



# The impact of customer awareness of manufacturer name disclosure on retail brand attitudes and loyalty in Korea



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## ABSTRACT

This paper explores the impact of exposing the name of the manufacturer on a retail brand product upon national brand loyalty, retail brand loyalty and store loyalty. It does so by exploring customer attitudes towards retail brands in South Korea, where there is a legal requirement for retail brands to portray the manufacturer's name. For international retailers entering markets where such disclosure is a legal requirement an understanding of the implications of this for retail brand management is essential. The findings suggest that in the Korean case revealing the name of the manufacturer who supplies the retail brand on the product packaging has a positive influence on attitudes towards retail brands, although it did not mitigate the perceived risks held by customers towards retail brand products in general.

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## 1. Introduction

Many authors have examined the perceptions of, and attitudes held by, retail brand and national brand consumers, usually in an attempt to identify differences between these two groups (e.g. Frank and Boyd, 1965; Myers, 1967; Coe, 1971; Bettman, 1974; Murphy, 1978; Strang et al., 1979; Murphy and Laczniak, 1979; Cunningham et al., 1982; Szymanski and Busch, 1987; Dick et al., 1995, 1996; Omar, 1996; Prendergast and Marr, 1997; Baltas and Argouslidis, 2007; Herstein and Tifferet, 2007). The role of brands and branding cues in providing consumer reassurance around quality and performance is well established. In most markets consumers use the manufacturer or the retailers name portrayed on product packaging as a recognition cue when purchasing fast moving consumer goods. In some markets, however, it is a legal requirement for the name of the manufacturer of a retail brand product to be revealed on the product packaging. This is the case in South Korea. Through this consumers can check who makes the retail brands being sold by the leading retailers. Faced, at least potentially, with two recognition cues—who sells (or sources) and who makes the product—it might be expected that displaying the manufacturer's name on the retail brand will influence the attitudes and buying patterns of customers.

This paper presents the results of a study which sought to identify the relationship between the exposure of the manufacturer's name on retail brand products and national brand, retail brand and store loyalty, and more generally to explore customer attitudes towards retail brands in this context. The paper seeks to contribute to existing literature on retail brand management by considering the impact of an important extrinsic cue which may not be present in some markets. Awareness of the implications of the impact of this cue is an important consideration for grocery retailers entering markets where this is a legal necessity. The paper starts with a literature review leading to the development of hypotheses. The methodology and analytical approaches pursued are then explained, before the research findings are discussed. Finally, conclusions and implications of the study are provided.

## 2. Background and hypotheses development

Numerous authors have examined the demographic and socio-economic characteristics of consumers who buy retail brands. Previous studies have explored generic brand customers (e.g. Granzin, 1981; Wilkes and Valencia, 1985; Prendergast and Marr, 1997; Herstein and Tifferet, 2007), store brand customers (e.g. Omar, 1994; Baltas and Argouslidis, 2007); and the differences between retail brand and national brand customers (e.g. Parker and Kim, 1997; Wulf et al., 2005).

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A further focus for retail brand research has been the features and characteristics of retail brands themselves (e.g. Mills, 1995; Baltas, 1999; Corstjens and Lal, 2000; Jonas and Roosen, 2005). Some of this work has extended into elements of product packaging which are believed to affect customer buying processes (e.g. Kapferer, 1995; Rafiq and Collins, 1996; Burt and Davis, 1999). Rettie and Brewer (2000) found that the brand name had a significant impact on consumer recall, whilst Cox (1967), Olson and Jacoby (1972) and Dick et al. (1996) suggested that the brand name tended to be accepted as an indirect indicator of product quality by customers. The situational contexts within which these studies were undertaken meant that they did not explore the relationship between brand familiarity and manufacturer's name disclosure when buying retail brand products. In situations where a manufacturer simultaneously supplies its own, as well as retail brands, to a retailer, and this is visible to the customer, it might be expected that customers will react differently to the retail brands on offer. In markets where it is a legal requirement for the retail brand product to carry the manufacturer's name, this creates a situation in which these relationships can be explored.

As an extrinsic cue, packaging design is believed to influence sales and profits. Southgate (1994) has argued that the growth of retail brand market share has in part resulted from improved packaging design. According to Keller (1991) and Nancarrow et al. (1998), packaging is one of the most important mediums through which product-related benefits are directly communicated to customers, and Wells et al. (2007), found that more than 73% of customers used packaging to make buying decisions. It is much easier to recognise products through extrinsic rather than intrinsic cues (Putwar, 1982), consequently, product packaging has become an important marketing activity (Danton de Rouffignac, 1990).

When marketing retail brands to customers many retailers imitate the general packaging design of national brands. Such copy-cat branding and the commercial conflicts which arise from this have attracted the attention of several authors (e.g. Loken et al., 1986; Davies, 1995; Kapferer, 1995; Rafiq and Collins, 1996; Balabanis and Craven, 1997; Burt and Davis, 1999). The belief is that whilst shopping, time constrained consumers might pick up the look-alike product by mistake. If the copycat brand was displayed alongside the original product, or if the original product was moved from its usual position, consumers were felt to be more likely to mistakenly purchase the copycat (Davies, 1995). In addition to "mistaken" sales, retailers might also gain sales volume indirectly from market leaders through an imitation strategy, as favourable perceptions are inferred from the national brand packaging to a similarly packaged retail brand.

Packaging encompasses many aspects such as brand name, text, shape, graphic design, logo, size, colours, illustrations, materials, construction, texture, and the like. Underwood et al. (2001) developed a conceptual model of package design, and suggested that pictures influence perceptions of retail brand products more than national brands, because of brand familiarity. They also argued that the customer buying decisions could be affected, depending on the degree of brand familiarity. This is consistent with Dick et al. (1996), who found that the brand name is an important cue for consumers. Similarly, Wells et al. (2007) found that consumers making impulse buying decisions were more likely to rely on pack photography as an extrinsic cue, and a fifth of respondents in their study used product descriptions to assist in product choice.

In this study, the extent to which customers look at the product description or product labelling to check which manufacturer produces retail brand products, before buying them, is a key consideration. Given that the manufacturer's name must be displayed on the product label in South Korea, the extent to which this information is used by consumers and its subsequent influence on aspects of the purchasing process and consumer behaviour are worthy of investigation.

## 2.1. Product quality perceptions

Many authors regard product quality as one of the most influential factors in consumer purchasing behaviour. Product quality is affected by extrinsic as well as intrinsic cues such as the brand name (e.g. DelVecchio, 2001), price (e.g. Rao and Monroe, 1989), type of packaging, retailer reputation, ingredients and the like. Also, in prior research it is generally argued that there is an apparent difference between retail and national brands in terms of quality perceptions (Bellizzi et al., 1981; Cunningham et al., 1982; Szymanski and Busch, 1987; Medina et al., 2004; Wulf et al., 2005), although some authors such as Fitzell (1992) concluded that the quality perceptions of retail brands are equal to those of national brands. Generally speaking, however, consumers traditionally regard retail brands as inferior in quality terms to national brands (Cunningham et al., 1982; Richardson et al., 1996). Cox (1967) argued that the brand name as a heuristic and extrinsic cue played an important role in judging product quality from the consumer's perspective, and this is supported by Dick et al. (1996) who found that consumers used the brand name as a primary factor when assessing product quality. Consequently, brand names have a positive effect on the formation of consumer perceptions of product quality.

Although the manufacturer's name has to be legally displayed on retail brands sold in South Korea, this occurs in small font on the rear of the pack, as determined by the packaging label standards regulated by the government. It is difficult to assess the extent to which consumers are aware of the manufacturer's name on the retail brands that they purchase. Nevertheless, it is likely that awareness of who produces the retail brands may positively or negatively influence the product quality perceptions of customers. Based on these views, the authors propose the following hypotheses:

- H1 (a) Manufacturer name awareness positively influences the product quality perception inferred from extrinsic attributes.
- H1 (b) Manufacturer name awareness positively influences the product quality perception inferred from intrinsic attributes.
- H2 (a) Product quality inferences made from extrinsic attributes negatively influence retail brand attitudes.
- H2 (b) Product quality inferences made from intrinsic attributes positively influence retail brand attitudes.
- H2 (c) Product quality inferences made from extrinsic attributes positively influence national brand attitudes.
- H2 (d) Product quality inferences made from intrinsic attributes positively influence national brand attitudes.

## 2.2. Perceived risks

Perceived risks are also formed from extrinsic cues (Richardson et al., 1996) and intrinsic cues (Grewal et al., 1994). As an example, when the price of a product rises, the financial risk perceived by customers increases, but the functional risk decreases on the premise that the higher the price the better the quality (Peterson and Wilson, 1985), although White and Truly (1989) argued that price is not directly related to functional risk. Perceived risk is also influenced by individual characteristics, such as demographic and socio-economic factors (Hawkins et al., 1986). All things being equal, it is believed that the perceived risk of buying a retail brand is likely to differ from that of buying a national brand.

Generally, buying retail brands is perceived to be riskier than buying manufacturer brands from the customer's perspective (e.g. Bettman, 1974; Livesey and Lennon, 1978; Richardson et al., 1996). Grewal et al. (1994) stated that perceived risk played an important role in buying decisions, and Bettman (1970) emphasised that

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