumer propensity to purchase own label brands.

Economic factors such as price consciousness, value consciousness or value for money and brand equity have been found to have a positive relationship

with own label purchase. Quality factors such quality consciousness and taste are negatively associated with own label purchase. Findings from previous studies on the effect of consumer demographic characteristics on own label choice were inconclusive. Seven hypothesis have been proposed as summarised in table 3.9 to test the theoretical model presented in the next chapter.

# **Chapter Four**

## **Research design and Methodology**

### **4.1 Introduction**

Chapters two and three provided an extensive overview of the relevant literature decision strategies and own label brands. This chapter gives detailed explanation of the research process employed for the study. There is a reiteration of the research aims and objectives, a discussion of the research hypothesis and framework, as well as methodology used to obtain data from consumers in the UK. Questionnaire construction, development and pre-testing procedures are also examined. This is followed by an explanation of the data collecting process.

Before conducting any research investigation, there is a necessity to establish the philosophy of the research as this is what informs the research design (Easterby-Smith et al., 2008). A choice needs to be made between the different research methodologies i.e. whether the study should be “positivism” or “phenomenology” since each of these methods are dominant in research methodology literature and both are widely used in business research (Saunders et al., 2007). The methodology selected for the study characterises the nature of the relationship between theory and research whether the research is guided by theory (a deductive approach) or whether the theory is an outcome of the research (inductive approach).

The characteristic of the research design helped in determining whether the study should be causal (true experimental, quasi-experimental and action or ethnographic), exploratory (observations, focus groups, interviews) or descriptive (questionnaire survey) research. The research design selected made the determination of the

research strategy as well as data collection and analysis to be employed for the study easier (qualitative or quantitative).

The next section establishes the philosophical position of the researcher as well as the ontological and epistemological assumptions which forms the foundations of the study. It also shows how these considerations have helped in the selection of research methods. Finally, the techniques used for data collection and analysis are explained.

## **4.2 Selection of Research Methodology**

Before a research project can be undertaken, certain aspects of the study needs to be taken into consideration. These aspects include the philosophy underpinning the study, the research approach, research strategies, technique for data collection and analysis (Saunders et al., 2007).

One of the first issues to be taken into consideration is the type of philosophy that would underpin the study (Saunders et al., 2007). Understanding the philosophy that underpins a study will make it possible to clarify the research design as this helps in determining the data collection and analysis as well as the whole configuration of the research. Thus it will help in deciding the type of data to be gathered, where it is to be gathered from and how it should be interpreted in order to answer the research question. It helps researchers gain a clarification of the research design that would work and those which are inappropriate to the study, thus enabling an indication of the constraints of each approach. Finally, understanding the research philosophy makes it possible to identify and create research designs that possibly beyond the researcher's past experience. It can make it possible for researchers to adapt the designs according to the limitations of different subjects (Easterby-Smith et al., 2002)

There are two main research philosophies, namely positivism and phenomenology. These methodologies are used to explain why particular research activities are chosen as the most appropriate to achieve the research aims. Phenomenology is used when an interpretive understanding of social action is necessary. It focuses on the way things appear to us through experience or in our consciousness. It thus asks “what is this type of experience like”? (Churchill and Iacobucci, 2002). Positivism on the other hand is based on the belief that reality is stable and can be observed and described from the objective point of view (i.e. without interfering with the phenomena being studied).

Positivism is based on the belief that it is possible for researchers to adopt a “scientific” approach when observing social behaviour with the intention of achieving an objective analysis (Travers, 2001). It must be noted however that though positivism is regarded as a scientific approach, it is not science (Bryman and Bell, 2007), because there are some fundamental differences between the positivist approach and the scientific approach. It must be noted that there are instances when inductive strategies are used within the positivist research and “knowledge is arrived at through the gathering of facts that provide the basis of laws” (Bryman and Bell, 2007).

Studies using the positivist philosophy are based on deductive theorising where hypotheses are generated for testing and empirical verification is sought (Babbie, 2008). Large data need to be generated due to the fact that positivists prefer using quantitative analysis for large-scale phenomena (Travers, 2001). Positivists believe that it is possible to measure social behaviour independent of context and that social phenomena can be viewed objectively, with predictions made on the basis of previously observed and explained realities and their inter-relationships (Gill and Johnson, 2006).

With this study being a comparison of the factors that influences the purchase of premium own label and national food brands, the positivist approach was chosen over the phenomenological approach, because of the need to ensure that the objectivity of the research is robust and reflects the reality. This can only be achieved by following a rigorous research design process which is the bedrock of the positivist ideology. Furthermore the hypotheses generated for the study were deduced from theory, the methodology used is highly structured, and as such the study can be replicated. Finally large quantitative data was generated in order to test hypotheses developed from the review of literature.

### **4.3 Relating Research Methodology to Nature of the Research**

Once the research philosophy is established, a decision needs to be taken as to whether the theoretical foundation of the study should precede data collection or vice versa. Thus the researcher needs to decide whether study needs to be inductive or deductive in nature. It has been claimed by academic writers that the main difference between deductive and inductive research can be found in their methodological foundations (Saunders et al., 2007, Gill and Johnson, 2006, Burrell and Morgan, 1979, Daft and Wiginton, 1979)

With inductive research, the researcher begins by making specific observations about the study and moves from that to broader generalisations and theories. This approach is commonly known as the bottoms up approach, and conclusions drawn are likely based on premises. The inductive approach also involves a degree of uncertainty (Trochim and Donnelly, 2006).

The deductive approach on the other hand tests theories through empirical observations. Thus the researcher starts with the theory, develop hypotheses from these theories and then attempts to either

confirm or reject them. The main advantage of this approach lies in the fact that for the researcher there is initial clarity about what is to be studied. Theory and hypotheses deduced from it come first and these drive the data collection process. Furthermore, the deductive approach is fast and efficient.

This study was undertaken using the deductive approach, and the sequential stages the research underwent are in line with that adopted with deductive approach. The hypotheses tested were drawn up during the exploratory stage of the study. These hypotheses gave an indication as to the way variables will be measured. They proposed the existence of a relationship between variables. Quantitative data was collected through the use of survey.

Furthermore in line with Gill and Johnson (2006), a highly structured methodology was used in order to ensure that the study can be replicated in the future. In line with the characteristic of the deductive approach, a large sample was used

#### **4.4 Relating Research Nature to Design**

Research design is the “framework or plan for a study used as a guide in collecting and analysing data. It is the blueprint that is followed in completing a study” (Churchill and Iacobucci, 2002). Prior to making a decision on the research design, the nature and purpose of the study needs to be taken into consideration it helps ensure that the study will be relevant to the research context as well as employ appropriate procedures. There are three main types of research:- exploratory, descriptive and causal research (Churchill and Iacobucci, 2002, Robson, 2002).

Exploratory research is employed when there is a need to gain insightful information as well as an understanding of the subjects studied where information required are vague. The research process

will thus need to be flexible and loosely structured. It could also be evolutionary in nature. Descriptive research on the other hand is used to give a description of the subjects studied. Its main characteristic is the formulation of hypotheses which are clearly defined and based on large representative samples. Its process is structured and pre-planned. Finally, causal research is used to investigate the relational link between two or more variables by manipulating the independent variable to see their effect on the dependent variables. The process of this study requires a structured and planned design (Baines and Chansarkar, 2002).

Although separating research designs into neat categories help to explain the research process, it must be noted however that there are not absolute distinctions between them. (Churchill and Iacobucci, 2002). When the nature of the research and the research questions are taken into consideration, this study can be classified as descriptive research with an explanatory element where emphasis is placed on the rate of recurrence of each factor.

Descriptive research design deals with the frequency of occurrence or association between two or more variables (Chisnall, 1997). Descriptive design is usually used to assess consumer perception of products or service characteristics as well as the determination of the degree of identified influences on those perceptions (Malhotra and Birks, 2000). The explanatory element of the study is used to explain the relationship that exists between the variables measured. Thus the use of descriptive and explanatory research for this study will help achieve the following objectives as stated in chapter one:

- To provide evidence which demonstrates the characteristics of the premium own label consumer
- To provide evidence showing choice variables that influence purchase of premium own label brands

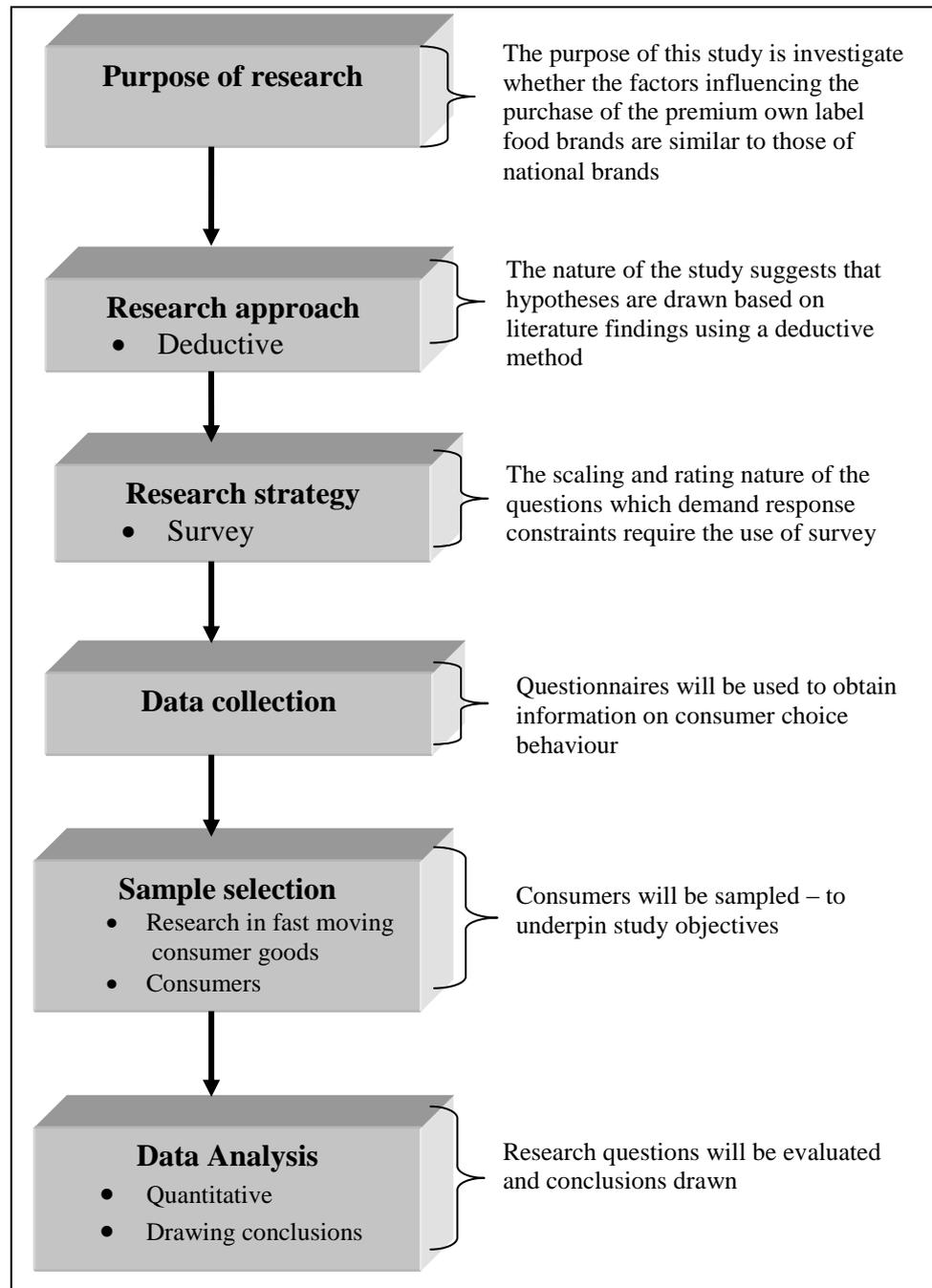
- To empirically compare the differences or similarities in the demographic characteristics of the premium own label and national brand consumers
- To empirically compare evaluation criteria for premium own label and national food brands

#### **4.5 Research focus**

The bulk of research on own label brand choice criteria has been conducted within the positivist paradigm using quantitative methodologies from a consumer behaviour perspective (Addis and Podesta, 2005).

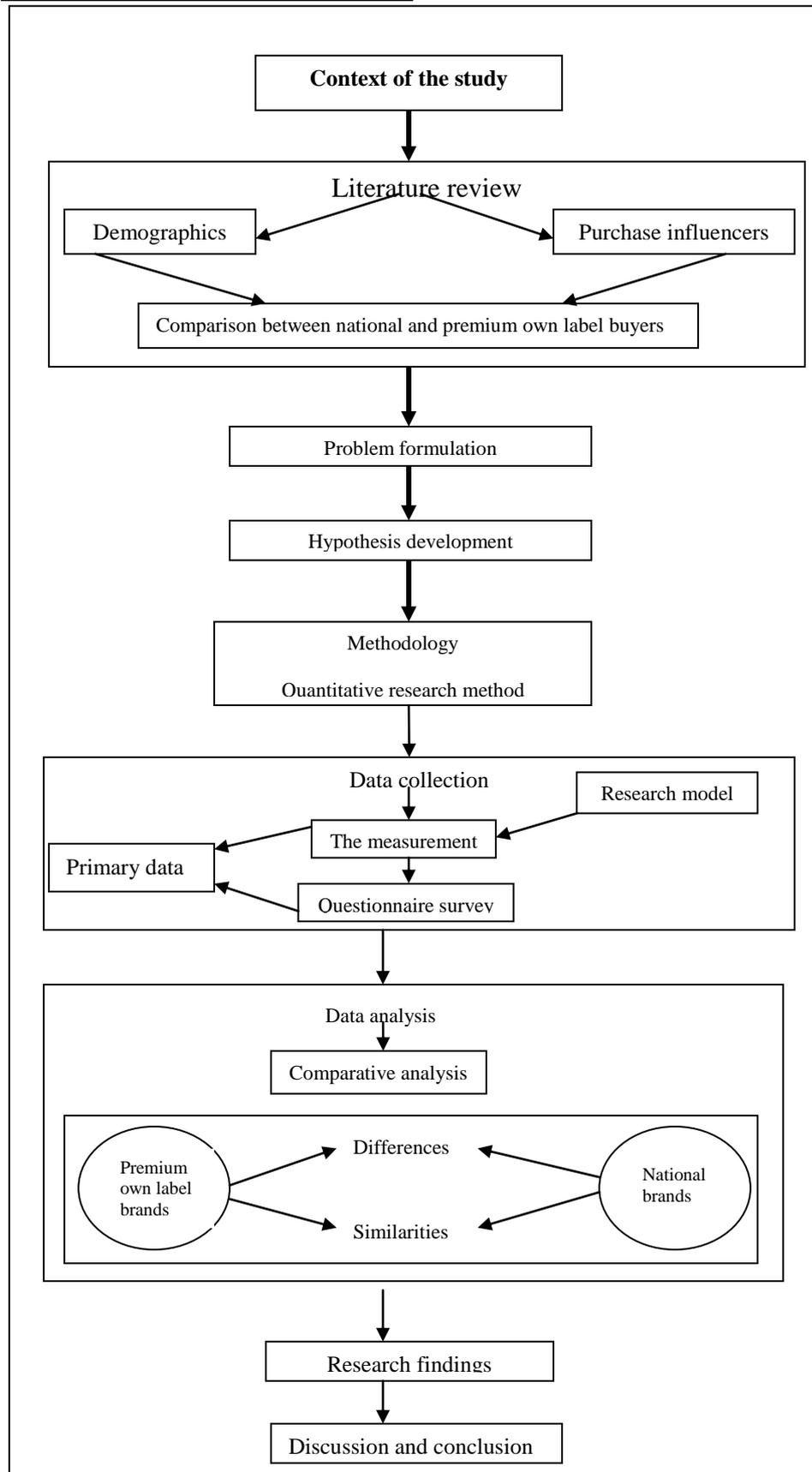
In order to ensure that data collected for the study would be as accurate as possible; the study was conducted by adopting five main steps as shown in figure 4.1 below

**Figure 4.1 steps in the research methodology**



In order to write this thesis, a methodological guideline was used which made it possible to compare and evaluate the factors taken into consideration by consumers when buying premium own label or national food brands. This guideline is illustrated in figure 4.2 and the process adopted is explained subsequently.

**Figure 4.2: Context of evaluative research on buying criteria for premium and national food brands**



Source: Author, 2011

## **4.6 Research methodology**

The research methodology selected was chosen in order to develop a purpose and set a research direction that would generate meaningful results. Any methodology chosen for a study would be used in order to achieve the aim of probing deeper into the subject area through the collection and analysis of data related to the subject area in order to gain a better understanding of interpretation given to events by those involved (Gill and Johnson, 1991).

The research framework was based on selecting six grocery retailers stocking premium and national food brands. These stores were selected for the following reasons:- (i) They sell both national and premium food brands; (ii) They are leading stores by sales volume and market share (iii) They are well established with reputation for brand quality. The comparison is based on demographic characteristics and evaluative criteria of consumers who regularly purchase food brands in the selected grocery stores. Their evaluation of premium and national food brands has been the subject for investigation in this study. In order to compare evaluative criteria for national and premium food brands, the researcher adapted the Veloutsou et al (2004) comparative model.

The use of Veloutsou et al., (2004) model will allow for a logical and feasible comparative analysis. It will also help to establish a comparative test using the SPSS programme. The theoretical proposition is that shopping behaviour will vary when national and premium food brands are bought. The findings of the study will provide evidence which show the attributes that most influences the purchase of premium and national food brands as well as the demographic group that mainly purchases these brands.

The general aim is to provide and describe information which retailers can adopt when developing marketing policies and strategies

especially in the competition developing between national and own label premium brands. A quantitative research method was adopted, with the use questionnaire surveys to probe into food consumers' demographic characteristics and differences in purchase behaviour.

#### **4.7 Using Questionnaire Survey**

There are two main types of marketing research, namely quantitative research and qualitative research. Quantitative research is used when data collected are expressed numerically and analysed statistically. Qualitative research on the other hand is used when gathered information is difficult to quantify (Saunders et al., 2007). Quantitative research represents the scientific approach to decision-making. The steps involved in quantitative research are: defining the problem, developing a model, acquiring input data, developing a solution, testing the solution, analysing the results and implementing the results (Render et al., 1997)

Quantitative research has also been defined as working with numbers (Waters, 2001). The main difference between qualitative and quantitative research is that qualitative research is mainly exploratory and inductive in nature, and its data mainly consists of words. Quantitative research on the other hand is confirmatory and deductive in nature while its data is made up of numbers (Saunders et al., 2007)

Quantitative data are usually used in determining consumer behaviour and the degree of indentifying influences on these behaviours. In this research, the information and data derived from the relevant literature will be written in words and converted to numbers, which will be used to identify significant variables and establish linkages between those variables. The subsequent quantitative phase of the study will confirm which of the variables are most significant and study the linkages on how the variables operate.

A structured questionnaire is the most suitable data generation method for the main phase of the study (Chisnall, 1997, McDaniel and Gates, 2007, Saunders et al., 2007). As a result, the important variables found in the literature review will be fed into a structured questionnaire, which will allow the use of Likert-type scale.

There have been previous studies where the researchers used Likert-type scale for their studies (Veloutsou et al., 2004, Lybeck et al., 2006, Dick et al., 1995). In their study, Veloutsou et al., (2004) compared the importance of choice criteria when purchasing own-label and national brands and the perceived characteristics of the products carrying store and manufacturer brands in Greece and Scotland.

Lybeck et al., in their study comparing consumer perception of store brand and national brands of chocolate bars in Finland used a five-point scale for measuring different criteria influencing choice of chocolate bars. Their scale parameters were always, often, sometimes, rarely and never. Dick et al., in their study measuring correlates of store brand proneness, used the Likert-scale in gathering information. For example frequency of purchase of store branded products were measured on a six-point scale with values ranging from 0-5, where 0 = never buy the item, 1 = buy the item but not a store brand, 2 = rarely buy store brand, 3 = sometimes buy store brand, 4 = often buy store brand and 5 = always buy a store brand of the item.

#### **4.9 Questionnaire construction**

A carefully constructed questionnaire is necessary to a survey's success. The questions need to be designed in such a manner that they will make it possible to draw out information that will meet the study's data requirements. The questions need to be clear, easy to understand and directed towards a definable objective. When constructing questions, care needs to be taken with regards to

questions that can be considered as very personal or questions that may result in the respondent admitting to activities that others may possibly condemn. When examining the literature, studies were found the five-point Likert rating scale was used for questionnaire construction. The questionnaire construction process is described below.

The questionnaire was divided into two main parts, aimed at providing information on the research questions. The first part measured consumer evaluation of premium and national food brands. It investigated consumer purchase behaviour with several statements; how consumers feel about premium and national food brands; purchase frequency, as well as a set of buying criteria. In order to use perceptions and frequency of purchase to analyse and compare different buyer types, twenty six statements were developed, which were measured on a five point Likert scale. The linkage between the research objectives and research questions are listed in the table below

Responses to these statements were used to measure perceptions and buying behaviour for national and premium food brands. Two statements were used to discover different buyer types of consumers in terms of purchase frequency. The respondents were thus asked to choose how frequently they purchased national and premium food brands. In order to analyse different buyer types in terms of perceptions and buying of national and premium food brands, statements about buying criteria were used.

**Table 4.1 Linkage between research objectives and research questions**

<b>Objective</b>	<b>Number of Statements</b>
To determine attributes influencing grocery purchase	8 (2, 3, 4, 6, 7, 8, 9 and 10)
To determine attributes influencing national brand purchase	5 (5, 20, 21, 23 and 24)
To determine attributes influencing premium brand purchase	5 (12, 15, 17, 18 and 25)
To determine buying behaviour and frequency of purchase	2 (1, 11)
Validation of responses	6 (13, 14, 16, 19, 22 and 26)
Total number of statements in part one of questionnaire	26

By basing the idea on the literature reviewed with regards to the measurement of consumer behaviour, the aim of this thesis is to empirically compare buying criteria for premium and national food brands. As a result, it was necessary to adopt and adapt Veloutsou et al., (2004) model on own label choice criteria and used this as the main focus for investigating shopping behaviour for premium and national food brands

As explained in the literature, own label product characteristics are similar to those of well established national brands (Cooper and Nelson, 2003, Huang and Huddleston, 2009). Premium brands were defined as food brands whose products are made of the highest quality, with the best ingredients, high taste and high price. As can be seen from figure 3.2, the conceptual model consists of two main influencing variables namely consumer demographics and choice criteria. The dependent variables being the food brands purchased or chosen.

When evaluating food brands before purchase, the consumer would as explained in the literature have in their consideration set variables such as value for money, quality, taste, price and brand name. The weight given to each of the variables would be influenced by the

consumer's demographic characteristics. In order to investigate whether the consumer's demographic characteristic has an influence on the purchase of either premium and national food brands, statements 1 and 11 were used to measure the frequency of purchase of premium and national food brands against the influencing demographic characteristics of gender, age, academic qualification, income and family size. These variables were measured with statements 27, 28, 29, 32 and 33.

From the literature, it was also noted that just as the frequency of purchase of premium and national food brands are dependent on consumer demographics, so also the evaluation of grocery products are influenced by demographic variables irrespective of the brand purchased. Thus statements constructed to measure consumer evaluation of grocery products are 2, 3, 4, 6, 7, 8, 9 and 10.

With the main aim of the study being a comparison of choice criteria for premium and national food brands, statements 12, 15, 17, 18 and 25 were used to assess consumer evaluation of premium food brands and measured against statements 5, 20, 21, 23 and 24 which were used to assess the evaluation of national food brands

**Table 4.2: Construction of statements used to collect demographic information**

Demographic variable	Categories
Gender	Male, female
Age	(1) 18-25, (2) 26-35, (3) 36-45 (4) 46-55 and (5) 55 and above
Academic qualification	(1) Post graduate/professional qualification, (2) first degree, (3) Higher diploma, (4) Advanced level GCE and (5) Ordinary level GCE
Income range (per annum)	(1) Up to £10,000, (2) £11,000-£20,000, (3) £21,000-£30,000, (4) £31,000-£50,000, (5) £51,000-£70,000 and (6) above £71,000
Family size (Number of children under 18 living at home)	(1) 0, (2) 1 child, (3) 2 children, (4) 3 children and (5) 4 or more children
Matrimonial status	(1) married, (2) single, (3) divorced/separated, (4) widowed and (5) living with partner

Review of literature on consumer behaviour and brand choice enabled the construction of statements which made it possible to collect demographic information from respondents. Six demographic variables were used for the study. The variables used for the study are gender, age, academic qualifications, income, and dependent children.

Of the demographic information collected, it was felt that the sensitive ones would be consumer age and income. In order to ensure that these questions would be answered by the respondents, two approaches were used. The statement relating to age avoided asking for specific age and rather requested that the respondents ticked the age group to which they belonged. With regards to income, consumers were also asked to tick the group within which their income fell.

Statements on employment status and occupational categories were further added to the questionnaire to act as validation questions. Thus if a respondent claimed to hold a post graduate degree or qualification, but earn between £11,000 and £20,000, then the respondent's employment status and occupational category would be used to assess whether the possibility existed that the information given could be false. This approach, though not foolproof was necessary in order to ensure that respondent demographic information were as accurate as possible.

#### **4.9 Questionnaire development and pre-test**

It is necessary for questionnaire used for surveys to be designed to produce reliable and valid data. If the market is portrayed accurately and the data are gathered correctly, the techniques will be reliable (Brace, 2005). A reliable research technique produces almost identical research results in successive trials.

In order to be valid, research techniques must produce data that can be used to test the hypothesis being investigated. The questionnaire must measure what it is supposed to measure and not something else (Cooper and Schindler, 2001). As the survey was conducted in the UK, the questionnaire was written in English language and proved by an English language specialist.

In order to ensure that consumers would be capable of responding correctly to the questionnaires, the content validity of the questionnaire was tested by a pre-test of 30 shoppers in three different locations (Asda – Hatfield, Sainsbury's – Whitechapel, London and Morrison – Stratford, London), in July 2008. In all a total of 90 questionnaires were collected. The questionnaires were given to respondents as they exited these stores.

During pre-testing, consumers were asked to fill the questionnaires by circling the statements they agreed with most. They were also requested to note ambiguous questions they found difficult to understand or answer. The result of the pre-test led to a modification of some of the questions. The re-drafted questionnaire was again pre-tested in order to ensure that consumers will be in a position to fill them during data collection. The second pre-testing took place at Stratford shopping centre. A total of 50 questionnaires were distributed randomly, and the re-drafted questionnaire was found to be satisfactory.

#### **4.10 Sampling procedure and data collection**

The objective of sampling in research is to select representative units from the total population. There are four main sampling methods (Dibb et al., 2006) namely:- simple random sampling where all the units in a population have an equal chance of appearing in the sample; stratified sampling where the population of interest is divided into groups according to some common characteristic or attributes and a probability sample is conducted within the group. Stratified samples are used when there is a believe that there may be variations among different types of respondents because of factors such as age, sex and race.

Area sampling can be conducted in two stages: - a probability sample of a geographic area is first selected then units or individuals will be selected within the selected geographic areas for the sample. This approach is a variation of stratified sampling and the geographic areas serve as the primary units used in the sampling. Area sampling can be used when a complete list of the population is not available. Finally quota sampling which is different from the other forms of sampling in that it is judgemental and the final choice of respondents is left to the interviewers. Quota samples are mainly used in exploratory studies when hypotheses are being developed.

This study adopted area sampling by selecting a probability sample of geographic areas, with the samples being selected from the grocery stores located in London (where the researcher resides). The primary data were collected from selected leading grocery stores. The customers were selected at random, as they exited the stores.

Due to the sample size and the necessity for a high response rate, data was collected using face-to-face interviews with self-administered questionnaires. This is line with the works of other researchers on consumer choice behaviour (Do Paço and Raposo, 2009, Lybeck et al., 2006, Veloutsou et al., 2004, Omar, 1996)

Retailers selected for the survey were current leaders in grocery retailing. 266 food shopping consumers were selected on a random basis from the six stores. The break-down of data collected from each store is shown in table 3.3. The questionnaires were handed to the shoppers for collecting primary data as they exited each store. Data was collected on successive Saturdays between June and August of 2008.

**Table 4.3: Retailer’s name, market share and sample size for data collected**

<b>Retailer name</b>	<b>Market share %</b>	<b>Sample size</b>	<b>% of total sample</b>
Tesco	29.9	70	26.3
Asda	17.2	38	14.3
Sainsbury’s	16.7	58	21.8
Morrison	12.3	31	11.7
Waitrose	4.2	44	16.5
Marks & Spencer	3.9	25	9.4
<b>Total</b>		<b>266</b>	<b>100</b>

#### **4.11 Limitation of questionnaire design**

The composition of questions is recognised as a potential limitation. The decision to restrict the length of the questionnaire through the non-inclusion of attribute cues was to encourage completion. This has however resulted in questions that are open to respondent interpretations which will vary depending on respondent and their outlook. The reaction of respondents to the questionnaires (almost all respondents initially looked at the length of the questionnaire before agreeing to participate in the survey) justified the shortening of the questionnaire.

#### **4.12 Summary**

This chapter provided detailed descriptions of the research design used for the study. The quantitative approach used was justified. Research method which included questionnaire design, data collection and sample size were discussed. The linkages between the research objectives and questionnaire designed were also discussed.

The research design concentrated on two variables, namely consumer demographics and choice criteria. The demographic variables measured for the study are gender, age, income, education and number of dependants. The measurement of evaluative criteria, used a modification of the Veloutsou et al., (2004) model.

The main difficulty encountered during the data collection process had to do with shopper response. During the data collection process, it was found that male shoppers were usually more willing to fill the questionnaires.

# **Chapter Five**

## **Data Analysis and Results**

### **5.1 Introduction**

Saunders et al. (2007) noted that data can be evaluated by subjecting each component of data collected to tests of logical reasoning and other forms of analysis. As Mcdaniel and Gates (2007) indicate, the methods of analysis can be exploratory and/or confirmatory. The exploratory method makes it possible to use simple arithmetic and easy-to-draw pictures to summarize data (Churchill and Iacobucci, 2002). Confirmatory methods on the other hand, use ideas from probability theory in attempts to answer specific questions (McDaniel and Gates, 2010). The analysis done in this chapter employed the exploratory data analytical method.

This chapter presents the outcome of data analysis and the results of the study which compares the demographic characteristics of consumers and the evaluative criteria influencing the purchase of premium and national food brands. The research methods adopted throughout the study are aimed at testing the hypotheses developed in the previous chapter.

Data analysis concentrated on a comparative testing for significant differences and similarities between purchase criteria and demographic characteristics of premium and national food brand consumers. With the purpose of this study being the exploration of a possible relationship between food brand purchased and a variety of demographic and evaluative buying criteria considered in the process, the demographic variables tested included age, gender, income, education level, marital status and family size. This study answered a series of research questions within two categories through the

development of relevant hypotheses and use of statistical techniques to either prove or disprove them.

## **5.2 Statistical techniques**

Statistics studies the collection, organization and interpretation of data. Included in the collection of data is the process of planning how data is to be gathered - including the design of surveys and experiments. (Dodge, 2003). The use of statistical methods for summarizing or describing a collection of data is known as descriptive statistics. This is useful in research, for communicating the results of experiments and surveys (Saunders et al., 2007).

There are two broad methods in statistical analysis for describing and analyzing data as well as drawing conclusions about the relationships represented by the data. These are the descriptive statistics and inferential statistics. Descriptive Statistics is the method of organising, summarising and presenting data in an informative way. It uses tabular, graphical or numerical methods for data presentation and interpretation. Description is essential to positivist science and a necessary step before any further statistical analyses can be done. Inferential Statistics on the other hand is a method used to estimate a property of a population on the basis of the sample. Social scientists use inferential statistics to determine if the patterns found in the data fit the patterns suggested by social theory and hypotheses. It also makes it possible for social scientists to make scientific generalizations about large groups of people, thus helping improve our level of understanding of the world and society (Frankfort-Nachmias and Nachmias, 2000).

## **5.3 Measurement and data analysis**

Computers and statistical software such as the Statistical Package for the Social Sciences (SPSS) make complex statistical computations simple and fast. SPSS is one of the most popular comprehensive

statistical software packages used in the social sciences. This study, like most social science studies employed the use of SPSS for analysis and computational purposes.

The data analysis concentrated on testing for significant differences and similarities amongst consumers. The purchase frequency was measured using an ordinal scale. The rest of the behavioural variables were measured on a five-point Likert scale, (where 1 = never; 2 = rarely; 3 = occasionally; 4 = sometimes and 5 = always). A descriptive analysis of all variables was performed to include the review of frequencies and distributions.

A step-by-step method explaining the process used for data analysis is explained below.

Step 1: the respondents responses' were coded and converted to a data set. The first column of the data listed in the data set, was the respondents identification numbers which were 1 – 266. The 26 variables to be measured as well as consumer demographic variables were coded and entered in columns 2 – 35. The response coding is contained in appendix 2.

Step 2: Using SPSS control commands and descriptive statistics, the demographic characteristics of respondents were analysed.

Step 3: The study also used SPSS control commands for comparing factors influencing the purchase of premium food brands against those influencing the purchase of national food brands. The comparisons were carried out using the frequency distribution tables within cross tabulation analysis.

## **5.4 Statistical procedures and techniques**

In order to determine the statistical technique required to test the hypotheses developed for the study, the normality of the distribution of data set was assessed. Data with normal distribution are symmetrical and bell shaped when plotted on a graph, with the greatest frequency of scores in the middle and the smaller frequencies towards the extreme (Gravetter and Wallnau, 2000)

Normality of distribution can be tested either graphically or numerically. Graphical methods visualize the distribution of random variables or the differences between an empirical distribution and a theoretical distribution (e.g. standard normal distribution). Numerical methods on the other hand present summary statistics such as skewness and kurtosis. It is also possible to conduct statistical tests of normality. It must be noted that graphical methods are intuitive and easy to interpret, while numerical methods present objective ways of examining normality.

### **5.4.1 Descriptive statistics**

Descriptive statistics involves arranging, summarising and presenting a set of data in such a way that the meaningful essentials of the data can be extracted and easily interpreted (Saunders et al., 1997). A descriptive analysis is typically used early in the analytical process thus making it a foundation for subsequent analysis (Burns and Bush, 1998)

#### **Frequency tables**

A frequency table helps summarise data sets. It is a record of how often each value (or set of values) of the variables in the question occurs. It may be enhanced by the addition of percentages that fall into each category. A frequency table is used to summarise categorical, nominal and ordinal data. It may also be used to

summarise continuous data once the data set has been divided up into sensible groups (Burns and Bush, 1998).

### **Cross tabulation analysis**

Cross tabulation analysis also known as contingency table analysis is one of the most commonly used analytical tools of market research. It is useful for showing how respondents answered two or more questions at the same time. A cross tabulation is a two (or more) dimensional table that records the number (frequency) of respondents that have the specific characteristics described in the cells (Rumsey, 2011, Gravetter and Wallnau, 2000).

As the most important behavioural variable required for the analysis are 4 - sometimes and 5 - always, (these are the most frequent purchasers of premium own label and national food brands and as such are the ones whose opinions matter), the comparison will be conducted between respondents who voted 4-5 only for "only buy premium own label brands" and those who voted 4-5 for "only buy national brands". The frequency distribution of the cross-tabulation analysis will be used to extract the frequency and percentages required for comparative analysis.

## 5.5 Respondent characteristics

The table below gives a breakdown of respondent profiles

**Table 5.1: Summary consumer demographic characteristics**

	Number of respondents	Percent	Cumulative Percent
Male	153	58	58
Female	113	42	100
18-25	38	14	14
26-35	86	32	46
36-45	87	33	79
46-55	31	12	91
above 55	24	9	100
Professional/ higher degree - MA, Msc, Phd, LLD, etc	87	33	33
University graduate - BA, Bsc, PGdip	112	42	75
Higher diploma	43	16	91
Advanced level GCE/Ordinary diploma	14	5	96
Ordinary level GCE	10	4	100
up to £10,000	36	13	13
£11,000-£20,000	39	15	28
£21,000-£30,000	79	30	58
£31,000-£50,000	91	34	92
£51,000-£70,000	11	4	96
Above £70,000	10	4	100
childless	130	49	49
1 child	58	22	71
2 children	63	24	95
3 children	15	5	100
<b>Total</b>	<b>266</b>	<b>100.0</b>	

From the table, it will be noticed that there was an even distribution of respondents, though male respondents represented 58 percent of the total population whilst female respondents accounted for 42 percent of

respondent population. When grouped according to age, the most represented age group were respondents aged between 25 and 35 years (n = 86) accounting for 32 percent of the population, as well as those aged between 36 and 45 (n = 87) also accounting for 33 percent of population. The least represent group were the oldest respondents aged 55 and above. This group had a population of 24 and accounted for 9 percent of respondents. Respondents aged between 45 and 55 years accounted for 12 percent of sample polled. Whilst those aged between 18 and 25 years accounted for 14 percent of respondent population.

The group with the highest level of educational qualification represented 33 percent of respondents accounting for 87 of the 266 respondents. Only 10 respondents had GCE ordinary level certificates. This group represented 4 percent of respondents. Respondents with university degrees (BA, BSc) and post graduate diplomas accounted for 42 percent of respondents with a population of 112. Respondents with higher diplomas accounted for 16 percent of those surveyed, and respondents with higher diplomas accounted for 5 percent of those surveyed.

When respondents were grouped according to income earned, those earning between £31,000 and £50,000 accounted for the highest (34 percent) number of respondents. Those earning between £21,000 and £30,000 were the second highly represented group, accounting for 30 percent of respondents. The least represented group were those earning above £70,000 as well as those earning between £51,000 and £70,000. This group accounted for 4 percent of respondents. The lowest income group accounted for 13 percent of respondents, whilst those earning between £11,000 and £20,000 accounted for 15 percent of respondents.

An examination of the family size of respondents showed that those without any child living at home were the most represented group

accounting for 49 percent of those surveyed. Respondents with two children accounted for 24 percent of survey population, whilst those with one child represented 22 percent of the survey. Respondents with three children accounted for 5 percent of the survey. No respondent claimed to have more than three children.

## **5.6 Analysis of results: profiling the premium own label food brand shopper:**

*H1: Consumer demographic characteristics are influential on willingness to purchase premium own label brands*

Testing the first hypothesis is necessary in order to determine the demographic characteristic of the typical own label premium food shopper. The demographic variables analysed are: -

- Gender
- Age
- Income
- Educational qualification
- Family size.

Demographic factors are important because they account for powerful effects on the volume and nature of demand for different products. Demographic factors form the bedrock of the way individuals adopt different forms of lifestyle in their own social world (Gilbert, 1999).

### **Comparison of gender**

Using frequency distribution, a comparison of the buying behaviour of consumers with regards to their purchase of premium own label food brands was conducted to determine whether both sexes prone towards purchasing premium own label food brands. The comparisons were conducted with consumers who **always** and those who **sometimes** bought premium own label food brands. The result of the comparison is presented in the table below.

**Table 5.2: Gender comparison of premium own label brand consumers**

	<b>purchasing premium own labels</b>	<b>percentage</b>
Gender		
Male	79	51.6
Female	40	35.4

The findings show that 16.2 percent more men than women purchase premium own label brands frequently. This confirms findings which showed that not only do men love to shop, they prefer buying the more expensive product (Tutt, 2012).

### **Age profile**

**Table 5.3: Age profile of premium own label brand consumers**

<b>Consumer demographics</b>	<b>purchasing premium own labels</b>	<b>percentage within group</b>
Age distribution		
18 – 25	12	31.6
26 – 35	37	43.1
36 – 45	36	41.3
46 – 55	19	61.3
Above 55	15	62.5

From the table, it will be observed that there are differences in purchase behaviour between the age groups. Consumers aged above 46 had the highest incident of purchasing premium own label brands. Studies comparing consumer purchase preference for national and own label brands found that older consumers preferred the more expensive national brands (Omar, 1996, Dick et al., 1995). With this study finding older consumers having a preference for the more expensive premium own label brands, it can be concluded that when faced with competing brands, older consumers would preferably choose the more expensive brand.

## Educational profile

**Table 5.4: Educational profile of premium own label brand consumers**

Consumer demographics	purchasing premium own labels	percentage within group
Educational spread		
Professional/ /higher degree (MA, MSc, PhD)	49	56.3
University graduate	49	43.8
Higher diploma	15	34.9
GCE Advanced level/ ordinary diploma	4	28.6
GCE ordinary level	2	20.0

A comparison of the buying frequency of consumers for premium own label food brands grouping purchase patterns by educational qualifications, showed that the higher qualified a consumer is, the higher is their tendency to purchase premium food brands. This confirms studies by Richardson et al., (1996a) which found that the better educated a consumer is the higher their propensity to buy higher priced brands, especially as better educated consumers have higher opportunities to earn more.

## Income profile

**Table 5.5: Income profile of premium own label brand consumers**

Consumer demographics	Most frequent purchasers premium own labels	percentage within group
Income distribution		
Up to 10,000	11	30.6
11,000 – 20,000	14	35.9
21,000 – 30,000	31	39.3
31,000 – 50,000	48	52.8
51,000 – 70,000	8	72.7
Above 70,000	7	70

From the table it will be observed that the most frequent buyers of premium own label brands are respondents within the higher income categories. It will also be observed that the percentage of respondents who purchased premium own labels rose as income levels increased. This findings support studies of Akay and Jones (2005) and Ailawadi et al., (2001) which showed that the less financially a constrained a consumer is, the higher their likelihood of buying more expensive brands.

### **Comparison of family size**

The results of the comparison of consumer choice preference based on family size are shown in table 5.6 below.

**Table 5.6: Household profile of premium own label brand consumers**

Consumer demographics	Most frequent purchasers	percentage within group
Family size		
Childless	60	46.1
1 child	21	36.2
2 children	32	50.8
3 or more children	6	40.0

From the table above it will be observed that respondents with two children under the age of 18 living at home had the highest (50.8 percent) number of respondents who are frequent purchasers of premium own label brands. This is closely followed by families without any child living with them (46.1 percent). 40 percent of respondents with three or more children also bought premium own label brands frequently and finally families with one child living at home had the least number of respondents who were frequent purchasers of premium own label brands.

Although the results of the findings did not indicate the possibility of profiling the premium own label buyer through the use of household size, it should be noted however that before a decisive conclusion can

be arrived at, household size would need to be cross tabulated against income, as the main determinant of household purchase behaviour is the size of the family budget.

Thus from the above findings, it can be concluded that H1 is partially supported as family size gave contradictory results, thus the first hypothesis is rejected.

## **5.7 Comparison of choice attributes for the second research question**

*H2: Own label choice criteria are influential on willingness to purchase premium own label brands*

Testing the second hypothesis will give a clearer indicator of the factors that best influences the purchase of premium own label food brands. The choice criteria analysed are: -

- Price
- Quality
- Value for money
- Taste
- Brand name

**Table 5.7: Evaluative choice criteria**

Choice criteria	Number of respondents	Percentage
Taste	161	60.5
Quality	158	59.4
Price	110	41.3
Brand name	154	57.9
Value for money	119	44.8

From the table, it will be observed that taste and quality are the two most important attributes influencing the purchase of premium own label products. Taste has been noted to be a quality attribute (Brunsø et al., 2004, Vranešević and Stančec, 2003) and an influencer of brand choice (Omar, 1996, Allison and Uhl, 1964). It is therefore not

surprising that taste is the highest rated attribute as consumers generally would only purchase food that would be palatable to eat. The high percentage score for quality as a choice attribute confirms studies which showed that quality is fundamental to brand choice (Veloutsou et al., 2004, Hoch, 1996)

The result further show value for money and price are the only criteria which less than 50 percent of respondents claimed was important to their purchase decisions. With 58.7 percent of frequent purchasers of the premium own label range claiming that price was not important to their purchase decision, it can be argued that as confirmed in the results table 5.5, the average purchaser of the premium own label range is financially strong, price insensitive and quality conscious.

The less than average percentage score of respondents who claimed that value for money was an important evaluative criteria can be attributed to the fact that value for money is a consumer judgement criteria (Gan et al., 2005) and is based on their assessment of what is received and given (Sweeney and Soutar, 2001). As such it is probable that the most purchasers of the premium own label range accept that these products are worth their value and as such do not think consciously of the value proposition when making purchase decisions. This would need to be researched further for confirmation.

Brand name was found to be important to 57.9 percent of respondents. This finding supports the study of DeVecchio (2001) which found that consumers are rating own label brands more favourably because of the improved quality of the products.

Thus H2 is rejected as value for money and price are not influential on decisions to purchase premium own label brands.

## 5.8 Comparison of choice attributes for the third research question

H3: *There will be differences in emphasis placed on choice criteria influential in the purchase of premium own label and national food brands*

**Table 5.8: Comparison of choice criteria**

Choice criteria	Premium own label		National brand	
	Number of respondents	Percentage	Number of respondents	Percentage
Taste	161	60.5	163	61.3
Quality	158	59.4	161	60.5
Value for money	119	44.8	172	64.7
Price	156	41.3	119	44.8
Brand name	140	52.6	158	59.4

From the findings, it will be observed that for national and premium own label brands, product taste are rated as the highest criteria influencing purchase. Though it must be noted that respondents rated taste as more important for national brands than premium own label brands, the percentage difference is very insignificant.

When product quality is examined, it will be noticed that although national brands are rated above premium own label brands, there is hardly any difference in the percentage scores. While 60.5 percent of respondents rated quality as important to their purchase of national brands, 59.4 percent of respondents rated quality as important to their purchase of premium own label brands. This give an insignificant difference of 1.1 percent.

An examination of the findings for value for money showed that while national brands are rated higher with a percentage score of 64.7 percent, premium own labels scored 44.8 percent. A difference of 19.9 percent.

Although more than half respondents claimed that price was not significant to their decisions to purchase premium own label and national food brands, those who rated price as insignificant were more for premium own labels than national brands. 58.7 percent compared to 52.2 percent for national brands, with a percentage difference of 6.5

The difference in the percentage scores of respondents who rated brand name as important for national and premium own label brands were very close (59.4 percent for national brands as against 57.9 percent for premium own label brands). A difference of 1.5 percent.

H4 is accepted as there are differences in emphasis given to choice criteria for premium own labels and national brands.

## 5.9 Comparison of choice attributes for the fourth research question

*H5: There will be significant differences in the demographic characteristics of consumers who purchase premium and national food brands*

**Table 5.9 Comparison of demographic characteristics for premium own label brands and national brands**

Consumer demographics	Premium Own label brands		National brands	
	<i>f</i>	%		
<b>Gender</b>				
Male	79	51.6	75	49.1
Female	40	35.4	48	42.5
<b>Age distribution</b>				
18 – 25	12	31.6	13	34.2
26 – 35	37	43.1	37	43.1
36 – 45	36	41.3	45	51.7
46 – 55	19	61.3	14	45.1
Above 55	15	62.5	14	58.4
<b>Educational spread</b>				
Professional/ /higher degree (MA, MSc, PhD)	49	56.3	44	50.6
University graduate	49	43.8	53	47.4
Higher diploma	15	34.9	19	44.2
Advanced level/ ordinary diploma	4	28.6	2	14.3
GCE ordinary level	2	20.0	5	50.0
<b>Income distribution</b>				
Up to 10,000	11	30.6	17	47.3
11,000 – 20,000	14	35.9	16	41.0
21,000 – 30,000	31	39.3	33	41.7
31,000 – 50,000	48	52.8	45	49.5
51,000 – 70,000	8	72.7	5	45.5
Above 70,000	7	70	7	70
<b>Family size</b>				
Childless	60	46.1	60	46.1
1 child	21	36.2	31	53.5
2 children	32	50.8	25	39.7
3 or more children	6	40.0	7	46.7

## **Gender**

From the findings it will be noted that men are more inclined towards buying premium own label brands. However, when the percentage difference in scores are taken into consideration, it will be noticed that there is only a 2.5 percentage difference between men who regularly buy premium own labels and those who buy national brands. Women on the other hand paint a different picture, with 7.1 percent more women buying national brands than premium own label brands.

The similarity in the purchase behaviour of men could be influenced by the fact that men are noted for buying the high-priced products (Ellis et al., 2008, O'Cass and McEwen, 2004). With national brands and premium own labels being premium priced brands, the insignificant difference in their purchase preference can be concluded to be in line with the findings of Ellis et al., (2008) and O'Cass and McEwen (2004).

Studies have shown that women have a higher tendency to buy the cheaper brands (Ailawadi, 2001, Omar, 1996). Their preference for national brands rather than premium own label brands could be attributed to the fact that premium own labels are known to be priced at the same level or higher than national brands, this may give the perception of premium own labels being the more expensive brands, hence the preference for national brands

## **Age**

With regards to respondent age, it will be noticed that within the 18 to 25 age group, there is an inclination towards buying national brands. This finding supports that of Richardson et al., (1996a) which found that because of their lack of shopping experience, younger consumers tended to base their purchase decisions on extrinsic factors such as brand names and as such preferred buying national brands.

Unlike studies which showed older consumers as having a higher inclination to purchase own label brands because of the limited outlay and lower opportunity cost (Dhar and Hoch, 1997), this study found that older consumers were more inclined to purchase premium own label brands. This could be attributed to the fact that these set of consumers had more shopping experience, and are less financially constrained (appendix 2 shows that 48.8 percent of the 46 to 55 age group and 54.2 percent of those aged above 55 earned above £31,000), thus making them capable of purchasing premium own label brands.

### **Educational qualification**

An examination of brand preference based on educational qualifications shows that respondents with higher degrees prefer premium own label brands. This supports findings which showed that higher educated consumers are not influenced by brand name when grocery shopping (Murphy and Laczniak, 1979). A further examination of the findings showed respondents with GCE ordinary levels who showed a preference for national brands were 30 percent more than those who preferred premium own label brands. If educational qualification is taken as an indication of earning potential, then this findings supports De Wulf et al., (2005) and McGoldrick (1984) who found that low income earners had a tendency to purchase national brands.

### **Income**

Respondents earning up to £10,000 showed a strong preference for national brands with 16.7 percent more of this group of respondents buying national brands than premium own label brands. This can be taken as an indication that the assumption made with regards to educational qualification is correct, giving a further confirmation to the findings of De Wulf et al., (2005) and McGoldrick (1984). In

confirmation of studies by Sethuraman & Cole (1999), who found that high income earners had a high propensity to purchase higher-priced brands, respondents earning between £31,000 and £70,000 showed a preference for premium own label brands, with those earning between £51,000 and £70,000 having 27 percent more respondents preferring premium own labels to national brands. Respondents earning above £70,000 showed no brand preference.

### **Household size**

An examination of brand preference based on household size showed that for families without children, there isn't any difference in their brand preference. Families with one child however showed a preference for national brands with 17 percent more of them preferring national brands to premium own label brands. The brand preference of one child households confirms studies by (Sudhir and Talukdar, 2004, Omar, 1996, Hoch, 1996, Dick et al., 1995, Cunningham et al., 1982) which found that small sized households preferred buying national food brands.

Surprisingly, respondents within two children households showed a preference for premium own label brands. However when income is cross-tabulated against household size (see appendix 3), it was noted that 32.1 percent of respondents earning above £31,000 had two children households. From the cross-tabulation result, it can be inferred that two children households may prefer premium own label brands due to the fact that they are financially less constrained thus supporting the findings of Sethuraman & Cole (1999)

Thus although there are differences in the brand preferences within different demographic segments, the differences aren't significant within all groups. There are significant differences in the brand preference for women, respondents aged between 36 and 45 and those aged between 46 and 55 years. Within educational groups, significant

differences exist in the brand preference of respondents with GCE ordinary level, ordinary diploma and those whose highest qualification was the higher diploma.

An examination of the findings based on income showed that there are significant differences in the brand preference of respondents earning up to £10,000 as well as those earning between £51,000 and those earning up to £70,000. With regards to household sizes, significant differences exist in the brand preference of respondents within all household sizes except those without children.

H5 is therefore rejected due to the fact that for some demographic variables (age, income and household size) there are similarities in the characteristics of consumers who purchase premium own labels and national brands.

### **5.10 Limitations of findings**

It is necessary to note limitations that may have arisen from the non-inclusion of attribute cues within the questionnaire. Respondent interpretation of terms such as quality and value for money would have an effect on their responses to questions. Quality perceptions are usually inferred from cues such as brand name and price and interpretations of these cues are dependent on outlook, socio-economic group and expectations. As such responses to questions would vary depending on interpretations of terms. These variations in interpretations would highly influence results.

Furthermore, it should be noted that there is always the possibility that consumer response could be different from reality. Thus consumers who claimed to be frequent purchasers of premium or national brands may in fact purchase these brands occasionally.

It should be noted that respondent demographic characteristics are difficult to verify. This may have an effect on results as respondent

demographic characteristic may not be truly representative of sample polled.

## Summary of results

**Table 5.10 summary of results**

Hypothesis tested	Variable measured	Result
H1: Consumer demographic characteristics are influential on willingness to purchase premium own label food brands	Gender	Yes
	Age	Yes
	Education	Yes
	Income	Yes
	Household size	No
H2: Own label choice criteria are influential on willingness to purchase premium own label brands	Taste	Yes
	Quality	Yes
	Price	No
	Brand name	Yes
	Value for money	No
H3: There will be differences in importance placed on choice criteria influential in the purchase of premium own label and national food brands	Taste	Yes
	Quality	Yes
	Price	Yes
	Brand name	Yes
	Value for money	Yes
H4: There will be significant differences in the demographic characteristics of consumers who purchase premium and national food brands.	Gender	Yes
	Age	No
	Education	Yes
	Income	No
	Household size	No

### 5.11 Summary

This chapter discussed the data analysis used for the research. It gave a profile of the respondents, before the testing of hypotheses began. Majority of respondents were male, aged between 26 and 45 with university degrees or post graduate diploma earning up to £50,000 per annum and lived in households with children under the age of 18.

The five hypotheses were analysed and discussed. Of the five, one was accepted while the others were rejected. The findings showed that there were differences in importance placed on various choice criteria influencing the purchase of premium own labels and national

brands. A summary table was presented to show the breakdown of results obtained from the hypothesis tests.

Detailed discussion of the findings and their implications for researchers and marketing managers will be provided in the next chapter.

# Chapter Six

## Conclusions and implications

### 6.1 Introduction

The purpose of this final chapter is to draw together the major recommendations and conclusions of the study. In order to compare choice criteria between premium own label and national food brands, four research questions were developed.

- Is there a typical premium own label food brand buyer?
- Are the drivers of the premium own label brand similar to those found for the first generation and standard own label brands? (This question addresses the issue of the possibility of applying generalisations on standard own label purchase to the premium own label brand)
- Are there differences or similarities in attributes considered in the choice of premium own label and national food brands?
- Are there differences or similarities in the demographic characteristics of the premium own label and national food buyers?

In order to answer these questions, chapter two reviewed the literature on decision strategies to gain a better understanding of the consumer decision making process. The review of literature on decision strategies showed that either consciously or subconsciously, consumers go through five main steps before making a final choice. The application of the decision making process helps ensure that consumers gain maximum satisfaction and utility from their final purchase.

Chapter three reviewed literature on the emergence of the own label food brand. It discussed the reasons behind the development of the own label brand from generic brands through to premium own label

brands, and its effects on national brands. The gap in the literature on own label brands was recognised as the lack of research into consumer-level factors that influence the purchase of premium own label food brands. The study adapted the Veloutsou et al., (2004) model for the comparative study. Five hypotheses were developed to answer four research questions.

Chapter four discussed the research design and methodology used for the study. The survey method was used for data collection purposes, with data being collected within London. The chapter further discussed the design of the questionnaire and data collection method.

Chapter five presented the data analysis and results of the comparative tests. Cross tabulation analysis was used to conduct the comparative tests and analyse the hypotheses proposed in chapter three.

Chapter six discusses the theoretical and practical implications of the research undertaken and from this draws conclusions which are discussed in detail. The chapter is made up of seven sections. The first section is the introduction to the chapter. The second section draws conclusions from the research questions and propositions. The third section is a discussion of the conclusions reached from the research findings. The fourth section presents a discussion of the implications of the research. The fifth section discusses the limitations of the study and future research opportunities are discussed in the sixth session. The final section concludes the chapter.

## **6.2 Conclusions from the research questions and propositions.**

Four hypotheses were tested to answer four research questions examining the relationship between brand choice and demographic variables in consideration with buying criteria for premium own labels and national brands. The findings from the comparative studies showed that there are indeed differences in choice criteria that influenced the purchase of premium own labels and national brands.

### **6.2.1 Question 1: Is there a typical premium own label buyer?**

The first objective of the study was to investigate the possibility of drawing a profile of the premium own label buyer. Retailers need to understand their customers in order to develop successful strategies which will help them in their quest to build strong brands not only for themselves but for their consumers as well. As a result the first objective of the study was to identify the most frequent buyers of premium own label brands. It was therefore hypothesised that

*H1: Consumer demographic characteristics are influential on willingness to purchase premium own label food brands*

The findings confirmed that the first hypothesis was partially supported.

The analysis of the five demographic variables shows that men are more inclined to purchase premium food brands than women. This result is consistent with the findings of Otnes and McGrath, (2001) and Campbell (1997), whose studies show that men have a tendency to purchase the more expensive product (Geyskens et al., 2010a, Otnes and McGrath, 2001, Campbell, 1997). With premium own label brands positioned as high end own labels targeted at the upscale market, it is indeed not surprising that they are more frequently purchased by men who studies have shown avoid the risk associated with purchase mistakes by buying the more expensive brand (Thomas and Garland, 2004).

When the ages of the most frequent buyers of premium own labels were analysed, it was shown that older consumers have a very high tendency to purchase premium own label brands. This result is consistent with the findings of Omar (1996) and Dick et al., (1995) who concluded that older consumers had a higher tendency to buy

more expensive brands since they have more disposable incomes. With premium own labels sold at higher than average prices, it is indeed not surprising that the most frequent buyers of these products are the older consumers who have more disposable income.

An analysis of the educational qualifications of the premium own label buyer showed that consumers with the highest educational qualifications (Professional/ higher degree - MA, Msc, Phd, LLD, etc) were the most frequent purchasers of premium own label brands. This finding is consistent with results obtained by Ailawadi et al., (2001), Dhar and Hoch (1997), Omar (1996), Hoch (1996), and Hoch et al., (1995) who found that the better educated a consumer is the higher their tendency to buy expensive brands. The high tendency of the better educated to purchase premium own label brands could be linked to the fact the better educated a consumer is, the higher their ability to earn high incomes, making them more financially capable (Ailawadi et al., 2001) with low price sensitivity (Hoch, 1996, Becker, 1965). Also better educated consumers are known to be confident in their evaluative abilities and better informed about the relative quality of own label products (Hoch, 1996) and as such do not use brand name as an evaluative cue (Burton et al., 1998, Murphy and Laczniak, 1979) thus making them more favourably disposed towards own label brands.

The findings showed that the higher the income level of the consumer, the more frequently they tend to purchase premium own label brands with consumers earning above £51,000 having the highest incident of premium own label purchase. These findings is consistent with the results of Cotterill and Putsis (2000), Cotterill et al., (2000), Burton et al., (1998), Hoch (1996), Richardson (1996a) and Rothe and Lamont (1973) who found that consumers with high incomes preferred buying more expensive brands.

Results of the buying frequencies of various household sizes showed contradictions in results obtained. Households with two children had the highest purchase incidence of premium own label brands. This result however contradicts previous studies Richardson et al., (1996a); Omar (1996), Hoch (1996), Dick et al ., (1995) and Cunningham (1982) which showed that the higher the household size, the higher the tendency to buy cheaper brands. Surprisingly families with three or more children had higher purchase incidence of premium own label brands than families with one child.

Thus from the analysis of the first research question, it can be concluded that the most frequent buyer of the premium own label brand are men. The age group that most frequently buys the premium own label brands are those aged above 46 years. In terms of educational qualifications, premium own label brands are most often purchased by university graduates and those with higher degrees and professional qualifications. Earning above £31,000.

### **6.2.2 Question 2: Are the drivers of the premium own label brand similar to those found for the first generation and standard own label brands?**

Another gap in literature investigated in the current study was the issue of applying generalisations from previous studies on own label purchase to the premium own label brand (i.e. can the choice criteria which influenced the purchase of previous generations of own labels be applied to the premium own label brand). The second research question therefore investigated the relationship between choice criteria and premium own label purchase. The hypothesis developed to answer the second research question stated that:

***H2: Own label choice criteria are influential on willingness to purchase premium own label brands***

## **Conclusion of the second hypothesis**

With regards to the choice criteria that are important to respondents in their decision to purchase premium own label brands, the following criteria were cited by respondents as being most important taste, quality, and brand/store name. The second hypothesis was therefore rejected as price and value for money are not influential on premium own label purchase.

Unlike previous studies (Bontemps et al., 2005, Szymanski and Busch, 1987, Yucelt, 1987, Neidell et al., 1984, McGoldrick, 1984) that rated price as the most significant factor influencing the purchase of own label brands, this study has found that for the premium own label brand, taste was the most significant factor influencing purchase. Quality was rated as the second most significant choice criteria for premium own label brands. This is similar to other studies (Binniger, 2008, Sethuraman, 2003, Blythe, 2001, Murphy and Laczniak, 1979, Dietrich, 1978) that have rated quality as the second most significant factor influencing the purchase of own label brands.

Brand/store name has been rated as one of the factors influencing the purchase of premium own label brands. This is supported by past studies which have shown that the brand or store name affects consumer decisions to purchase own label brands (Semeijn et al., 2004, Brown and Dacin, 1997, Wansink, 1989). With more than half the respondents claiming that brand name was important to their purchase of the premium own label brand, it can be concluded that consumers have a high degree of loyalty towards the retailers.

It should however be noted there is a need to further investigate the influence of retailer on the purchase of premium Own label brands, with respondents stating the name of store most frequented and premium own label product purchased.

Although studies on the factors influencing the purchase of the first and third tiers of own label brands found obtaining value for money as an influencing factor (Richardson et al., 1996a, Omar, 1996, Szymanski and Busch, 1987, Cunningham et al., 1982, Faria, 1979), results of the present studies has shown that for premium own label brands, obtaining value for money is not a strong influencing variable with less than half respondents claiming that it influenced their purchase decisions.

The findings of this study has shown that generalizations from previous studies on own label brand purchase cannot be wholly and entirely applied to the premium own label brand. This is to be expected as premium own label brands were developed as high-end high-priced brands targeted at the upscale market with consumers who are financially more secure.

### **6.2.3 Question 3: Are there differences or similarities in attributes considered in the choice of premium own label and national food brands?**

The third research question compared choice criteria for premium own labels and national brands and it was hypothesised that

***H3: There will be differences in emphasis given to various choice criteria for premium own label and national food brands***

The third hypothesis was accepted as findings showed that there are indeed differences in emphasis given to choice criteria for premium own labels and national brands.

The factor considered most when buying national brands is taste. This reinforces the findings by Garretson (2006). Taste is also rated higher for national brands than premium own labels supporting studies by Bellizzi and Martin (1982). Quality is also rated higher for national brands than premium own label brands supporting studies which

showed that quality is paramount to the success of national brands (Besharat, 2010, Chen et al., 2007, Steiner, 2004, Richardson et al., 1996a).

Value for money is important for consumers purchasing national brands. This finding contradicts past studies (Veloutsou et al., 2004, Omar, 1996, Richardson et al., 1996a) which showed that value for money was important to consumers purchasing own label brands.

Premium own label brands had more consumers purchasing them irrespective of price than national brands. This contradicts past studies which showed that own label brands were purchased by price conscious consumers (Erdem and Swait, 2004, Ailawadi et al., 2001). Rather, the findings of this study confirms studies which found premium own labels to be high end own label brands (Burt, 2000), targeting upscale markets (Grunert et al., 2006).

For national brands, brand name was regarded as an important evaluative criteria, confirming studies which showed that brand name influences national brand purchase (Anselmsson et al., 2007).

#### **6.2.4 Question 4: Are there differences or similarities in the demographic characteristics of the premium own label and national food buyers?**

*H5: There will be significant differences in the demographic characteristics of consumers who purchase premium and national food brands*

A profile of the demographic characteristics of the national brand buyer, showed that national brands are most often purchased by men above 55 years of age and high income earners. Premium own label brands on the other hand are most frequently purchased by men aged above 46 years with higher degrees and earning above £51,000.

This findings confirms the results of Ellis et al (2008) and O'Cass (2004) who found that because of their lack of shopping experience, men preferred buying expensive brands in the believe that this will reduce the risk of making a wrong purchase.

Similarities in brand preference were shown by respondents aged between 26 and 35 years. Those who earned above £70,000 and didn't have children at home.

### **6.3 Discussion**

Over the last decade, retailers increased their own label tiers with the successful introduction of the premium own label range which is positioned as high-end own label brands and regarded as the fastest growing of all own label brands tiers (Price-Waterhouse-Cooper, 2011, Geyskens et al., 2010a). Though the premium own label brand is not offered in all categories, they are however positioned and priced alongside leading national brands (Ter Braak et al., 2012).

The purpose of this study was to determine the possibility of profiling the premium own label buyer. The study also sought to determine whether factors that are commonly used in explaining own label success could be applied to the premium own label range. Finally, there was a comparison of the factors influencing the purchase of premium own labels and national brands.

With the study finding that the most frequent buyers of the premium own label range are men, there is a need for retailers to take advantage of these findings and re-evaluate their marketing strategies, which are mainly focused on women whom they perceive to be the primary grocery shopper within the family. Studies have shown that male shoppers are impulsive buyers (Ellis et al., 2008) who prefer buying high-priced products and brands (Thomas and Garland, 2004). Retail brand managers need to develop strategies that would encourage more men to buy their premium range, by taking advantage of the male

shopping habit, without alienating women in the drive to appeal to more men.

Furthermore, unlike national brands which appeal to all consumers, premium only label brands are mainly purchased by particular consumer segments (i.e. older, well educated, high income earners). These group of consumers are noted in the literature as having favourable attitude towards national brands (Dick et al., 1995). Studies further showed that for these group of consumers, quality is fundamental to purchase decisions (Ailawadi et al., 2001, Sethuraman and Cole, 1999, Omar, 1996, Becker, 1965), and because they are less income constrained they have a higher tendency to purchase higher priced brands.

The related characteristics of older, well educated, high income and quality consciousness without price worries, suggests that while quality is an important driver of the premium own label brand, those who purchase it are willing to pay its price premium. This confirms the assertion by Walsh and Mitchell (2010) that the quality of the premium own label brand, will remove the past stigma associated with own label brands and improve consumer perception. Knowledge of the consumers more likely to purchase the premium own label brand, would make it possible for retailers to emphasise the value benefit to specifically target the older, male, well educated higher income earning grocery shopper.

Although findings from the study suggested that value for money was not an important driver of premium own label brand purchase, care should be taken before dismissing it. It should be remembered that the value proposition of the premium own label brand comes from the perception of the brand as different and unique (Burns and Brandy, 2001, Vigneron and Johnson, 1999). Since value is based on individual perception and interpretation, the non inclusion of specific value cues would have affected the findings of the study. There is therefore a need to conduct further studies examining specific value

cues in order to understand better the effect of value on the purchase of premium own label brands.

Although consumers are willing to pay a price premium for national and premium own label brands, they are more willing to pay for the higher priced premium own label brand. Studies have shown that when consumers have a positive price/quality perception, they are more likely to associate a high price with a high quality (Laroche et al., 2001). Retailers therefore need to take advantage of consumer willingness to pay for the premium own label brand by communicating the quality and uniqueness of the brand.

#### **6.4 Contributions of the research findings**

Although there has been a lot of research investigating generic and standard own label brands, there is still a scarcity of studies on the premium own label brand. Against this backdrop, the research sought to investigate the characteristics of the premium own label buyer as well as choice variables considered as important to the premium own label consumer.

There has been an extensive body of literature examining factors driving the success of generic and standard own label brands, which has resulted in several empirical generalisations. While some of these insights remain valid (such as consumer demand for products of good quality and taste) for the new reality of premium own label brands, others need to be adjusted to reflect better the premium own label's very different positioning.

Being a comparative study of choice determinants of premium own label and national food brands, this study contributes to filling the gap in premium own label brand knowledge by providing an insight into choice determinants that influence the purchase of premium own label brands. It also gives an insight into the demographic characteristic of the premium own label buyer.

The findings of the study indicates that retailers can segment the premium own label market. Whilst national brands can be and is targeted at consumers in general, the premium own label brand can be developed into a niche brand targeted at particular consumer segments. Thus whilst retailer brand managers cannot be advised to solely target the demographic segments identified as frequent buyers of premium own label brands, knowledge gained from this study can be exploited for developing targeting strategies. Thus retailer brand managers could target middle and high income educated male consumers since they appear to be more prone to purchasing premium own label brands.

Furthermore, the findings of the study show that the basic intuition that a high-quality premium own label brand will differentiate the retailer from competitors and increase store loyalty is accurate. Findings from the study indicates that while the premium own label buyer is prepared to pay a price premium for the premium own label brand, its ultimate purchase will be dependent on its perceived quality. Therefore retailer brand managers need to intensify the emphasis placed on the high quality ingredients used in the manufacture of the premium own label brand.

Finally, this study confirms the fact that consumers have a positive attitude towards the premium own label brand. It suggests a typical profile of the premium own label brand buyer and is one of the first studies to compare choice determinants of premium own label with national brands.

## **6.5 Implications of the study**

The performance of the premium own label brand is of importance to every retailer because the exclusivity of the premium brand enables retailers increase their profit margins (Heine, 2012) while differentiating themselves from competitors (Elston and Wahl, 2012). This study has focused on the variables consumers claim are important

to them when deciding to purchase premium own label brands. The results of this study suggest a number of implications for retailers and their brand managers.

This study provides some guidance on marketing strategies which retailers can adopt in order to improve consumer perception of the premium own label brand. Firstly, this study provides evidence that confirms the increasing participation of men in grocery shopping and their propensity to purchase high-end products (Ellis et al., 2008). The study has shown that men have a higher likelihood of purchasing premium own label brands than women. The knowledge gained from this study will help brand managers evaluate their market, and develop marketing strategies aimed at the male consumer.

Furthermore, the study has made it possible to understand the characteristics of the premium own label consumer. In order to successfully apply this knowledge, retailers need to determine where they are now and their desired position. An understanding of the market segment to target as well as the retailer's desired position would help determine the ranges of premium own label products to be introduced to the market as well as the role these products will play in attracting new customers without alienating many of their existing ones. Knowing the segments to attract would give them a starting point to gain an insight into what would turn these segment of consumers to their brand.

Furthermore, understanding the choice characteristics would help retailer brand managers focus on emphasising characteristics that are important to consumers, while working on ways of improving those that needs attention. Thus for example, in order to gain customer loyalty, the premium own label consumer must be able to perceive the products offered by retailers as being better than those offered by their competitors. They will thus be buying the product not just because of its quality but also because of the brand name associated with the product. The study has however shown that though quality is rated

highly amongst the choice criteria rated as important, brand name is however low in importance. This can be interpreted as meaning though the quality of products of offer are high, the product range and brand name needs to be emphasised more. Thus retailers need to develop marketing strategies that will match their name to the high quality products sold in their premium range without alienating the cash strapped price conscious shopper.

Finally, knowing what attracts customers to your competitors will give a starting point of knowing how to market and differentiate your product. The results of the comparative study will help retailers identify area that needs more attention focused on.

## **6.6 Limitations and future research**

As with any research, this study has several limitations, suggesting different approaches for future research may be useful when further exploring the issues investigated in this study. These limitations must also be acknowledged as having the potential to affect the direct generalisations of the study's findings beyond the context of the current research.

The comparative analysis did not give attribute cues which would have given respondents a common interpretation of attributes measured. There is a possibility that the result of the study may be different if attribute cues were included in the variables measured. Although the brand attributes measured in the study are similar to attributes previous researchers have identified, nonetheless giving attribute cues would have allowed for a more robust study, and given a clearer insight into consumer evaluation of premium own labels and national brands. Further studies could replicate this research by including cues which would give a better interpretation of attributes measured.

The information analysed was self-administered. Identifying respondents purchase behaviour by using self-administered questionnaires relies on willingness to respond truthfully. There is however no reason to believe that those respondents who volunteered to take this survey would deliberately provide information that was not true.

The data used for the study was collected from respondents outside selected stores in London. The sample used may thus not be representative of the United Kingdom population. A national postal survey of a larger more diverse population sample may draw out a different set of conclusions.

Finally, this study was based on a general examination of choice determinants of premium own labels and national brands. Future research could investigate whether choice determinants vary across product categories.

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# Appendix 1

Research Questionnaire

# Questionnaire

For the purposes of this survey, **premium brands** are defined as the highest quality of own label brands such as Tesco Finest and Sainsbury's taste the difference.

**National brands** (also referred to as manufacturer brands) are defined as brands that are freely distributed by many retailers on a regional, national or international basis. Leading national brands are household names (e.g. Kellogg's) that are well known, respected and trusted by their customers.

Please give us your opinion with respect to the following statements, where 1 = Never; 2 = rarely; 3 = occasionally; 4 = sometimes; 5 = always

	Never	Rarely	Occasionally	Sometimes	Always
1 When shopping for groceries, I only buy own label premium brands	1	2	3	4	5
2 I make extensive price/quality comparisons when buying groceries	1	2	3	4	5
3 Quality is my primary concern when buying groceries	1	2	3	4	5
4 I don't take price into consideration when grocery shopping	1	2	3	4	5
5 When buying national brands, product taste is very important to me	1	2	3	4	5
6 Whenever I shop for grocery, I buy brands that give me my money's worth	1	2	3	4	5
7 I buy grocery products for which the brands are well known	1	2	3	4	5
8 I only buy groceries that I know would give good food taste	1	2	3	4	5
9 I am someone who only buys the best quality groceries	1	2	3	4	5

		Never	Rarely	Occasionally	Sometimes	Always
10	Brand name is important to me when grocery shopping	1	2	3	4	5
11	When shopping for groceries, I only buy national food brands	1	2	3	4	5
12	Obtaining value for money matters when I shop for own label premium food brands	1	2	3	4	5
13	I buy own label premium food brands because I believe they are good quality	1	2	3	4	5
14	When purchasing groceries I weigh up the price and quality of each product	1	2	3	4	5
15	Whenever I buy own label premium food brands, I am not influenced by price	1	2	3	4	5
16	I buy grocery products from only status stores	1	2	3	4	5
17	Product taste is very important when I shop for premium food brands	1	2	3	4	5
18	I shop for national brands for food quality	1	2	3	4	5
19	When buying groceries, price is not important to me	1	2	3	4	5
20	The name of the store is important to my purchase of premium food brands	1	2	3	4	5
21	Value for money becomes the utmost importance when shopping for national brands	1	2	3	4	5
22	I shop for national brands in order to receive a good food taste	1	2	3	4	5
23	Whenever I buy national brand products I am influenced by price	1	2	3	4	5
24	When I buy national brand products I always check the brand name	1	2	3	4	5
25	I never buy premium own label food brands whose quality I am unsure of	1	2	3	4	5
26	I never buy groceries that I am not sure would give good taste	1	2	3	4	5

### Part B

Please kindly spend a few minutes to tell us about yourself by ticking one of boxes provided below that is appropriate to your answer:

- 27 I classify my sex as  
Male ( )  
Female ( )
- 28 My age group is between:  
1 18 – 25 ( )  
2 26 – 35 ( )  
3 36 – 45 ( )  
4 46 – 55 ( )  
5 55 and above ( )
- 29 My academic qualification is  
1 Post graduate/professional qual. ( )  
2 First degree ( )  
3 Higher diploma ( )  
4 Advanced level GCE ( )  
5 Ordinary level GCE ( )
- 30 My employment status is  
1 Full time employed ( )  
2 Part time employed ( )  
3 Retired ( )  
4 Home maker ( )  
5 Unemployed/student ( )
- 31 My occupational category is  
1 Craft / machine operators ( )  
2 Clerical/ service/ sales ( )  
3 Technician/associate professional ( )  
4 Professional/ Manager ( )  
5 Top Executive/Self employed ( )
- 32 My income range would be between:  
1 Up to £10,000pa ( )  
2 £11,000 – £20,000pa ( )  
3 £21,000 – £30,000pa ( )  
4 £31,000 – £50,000pa ( )  
5 £51,000 – £ 70,000 ( )  
6 Above £71,000 ( )

33 Number of children under 18 living at home

- 1 0 ( )
- 2 1 ( )
- 3 2 ( )
- 4 3 ( )
- 5 4+ ( )

34 I would consider myself as

- 1 married ( )
- 2 Single ( )
- 3 Divorced/separated ( )
- 4 Widowed ( )
- 5 Living with partner ( )

# Appendix 2

Data on own label premium brand buyer

**Frequency distribution**

	Buys only Premium		Valid percent	Cumulative percent
	Frequency	Percent		
Never	21	7.9	7.9	7.9
Rarely	43	16.2	16.2	24.1
Occasionally	83	31.2	31.2	55.3
Sometimes	110	41.4	41.4	96.6
Always	9	3.4	3.4	100.0
Total	266	100.0	100.0	

**Sex \* Buys only premium Crosstabulation**

		Buys only premium					Total
		Never	Rarely	Occasionally	Sometimes	Always	
Male	Count	8	23	43	71	8	153
	% within Sex	5.2%	15.0%	28.1%	46.4%	5.2%	100%
Female	Count	13	20	40	39	1	113
	% within Sex	11.5%	17.7%	35.4%	34.5%	0.9%	100%
Total	Count	21	43	83	110	9	266

**Age \* Buys only premium Crosstabulation**

		Never	Rarely	Occasionally	Sometimes	Always	Total
18-25	Count	2	6	18	10	2	38
	% within Age	5.3%	15.8%	47.4%	26.3%	5.3%	100%
26-35	Count	6	16	27	33	4	86
	% within Age	7.0%	18.6%	31.4%	38.4%	4.7%	100%
36-45	Count	7	15	29	35	1	87
	% within Age	8.0%	17.2%	33.3%	40.2%	1.1%	100%
46-55	Count	2	4	6	18	1	31
	% within Age	6.5%	12.9%	19.4%	58.1%	3.2%	100%
above 55	Count	4	2	3	14	1	24
	% within Age	16.7%	8.3%	12.5%	58.3%	4.2%	100%
Total	Count	21	43	83	110	9	266

**Educational qualifications \* Buys only premium Crosstabulation**  
Buys only premium

Educational qualifications		Never	Rarely	Occasionally	Sometimes	Always	Total
Professional/ higher degree - MA, Msc, Phd	count	5	9	24	44	5	87
	% within qual	5.7%	10.3%	27.6%	50.6%	5.7%	100%
University graduate - BA, Bsc, PGdip	count	5	24	34	46	3	112
	% within qual	4.5%	21.4%	30.4%	41.1%	2.7%	100%
Higher diploma	count	7	6	15	15	0	43
	% within qual	16.3%	14.0%	34.9%	34.9%	0.0%	100%
Advanced level GCE / Ordinary diploma	count	2	0	8	4	0	14
	% within qual	14.3%	0.0%	57.1%	28.6%	0.0%	100%
Ordinary level GCE	count	2	4	2	1	1	10
	% within qual	20.0%	40.0%	20.0%	10.0%	10.0%	100%
<b>Total</b>		<b>21</b>	<b>43</b>	<b>83</b>	<b>110</b>	<b>9</b>	<b>266</b>

**Income range \* Buys only premium Crosstabulation**

Income range		Buys only premium					Total
		Never	Rarely	Occasionally	Sometimes	Always	
up to £10,999	Count	5	9	11	10	1	36
	% within Income range	13.9%	25.0%	30.6%	27.8%	2.8%	100%
£11,000- £20,999	Count	2	5	18	14	0	39
	% within Income range	5.1%	12.8%	46.2%	35.9%	0.0%	100%
£21,000- £30,999	Count	7	13	28	27	4	79
	% within Income range	8.9%	16.5%	35.4%	34.2%	5.1%	100%
£31,000- £50,999	Count	6	15	22	45	3	91
	% within Income range	6.6%	16.5%	24.2%	49.5%	3.3%	100%
£51,000- £69,999	Count	1	0	2	7	1	11
	% within Income range	9.1%	0.0%	18.2%	63.6%	9.1%	100%
£70,000+	Count	0	1	2	7	0	10
	% within Income range	0.0%	10.0%	20.0%	70.0%	0.0%	100%
	Count	21	43	83	110	9	266

**Household size \* Buys only premium Crosstabulation**

Household size		Buys only premium					Total
		Never	Rarely	Occasionally	Sometimes	Always	
childrens	Count	8	23	39	54	6	130
	% within household size	6.2%	17.7%	30.0%	41.5%	4.6%	100%
1 child	Count	3	9	25	20	1	58
	% within household size	5.2%	15.5%	43.1%	34.5%	1.7%	100%
2 children	Count	6	11	14	30	2	63
	% within household size	9.5%	17.5%	22.2%	47.6%	3.2%	100%
3 children	Count	4	0	5	6	0	15
	% within household size	26.7%	0.0%	33.3%	40.0%	0.0%	100%
Count		21	43	83	110	9	266

# Appendix 3

Frequency distribution for choice  
attributes for own label premium  
brands

### Frequency distribution

Own label premium brand taste important

	Frequency	Percent	Valid percent	Cumulative percent
Never	8	3.0	3.0	3.0
Rarely	29	10.9	10.9	13.9
Occasionally	68	25.6	25.6	39.5
Sometimes	109	41.0	41.0	80.5
Always	52	19.5	19.5	100.0
Total	266	100.0	100.0	

### Frequency distribution

Own label premium brand quality important

	Frequency	Percent	Valid percent	Cumulative percent
Never	8	3.0	3.0	3.0
Rarely	30	11.3	11.3	14.3
Occasionally	70	26.3	26.3	40.6
Sometimes	87	32.7	32.7	73.3
Always	71	26.7	26.7	100.0
Total	266	100.0	100.0	

### Frequency distribution

Own label premium brand price not important

	Frequency	Percent	Valid percent	Cumulative percent
Never	30	11.3	11.3	11.3
Rarely	34	12.8	12.8	24.1
Occasionally	46	17.3	17.3	41.4
Sometimes	92	34.6	34.6	75.9
Always	64	24.1	24.1	100.0
Total	266	100.0	100.0	

### Frequency distribution

Own label premium brand name important

	Frequency	Percent	Valid percent	Cumulative percent
Never	16	6.0	6.0	6.0
Rarely	22	8.3	8.3	14.3
Occasionally	74	27.8	27.8	42.1
Sometimes	113	42.5	42.5	84.6
Always	41	15.4	15.4	100.0
Total	266	100.0	100.0	

### Frequency distribution

Own label premium brand, value important

	Frequency	Percent	Valid percent	Cumulative percent
Never	24	9.0	9.0	9.0
Rarely	48	18.0	18.0	27.1
Occasionally	75	28.2	28.2	55.3
Sometimes	80	30.1	30.1	85.3
Always	39	14.7	14.7	100.0
Total	266	100.0	100.0	

# Appendix 4

Frequency distribution for choice  
attributes for national brands

**National brand taste important**

	Frequency	Percent	Valid percent	Cumulative percent
Never	8	3.0	3.0	3.0
Rarely	28	10.5	10.5	13.5
Occasionally	67	25.2	25.2	38.7
Sometimes	96	36.1	36.1	74.8
Always	67	25.2	25.2	100.0
Total	266	100.0	100.0	

**National brand quality important**

	Frequency	Percent	Valid percent	Cumulative percent
Never	8	3.0	3.0	3
Rarely	18	6.8	6.8	9.8
Occasionally	79	29.7	29.7	39.5
Sometimes	104	39.1	39.1	78.6
Always	57	21.4	21.4	100.0
Total	266	100.0	100.0	

**National brand price important**

	Frequency	Percent	Valid percent	Cumulative percent
Never	26	9.8	9.8	9.8
Rarely	53	19.9	19.9	29.7
Occasionally	68	25.6	25.6	55.3
Sometimes	84	31.6	31.6	86.8
Always	35	13.2	13.2	100.0
Total	266	100.0	100.0	

**National brand name important**

	Frequency	Percent	Valid percent	Cumulative percent
Never	5	1.9	1.9	1.9
Rarely	21	7.9	7.9	9.8
Occasionally	82	30.8	30.8	40.6
Sometimes	114	42.9	42.9	83.5
Always	44	16.5	16.5	100.0
Total	266	100.0	100.0	

**National brand value for money important**

	Frequency	Percent	Valid percent	Cumulative percent
Never	14	5.3	5.3	5.3
Rarely	22	8.3	8.3	13.5
Occasionally	58	21.8	21.8	35.3
Sometimes	100	37.6	37.6	72.9
Always	72	27.1	27.1	100.0
Total	266	100.0	100.0	

# Appendix 5

Data on national brand buyer

**Sex \* Only buys national food brands**

sex		Only buys national food brands					Total
		Never	Rarely	Occasionally	Sometimes	Always	
Male	Count	14	31	33	70	5	153
	% within Sex	9.2%	20.3%	21.6%	45.8%	3.3%	100%
Female	Count	8	19	38	43	5	113
	% within Sex	7.1%	16.8%	33.6%	38.1%	4.4%	100%
Total	Count	22	50	71	113	10	266

**Age \* Only buys national food brands**

		Only buys national food brands					Total
		Never	Rarely	Occasionally	Sometimes	Always	
18-25	Count	3	8	14	12	1	38
	% within Age	7.9%	21.1%	36.8%	31.6%	2.6%	100.0%
26-35	Count	4	23	22	36	1	86
	% within Age	4.7%	26.7%	25.6%	41.9%	1.2%	100.0%
36-45	Count	9	5	28	39	6	87
	% within Age	10.3%	5.7%	32.2%	44.8%	6.9%	100.0%
46-55	Count	2	10	5	13	1	31
	% within Age	6.5%	32.3%	16.1%	41.9%	3.2%	100.0%
above 55	Count	4	4	2	13	1	24
	% within Age	16.7%	16.7%	8.3%	54.2%	4.2%	100.0%
	Count	22	50	71	113	10	266

**Educational qualifications \* Only buys national food brands**

		Only buys national food brands					Total
		Never	Rarely	Occasionally	Sometimes	Always	
Professional/ higher degree - MA, Msc, Phd, LLD, etc	Count	7	15	21	38	6	87
	% within Educational qualifications	8.0%	17.2%	24.1%	43.7%	6.9%	100%
University graduate - BA, Bsc, PGdip	Count	6	25	28	49	4	112
	% within Educational qualifications	5.4%	22.3%	25.0%	43.8%	3.6%	100%
Higher diploma	Count	5	6	13	19	0	43
	% within Educational qualifications	11.6%	14.0%	30.2%	44.2%	0.0%	100%
Advanced level GCE/Ordinary diploma	Count	2	3	7	2	0	14
	% within Educational qualifications	14.3%	21.4%	50.0%	14.3%	0.0%	100%
Ordinary level GCE	Count	2	1	2	5	0	10
	% within Educational qualifications	20.0%	10.0%	20.0%	50.0%	0.0%	100%
Count		22	50	71	113	10	266

**Income range \* Only buys national food brands**

		Only buys national food brands					Total
		Never	Rarely	Occasionally	Sometimes	Always	
up to £10,999	Count	3	6	10	15	2	36
	% within Income range	8.3%	16.7%	27.8%	41.7%	5.6%	100%
£11,000- £20,999	Count	2	7	14	16	0	39
	% within Income range	5.1%	17.9%	35.9%	41.0%	0.0%	100%
£21,000- £30,999	Count	10	14	22	31	2	79
	% within Income range	12.7%	17.7%	27.8%	39.2%	2.5%	100%
£31,000- £50,999	Count	6	18	22	42	3	91
	% within Income range	6.6%	19.8%	24.2%	46.2%	3.3%	100%
£51,000- £69,999	Count	1	3	2	5	0	11
	% within Income range	9.1%	27.3%	18.2%	45.5%	0.0%	100%
£70,000+	Count	0	2	1	4	3	10
	% within Income range	0.0%	20.0%	10.0%	40.0%	30.0%	100%
Count		22	50	71	113	10	266

**Household size \* Only buys national food brands**

Only buys national food brands

		Never	Rarely	Occasionally	Sometimes	Always	Total
childless	Count	5	34	31	57	3	130
	% within household size	3.8%	26.2%	23.8%	43.8%	2.3%	100%
1 child	Count	6	6	15	27	4	58
	% within household size	10.3%	10.3%	25.9%	46.6%	6.9%	100%
2 children	Count	7	9	22	22	3	63
	% within household size	11.1%	14.3%	34.9%	34.9%	4.8%	100%
3 children	Count	4	1	3	7	0	15
	% within household size	26.7%	6.7%	20.0%	46.7%	0.0%	100%
Total	Count	22	50	71	113	10	266