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Private labels versus national brands: The effects of branding on sensory perceptions and purchase intentions

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ABSTRACT

Consumers increasingly consider private labels to be as good as national brands. This research raises the question of whether national brands and private labels equally affect consumers' sensory perceptions and purchase intentions. The results of two studies show that consumers reverse their evaluation of private labels (vs. national brands) when tasting the product in an informed (vs. blind) condition. When consumers are not aware of brand names, they indicate better taste and higher purchase intentions for private labels. However, the opposite is true when they try products in an informed condition. We discuss the implications for private labels and national brands.

1. Introduction

It is important for managers to know how to position a private label[1] vis-a-vis national brands (Hoch, 1996). Today, this question remains relevant particularly because private labels are growing in quality and adopting different positions to serve different market segments (Geyskens et al., 2010; Liu and Wang, 2008). Past work suggested that the best positioning strategy for a private label depends on how it competes with national brands and its own quality level (Choi and Coughlan, 2006). Given the fact that some private labels can objectively be of better quality than national brands (Sethuraman and Gielens, 2014), especially premium private labels (Braak et al., 2014; Geyskens et al., 2010), the competition between private labels and national brands remains an important subject for research.

Historically, private labels represented lower-price, lower-quality options than competing national brands (Fitzell, 1982; Goldsmith et al., 2010). However, recent industry studies show that consumer perceptions of private labels have changed over the years. For example, nine out of ten American consumers consider private labels to be as good as national brands (Deloitte, 2014). In the United Kingdom, almost half of consumers believe that private labels and national brands are produced in the same factories with different packaging, and 59% of consumers believe that private labels are more expensive only because of advertising costs and not as a result of better raw materials (Euromonitor International, 2014). In addition, the latest market share data show that private labels continue to spread in popularity across Europe and account for at least 30% of all products sold in 15 countries, the highest figure yet (PLMA, 2014).

Although consumers claim they make food choices based on product quality and taste, extrinsic cues, such as product brand, strongly impact their perceptions and decisions (Dotson et al., 2012). For example, extant research shows that brand name plays a major role in product evaluation, driving expectations about performance and quality (Poulsen et al., 1996). In addition, brands cause consumers to perceive better taste, and in blind versus informed conditions, they evaluate the same products differently (Fornerino and d'Hautville, 2010; McClure et al., 2004).

Consumers now have favorable perceptions of private labels (Nielsen, 2014). The fact that they acknowledge private labels to be high-quality products (Deloitte, 2014; Euromonitor International, 2014) raises the question of whether product brands (national brands versus private labels) influence consumers' inferences regarding product quality. Do consumers still view national brands

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[1] In the literature, private labels are defined as products sold under a retailer's own name or a different name created exclusively by the retailer; whereas national brands are manufacturer brands (Boyle and Lathrop, 2013; Geyskens et al., 2010; Goldsmith et al., 2010; Huang and Huddleston, 2009; Olbrich and Grewe; 2013; Steenkamp et al., 2010).

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as indicating superiority when they evaluate intrinsic attributes? Can private labels shape consumers' taste perception as national brands can? In other words, have consumers revised their overall perceptions of private labels' quality as industry reports suggest? This article aims to answer those questions.

2. Theoretical background and research hypothesis

When private labels were first introduced, they were positioned as economy products (also known as the budget segment), offering lower quality and prices than national brands (Boyle and Lathrop, 2013; Fitzell, 1982; Goldsmith et al., 2010). However, during the 1980s, private labels improved their quality and these products became similar to national brands (International Markets Bureau, 2010). In the 1990s to 2000s, private labels turned to differentiation and further sophistication. Retailers then developed multiple types of private labels, expanding from fast-moving consumer goods to clothing, home-care products, and other categories (Boyle, 2003; Liljander et al., 2009).

Nowadays, private labels are not merely generic alternatives to national brands; instead, they cover different categories and target many segments (Hoch, 1996). Retailers position their private labels using quality and pricing strategies, with "good," "better," and "best" approaches (Geyskens et al., 2010; Liu and Wang, 2008). For example, in the generic low-price, low-quality approach—the "good" approach—private labels follow an economy strategy, avoiding expensive ingredients to reduce costs (Boyle and Lathrop, 2013; Geyskens et al., 2010). The standard private label—the "better" approach—follows mainstream national brands and targets consumers looking for mid-quality alternatives (Kumar and Steenkamp, 2007). Finally, premium private labels—the "best" approach—are at the top end of the market and offer quality equal to premium national brands (Geyskens et al., 2010). Because branding can play a major role in the premium product segment in shaping consumers' evaluations, this research focuses on premium private labels to examine whether they create the same consumer experience as more established national brands.

Since private labels now have similar quality to that of national brands (Sethuraman and Gielens, 2014), one might assume that product brand have less significant impact on consumer perceptions. Industry reports indicate consumers recognize that private labels are growing in quality and the differences compared to national brands are only a matter of advertising expenses (Euromonitor International, 2014). As private label products increase in quality, consumers are likely to modify their product evaluations (e.g. Mendez et al., 2008; Steenkamp et al., 2010). From this perspective, brand name should have lower impact on consumer perceptions because product evaluation would be based on product quality. In other words, product quality would drive consumer behavior, regardless of product brand, leading to higher purchase intentions and superior sensory perceptions (Ailawadi and Keller, 2004; Bao et al., 2011; Batra and Sinha, 2000; Das, 2014; Hoch and Banerji, 1993). Based on this rationale, we propose:

H1. Consumers will have similar purchase intentions toward premium private labels and national brands when they are either (a) informed of or (b) blind to the brand they evaluate.

Apart from overall product quality perception, brands can shape consumers' sensorial experiences (De Wulf et al., 2005). For instance, consumers often perceive that food tastes better when it is more expensive (Just et al., 2014) and when the brand has a good reputation (Belizzi and Warren, 1982; Makens, 1965). Similarly, brand information influences preferences (McClure et al., 2004). Nevertheless, since consumers now believe that premium private labels and national brands are produced in the same factory using the same raw materials (Euromonitor International, 2014), they should perceive that both premium private labels and national brands products generate equal sensory experiences in the form of taste perceptions. More formally:

H2. Consumers will have similar taste perceptions of premium private labels and national brands when they are either (a) informed of or (b) blind to the brand they taste.

Although private labels and national brands are growing more similar in quality, other aspects can play a major role in the competition to win consumers. Brand equity theory helps to understand the role that brands play in consumer decision making. Brand equity suggests that strong brands create value for the company by eliciting perceptions, feelings, and associations related to a target brand, including salience, imagery, and resonance (Aaker, 1996; Keller, 2003). In addition, brand equity causes consumers to use brand names as a heuristic cue to infer product quality (DelVecchio, 2001; Maheswaran et al., 1991), shaping their sensory perceptions and purchase intentions (Fornerino and d'Hautville, 2010; Grewal et al., 1998; Walgreen et al., 1995).

From a brand equity perspective, brand names are powerful extrinsic cues that cause consumers to react favorably to products (Keller, 1993; Teas and Agarwal, 2000). In comparison with private labels, national brands have particularly strong brand equity so that consumers positively associate national brands with product quality (Sethuraman, 2003). As a result, national brands are highly likely to evoke superior perceptions (Richardson et al., 1994) and higher purchase intentions relative to private labels (Das, 2014; Grewal et al., 1998; Walgreen et al., 1995).

If consumers associate national brands with higher quality, one might assume that these products will evoke higher sensory perceptions or better taste in comparison with private labels. Brands have been shown to boost food taste experiences, even when consumers taste the same product (Paasovaara et al., 2012). When food and drinks are identified by a favored brand, consumers indicate they taste better (Robinson et al., 2007). Furthermore, extrinsic cues distort basic sensorial experiences (Litt and Shiv, 2012). Thus, more formally, we propose:

Alternative H1. (a) Consumers will have lower purchase intentions for private labels than for national brands when they are informed of the brand they are evaluating. (b) Consumers will have similar purchase intentions for private labels and national brands when they are blind to the brand they are evaluating.

Alternative H2. (a) Consumers will have lower sensory perceptions of taste for private labels than for national brands when they are informed of the brand they are evaluating. (b) Consumers will have similar taste perceptions for private labels and national brands when they are blind to the brand they are evaluating.

We undertook two experimental studies to investigate our research hypotheses. We used different products to increase the validity of our findings.

3. Study 1

3.1. Design, stimuli, and participants

Study 1 was an investigation of product brand and brand information as they affect consumer evaluations. The study used a 2 (brand: national brand vs. private label) $\times$ 2 (brand information: blind vs. informed) between-subjects experimental design. We