



Consumer choice of store brands across store formats: A panel data analysis under crisis periods



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ABSTRACT

Purpose: This paper investigates the effect of marketing variables and consumer personal characteristics on store brand choice over national brands in times of crisis in France. It also seeks to clarify how store formats affect consumption strategies towards brands in turbulent times. Based on a large sample (panel of 4500 households, $N=79,789$), we used a binary logit model to assess consumer choice of store brands over national brands across two different store formats (hypermarket and supermarket). Results show that, overall, marketing variables and consumer characteristics affect significantly store brand choice over national brands. However, while crisis intensity clearly moderates the relationships between marketing policy variables and store brand choice, it does not affect so extensively the relationships between consumer characteristics and store brand choice over national brands. Furthermore, hypermarket and supermarket formats are not affected similarly by crisis. This research highlights the diversity of consumer strategies developed to cope with economic crises. Theoretical and managerial implications of these findings are discussed.

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1. Introduction

The strategic role of store brands (SBs) has been emphasised in prior European studies (Lamey et al., 2007; Martos-Partal and González-Benito, 2011) and especially in France (Ataman et al., 2007; Diallo et al., 2013). According to Nielsen Scan Track, store brand market shares increased in value from 22% in 2002 to 30% in 2012 in France. Some researchers attribute this growth to the economic crisis in the European context (Lamey et al., 2007). Other researchers showed that during this economic shock, consumers switched to store brands and decreased their consumption expenditures (Kaytaz and Gul, 2014). However, although prior studies emphasized the importance of store formats for consumers in different contexts (Martínez-Ruiz et al., 2010; Seock, 2009; Tripathi and Dave, 2013; Zielke, 2010), it is not clear how consumers make their choice of brands in different store formats during crisis periods. We use the term format to distinguish between supermarket and hypermarket retailers. Nevertheless, tough previous studies gave no indication about brand choice in different store formats in crisis, we can assume a migration phenomenon between formats to cope with the economic situation. Over the past years, smaller formats such as

supermarkets have gained greater popularity in Europe as they allow time saving compared to bigger formats (i.e., hypermarket). However, loss in purchasing power is likely to bring back some consumers to hypermarkets where there are more deal opportunities and wider store brand ranges. In such a changing environment, the following questions appear to play a relevant role from a retailer and a manufacturer perspective:

1. What key marketing and consumer factors influence store brand choice over national brands during economic slowdown and economic recession?
2. Do these effects differ across store formats?

A better understanding of these issues can help to identify the appropriate marketing strategies for retail chains, thereby optimising retailer resources in turbulent times. It may also help national brand managers who face increased store brand competition when crisis hits. Previous research on store brand drivers focused on marketing mix variables (Ngobo, 2011a), store image (Diallo et al., 2013), retailer factors (Dhar and Hoch, 1997), consumer characteristics (Richardson et al., 1996), perceived risk (Liljander et al., 2009). These studies do not point out the moderating role of economic crisis, nor consumer store format adjustments to cope with difficult economic situation. Therefore, the aim of this research is to investigate the impact of marketing variables (e.g., price, quantity, and non-price promotion) and consumer characteristics (e.g., gender, age, and income) on store

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brand choice over national brands in times of crisis while taking into account different store formats. Thus, our research intends to understand consumer and retailer adjustments in times of crisis. By doing so, we complement previous studies on the relationship between business cycle and store brand purchase (Hoch and Banerji, 1993; Lamey et al., 2012).

This paper adds to the existing literature in the following ways. First, whereas prior research yielded important insights about store performance, to the best of our knowledge, the effects of the economic crisis on the relationships between marketing variables, consumer personal factors and store brand choice relative to national brands have not yet been examined. Our research contributes to understand how retailers should adapt specific marketing mix variables and how they should manage changes in socio-demographic variables when crisis hits. In this respect, it intends to complete more general recent studies analysing how marketing variables affect retail strategies in times of crisis (Hampson and McGoldrick, 2013; Kaytaz and Gul, 2014; Ferguson, 2014). Second, although prior research addressed the issue of store format in relation to consumer behaviour (e.g., Kumar and Karande, 2000; Zielke, 2010), it did not investigate store format adjustments in times of crisis. However, retailers need to understand quickly how to adapt their store format management strategies when economic crisis leads consumers to make changes in store frequentation. Therefore, we intend to clarify the role of store format in times of crisis by analysing two retail formats, in an attempt to extend and bolster recent previous studies on the subject (e.g., Kaswengi, 2013; Kumar and Roy, 2013).

The rest of the paper is structured as follows: first, we examine previous studies on store brands and present our research hypotheses. Second, we present the research methodology. Third, the results are analysed. Finally, the paper concludes with a discussion of the implications of the findings and suggests avenues for further research.

2. Theoretical framework

2.1. Research background

The central tenet of this research is that marketing elements, socio-demographics and times of crisis play a role in store brand choice over national brands. There are numerous studies that model the utility function of the consumer as a function of marketing variables (e.g. feature, display, ...) and find that these actions affect utility and thus, brand choice (Balachander and Ghose, 2003). An example is Erdem et al. (2004) who examined consumer choice behaviour with regard to store brands in the United States, the United Kingdom, and Spain. They found that consumer preferences for quality and price explain consumers' store brand choices. Previous research also suggested that store brand choice can be linked to demographic profiles (Dhar and Hoch, 1997). For example, Ngobo (2011b) showed that the rate of organic store brands increases according to the presence of a working female. However, these studies do not consider some key aspects of store brand consumption such as the business cycle, which affects consumer purchasing power.

Therefore, by considering the variable crisis times, it is possible to further understand relevant marketing actions that influence customer behaviour. Hampson and McGoldrick (2013) review many studies showing that consumer's shopping attitudes and behaviours are sensitive to recession. The behaviours may reflect consumer consciousness, especially in terms of price (Lichtenstein et al., 1993). Sinha and Batra (1999) showed that store brands are an excellent alternative for price conscious consumers. In line with Kaytaz and Gul (2014), the economic crisis is summed up to play a role in the

relationship between marketing and socio-demographics elements and store brand choice.

2.2. Hypotheses development

We developed research hypotheses based on a comprehensive review of previous studies on store brands and national brands (e.g., Sinha and Batra, 1999; Erdem et al., 2004; Ngobo, 2011a), on the business cycle in relation to marketing variables (e.g., Lamey et al., 2007; Hampson and McGoldrick, 2013) and on the relationships between store format and brand purchase behaviour (e.g., Kaswengi, 2013; Kumar and Roy, 2013).

2.2.1. Effect of product price and quality

Price and quantity constitute important factors that consumers take into account in the shopping context. Price is a major positioning tool to differentiate a product (Yoo et al., 2000). Heavy store brands users have lower incomes and are in general more price sensitive (Dhar and Hoch, 1997). Krishnamurthi and Raj (1988) suggest that a consumer with certain personal characteristics faced with a set of brands with known attributes chooses not only a brand, but also the quantity to purchase. Hampson and McGoldrick (2013) review several studies showing that consumer's shopping attitudes and behaviours are sensitive to recession. Specifically, they found that during the shock, consumers decreased consumption expenditures and switched to cheaper goods. These behaviours may reflect consumer price consciousness (Lichtenstein et al., 1993). In a recessionary period, store brands are an excellent alternative for price conscious consumers (Sinha and Batra, 1999).

Prior research also showed that shares of store brands increase more during recessions (Lamey et al., 2007; Tellis and Tellis, 2009). The periods of economic contractions give incentives for consumers to experiment with lower-priced brands (e.g., store brands). The higher-prices of national brands give the opportunity for the price-sensitive consumers to prefer store brands. This experience can lead consumers to close the perceived quality gap between the brands. For example, Jones (2014) found that many consumers who traded down to store brands during the 2007–2009 recessions found them to be quality products and maximised their utility by purchasing larger quantities of store brands. Therefore, we expect that cost savings will motivate consumers to purchase larger quantities of store brands compared to national brands in times of crisis. We can formulate the following hypotheses:

Hypothesis 1. Product price has a positive effect on store brand choice over national brands in times of crisis.

Hypothesis 2. The number of products purchased has a positive effect on store brand choice over national brands in times of crisis.

2.2.2. Effect of national brand feature and display

Academic research showed that as consumers are exposed to promotion (e.g. feature advertising) more frequently, they develop brand awareness, associations and a more positive perception of brands (Balachander and Ghose, 2003; Zhang, 2006). By increasing promotions intensity, manufacturers reinforce consumer's brand-related beliefs and attitudes, which lead to brand choice (Yoo et al., 2000). Mela et al. (1998) found that national brands can use feature and display advertising to isolate themselves from the competition. A similar research showed that feature and display separate evaluations of high-tier brands from low-tier brands, and therefore, increase the choice of a national brand more than that of a store brand (Lemon and Nowlis, 2002). Moreover, feature and display advertising play a greater role in periods of contraction than in expansions. In fact, most firms adjust their behaviour in response to recessions by increasing features and displays (Tellis and Tellis, 2009). Differentiating national brands from store brands should reduce price sensitivity and curtail

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