



When Should Private Label Brands Endorse Ethical Attributes?

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Abstract

This article examines to what extent and under what circumstances product-related ethical attributes (i.e., attributes that reflect concern about social and environmental issues) influence evaluations of retailers' private label brands (PLBs). Two experiments show that ethical attributes enhance PLB evaluations in the presence of extrinsic cues signaling high quality (i.e., high price). In the context of extrinsic cues signaling low quality (i.e., low price), PLBs do not benefit from offering an ethical attribute. This effect is mediated by consumers' product quality perceptions. A third experiment replicates the positive effect of ethical attribute presence on PLB evaluations in the context of high retailer reputation, and shows a moderating effect of consumers' resource synergy beliefs. These findings suggest that PLBs benefit from offering ethical attributes in the context of higher-priced PLBs or higher retailer reputation.

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Keywords: Private label brands; National brands; Ethical attributes; Social responsibility; Resource synergy beliefs; Retailer reputation

Introduction

Retailer-owned private label brands (PLBs) are consumer products that are distributed exclusively by a retailer (PLMA 2014) and carry the retailer's name (e.g., Walgreens, CVS) or a brand name created by a retailer (e.g., Costco's Kirkland, Walmart's Great Value). PLBs experience a global rise in market share (Nielsen 2011). In the U.S., for example, PLBs represent 17 percent of total sales, with sales growing by about 13 percent annually (Nielsen 2011). PLB growth is typically at the expense of manufacturer's national brands (NBs). NBs are brands of consumer products that are owned, advertised, and marketed by manufacturers (e.g., Tylenol, Oasis; AMA 2014). As PLBs have extended competition against NBs to most categories, additional growth in PLB market share is increasingly achieved through creation of multi-tiered PLB portfolios comprising economy, standard, and premium PLBs associated with varying price and quality levels (Geyskens, Gielens, and Gijsbrechts 2010; Kumar and Steenkamp 2007).

Coinciding with PLB market share growth and multi-tier portfolio introduction is increased consumer demand for ethical attributes (Nielsen 2008). Ethical attributes are product attributes with positive implications for environmental protection, human rights, animal welfare, and social issues (Gupta and Sen 2013; Irwin and Naylor 2009; Luchs et al. 2010). Although research has examined ethical attribute effects on NBs (Arora and Henderson 2007; Du, Bhattacharya, and Sen 2007; Henderson and Arora 2010), ethical attribute effects on PLB evaluations have remained unexplored. There are two reasons to investigate ethical attribute effects on PLB evaluations, however. First, PLBs differ from NBs in that they are exclusive to retailers (PLMA 2014), and are often associated with fewer and more uncertain brand associations (Richardson, Dick, and Jain 1994; Sethuraman 2003). Given PLBs' exclusivity and their important role in retailers' competition against NBs and other retailers, exploring the benefits of ethical attributes offered by PLBs is managerially useful. From a theoretical perspective, the extent and uncertainty of consumers' brand knowledge associated PLBs (vs. NBs) suggests that ethical attributes may have more of an impact on consumers' evaluations of PLBs—because they serve as heuristics to brand quality and attractiveness in a context of relatively low brand knowledge. Second, whether ethical attributes in fact result in more positive PLB evaluations

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also remains unexplored. Ethical attributes often entail indirect rather than direct benefits (i.e., societal welfare as opposed to performance or value implications), are associated with greater uncertainty regarding contribution to product performance compared to other product attributes (e.g., environmentally friendly ingredients appear less effective; Luchs et al. 2010), and frequently involve higher costs to consumers (e.g., higher prices associated with locally sourced ingredients). As a result, the effect of ethical attributes on consumers' brand evaluations is not necessarily positive (Lin and Chang 2012; Luchs et al. 2010). In a PLB context, ethical attribute effects are likely contingent upon the nature of other cues (e.g., price, retailer reputation), as these help consumers draw inferences regarding the quality implications of the ethical attributes when brand knowledge is low.

Three experiments examine to what extent and under what conditions ethical attributes benefit PLBs: Experiment 1 finds that PLBs associated with high (but not low) prices benefit from offering ethical attributes. Experiment 2 replicates these findings and identifies consumers' quality perceptions as a mediator of this effect. Experiment 3 demonstrates that ethical attributes increase evaluations of PLBs associated with high (but not low) retailer reputation. Quality perceptions again mediate this effect. In addition, for consumers holding negative resource synergy beliefs (i.e., beliefs regarding the relationship between the resources invested in and the value added by social responsibility activities; Gupta and Sen 2013), evaluations of PLBs offering ethical attributes depend on retailer reputation; consumers holding positive resource synergy beliefs, on the other hand, respond more favorably to PLBs with ethical attributes regardless of retailer reputation.

These findings make several contributions: First, they clarify that PLBs benefit from offering ethical attributes, but only if they are associated with a higher price or a reputable retailer. These results can inform retailers' choice of PLBs for which ethical attributes should be considered. Because ethical attributes have resource implications (e.g., higher cost of ethically sourced ingredients), it is important to identify PLBs that stand to gain most from ethical attribute introduction. Second, this research provides a theoretical rationale for the counterintuitive finding that ethical attributes (vs. no ethical attributes) offered by PLBs at high price levels resulted in more favorable evaluations, whereas ethical attributes did not enhance evaluations of low-priced PLBs. Although consumers might be expected to evaluate PLBs with ethical attributes more positively at low price levels, cue utilization theory—which serves as the basis for the predictions of this research—accounts for positive ethical attribute effect at high price levels. Third, the literature documents more positive effects of an ethical attribute on consumer responses to fictitious brands for which consumers had no prior associations as opposed to NBs (Arora and Henderson 2007). We add to these findings by investigating to what extent brands with prior associations (i.e., PLBs) benefit from offering ethical attributes, and what role price and retailer reputation play in consumers' evaluations of such brands. Fourth, this research complements findings that implicate quality in the relation between corporate social responsibility (CSR) and firm market value (Luo and

Bhattacharya 2006). The current research examines the causal relationship between ethical attribute presence and extrinsic quality cues (price, retailer reputation) on consumers' quality perceptions and subsequent responses to PLBs in an experimental context. In doing so, it elucidates the differential role of extrinsic quality cues (moderators) and uniquely addresses the need to understand the impact of ethical attributes in a PLB context. Finally, this article sheds light on the moderating role of resource synergy beliefs on consumers' evaluations of PLBs offering ethical attributes. It extends the recent literature (Gupta and Sen 2013) by treating resource synergy beliefs as a measured individual difference variable and by testing their role in influencing consumer responses to existing brands.

Conceptual Background

Ethical Attributes

Ethical attributes aim at enhancing social welfare and environmental protection (Gupta and Sen 2013; Luchs et al. 2010). Ethical attributes addressing social issues comprise fair labor practices (Luchs et al. 2010), child-labor free production (Bodur, Gao, and Grohmann 2014; Irwin and Naylor 2009), fair trade (Irwin and Naylor 2009), humane treatment of animals (Irwin and Naylor 2009; Luchs et al. 2010), and cause-related marketing (i.e., support of a cause that is linked to product sales; Varadarajan and Menon 1988). Ethical attributes addressing environmental issues include pollution reduction and recycling (Luchs et al. 2010), environmentally friendly products (Lin and Chang 2012; Luchs et al. 2010), natural ingredients (Bodur, Gao, and Grohmann 2014; Irwin and Naylor 2009), and locally supplied ingredients (Bodur, Gao, and Grohmann 2014). Ethical attributes are either product-related (i.e., have implications for product performance; e.g., natural ingredients; Bodur, Gao, and Grohmann 2014) or symbolic (e.g., cause marketing; Bodur, Gao, and Grohmann 2014). Symbolic ethical attributes generally entail positive consumer responses (Auger et al. 2008; Barone, Miyazaki, and Taylor 2000; Brown and Dacin 1997; Trudel and Cotte 2009), whereas product-related ethical attributes may lead to negative consumer responses to products (Irwin and Naylor 2009; Lin and Chang 2012; Luchs et al. 2010). This is based on consumers' perceptions that product-related attributes reduce product effectiveness (Lin and Chang 2012; Luchs et al. 2010). Building on research that has focused on ethical attribute effects on product level evaluations, this article examines the effect of product-related ethical attributes on consumers' PLB evaluations. It also complements prior investigations of—mainly symbolic—ethical attribute effects on brands in the context of NBs (Du, Bhattacharya, and Sen 2007; Henderson and Arora 2010).

Ethical Attribute Effects on PLB Evaluations

Consumer responses to product-related ethical attributes are influenced by perceived implications for product performance (Lin and Chang 2012; Luchs et al. 2010). Because it is difficult to assess an ethical attribute's contribution to product

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