



Research report

Consumers liking of private labels. An evaluation of intrinsic and extrinsic orange juice cues[☆]Nina Veflen Olsen^{a,*}, Elena Menichelli^{a,b}, Christine Meyer^c, Tormod Næs^a^a Nofima Mat, Oslovn.1, 1430 Ås, Norway^b Department of Chemistry, Biotechnology and Food Science, The Norwegian University of Life Sciences, P.O. Box 5003, NO-1432 Ås, Norway^c Unil, P.O. Box 290 Skøyen, NO-0213 Oslo, Norway

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ABSTRACT

The objective of this article is to compare product quality and brand choice for private labels (PL) and national brands (NB). Over the past two decades, PL have gained larger and larger share of grocery sales, and nowadays PL play a crucial part in the European food retail sector. Since it is stated that most PL have moved on from being mostly low cost me-too products to become also premium products, we want to investigate if objective and perceived quality of PL fits the quality of NB. Four hypotheses are stated and tested on orange juice data from Norway. A trained sensory panel and consumers ($n = 105$) evaluated six juice samples that vary according to three factors. These factors were (1) Brand (PL and NB), (2) Treatment (Gentle heat treatment and Pasteurized) and (3) Pulp (with and without). Principal component analysis, two-way ANOVA, and PLS regression were conducted, and the results indicate that variation in quality exists both among PL and NB, there is a large discrepancy between blind liking and brand choice, and that consumers with a positive attitude towards PL are more likely to choose a PL instead of a NB.

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Introduction

Private labels, which are brands owned and controlled by an organization whose primary commitment is distribution (Schutte, 1969), play an increasingly important part in the food retail sector. While private labels started out as low cost generics it has evolved to include also premium brands. A four generation sequence of private labels, from simple copycat generics to more complex value-added brands exist in the market today (Laaksonen & Reynolds, 1994), and different products are at different stages of evolutionary development (Burt, 2000; Facenda, 2007; Lamey, Deleersnyder, Dekimpe, & Steenkamp, 2007; Steenkamp & Dekimpe, 1997). Private labels are continuing to grow – driven in part by the self interest of retailers who view private labels as strong contributors to profitability and return-on-sales (Glèmet & Mira, 1993).

Research regarding private label grocery products has been of substantial interest to both academics and industry practitioners. Since the seminal work of Myers (1966) a variety of studies have

been undertaken to investigate the characteristics of buyers of private label grocery products and the relationship between purchase of private label products and store loyalty. Most of the studies have focused on sociodemographic and personal characteristics that differentiate private label buyers from non buyers (e.g. Ailawadi & Harlam's, 2004; Bettman, 1974; Coe, 1971; Richardson, Jain, & Dick, 1996). Scholars have also examined quality perceptions of private label brands, and found that consumers consistently rate private labels below national brands (Bellizzi, Krueckeberg, Hamilton, & Martin, 1981; Cunningham, Hardy, & Imperia, 1982; Livesey & Lennon, 1978). All studies indicate that private label brands suffer from a low-quality image compared to national brands (Richardson, Dick, & Jain, 1994).

Most of these studies are conducted 15–20 years ago, when private labels still existed at an early stage of development. In this study we want to investigate if consumer perceptions of private labels have changed as private labels has evolved into premium products. The main aim of the study is to investigate how product quality and brand choice differ between private labels and national brands. While previous studies mostly have relied on survey methodology to ascertain private label quality, this study include an objective measure of sensory quality as well as an experimental setting for investigating private label liking. Brand pairs (a national brand and a private label) that are similar related to specific intrinsic product attributes (treatment and pulp) are tested for differences in product quality and brand choice.

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Towards this, first we propose specific research hypotheses. Next we describe the methodology used to test the hypotheses. Then, the results are presented. Finally, we discuss the implications and limitations of our study and provide directions for further research.

Literature review and hypotheses to be studied

Cue utilization theory is one of the most applied frameworks to assess consumer perception of product quality. According to this theory, products consist of an array of cues that serve as surrogate indicators of quality to shoppers (Olson, 1972). These cues can be classified as intrinsic or extrinsic to the product. Extrinsic cues are product-related attributes – such as price, brand name, and packaging – which are not part of the physical product. Conversely, intrinsic cues represent product-related attributes, such as ingredients and sensory attributes that cannot be manipulated without also altering physical properties of the product.

It seems to be consensus in the literature that consumers tend to use both intrinsic and extrinsic cues concurrently when evaluation product quality. In the absence of actual experience, or when products are difficult to evaluate (e.g. wine and perfume), consumers often evaluate quality on the bases of extrinsic cues (Schiffman & Kanuk, 2007). While high involvement consumers emphasize intrinsic cues, low involvement consumers are more likely to focus on extrinsic cues (Petty, Cacioppo, & Shuman, 1983).

Intrinsic product quality

Intrinsically, PL grocery items were previously judged inferior to national brands in terms of quality of ingredient, taste, texture, and aroma (Bellizzi et al., 1981; Sundel, 1974). But since PL during the last decades has evolved from mostly low cost copycat products into premium product categories, it is likely to expect that the product quality has improved simultaneously. Today retailers launch products at different levels of quality, and take responsibility in underdeveloped categories. As an example, the first organic products launched were private labels. According to the retailers, PL ingredients are as good if not better than those of national brands (Olsen & Sallis, 2010). We expect today to find as much variation in product quality within national brands as within private labels.

H1. Variation in objective sensory quality exists among both private labels and national brands.

H2. Consumers perceive the taste of private labels to be as good as the taste of national brand when no information is given.

Extrinsic brand choice

In relation to extrinsic cues, private labels have previously been described to suffer from deficiency relative to national brands. PL's have traditionally been priced lower, they are frequently poorly packaged, they lack recognition and are generally not advertised at the national level (Cunningham et al., 1982). Ailawadi and Harlam (2004) did also find that promotion for private label emphasize economic benefits as price consciousness and financial consciousness, while national brand promotion focuses on hedonic benefits as innovativeness and shopping enjoyment. These differences in extrinsic cues are likely to affect the image of private labels and national brands.

Even though private labels have evolved into premium categories, focusing more on professional packaging and commu-

nicating product quality, and not only low prices, we expect that private labels still are associated with a low cost image. It takes time to change an image, and since a number of studies have found that consumers rely on price as an indicator of product quality (Schiffman & Kanuk, 2007), we expect consumers to rate their likelihood of choice for national brands higher than for private labels.

H3. Consumers are more likely to choose national brands than private labels.

Consumer attitudes

In addition to intrinsic and extrinsic cues, consumers attitude are continuously shown to influence consumers choice. Attitude formation theory from social psychology states that consumers form bottom-up and top-down attitudes, which both affect their preferences. Bottom-up formation of attitudes implies that the attitude towards a product or a brand is formed based on the knowledge about the product. Consumers form beliefs about characteristics of the product. Some of these characteristics they like, whereas other they dislike. The resulting attitude is a weighted average of the evaluation of its perceived risks and benefits (McGuire, 1969). The top-down formation of attitudes regards an attitude as embedded into a system of general attitudes and values. These general attitudes guide the inference of attitudes towards more specific products or brands (Katz, 1960). Previous studies on consumer attitude formation with regard to food have found that general socio-political attitudes, such as attitude towards nature and environment, and attitude towards new technology in general, play an important role in influencing consumers' attitude towards new food (Olsen et al., 2011; Scholderer, Bredahl, & Frewer, 2000; Scholderer, 2005). Hence, we propose that likelihood of choice for private labels and national brands are inferred from attitudes towards private labels. These attitudes which are formed based on both intrinsic- and extrinsic cues are likely to affect consumers brand choice (Fig. 1).

H4. Consumers attitude towards private labels affect their likelihood of choice for private labels and national brands.

Methodology

This data set is based on evaluation of orange juices. An experimental design consisting of an objective sensory evaluation by a trained panel and consumer evaluation of intrinsic product quality and extrinsic brand choice is conducted. Both blind tasting and visual inspection of pictures are conducted. The procedure is described in more details below.

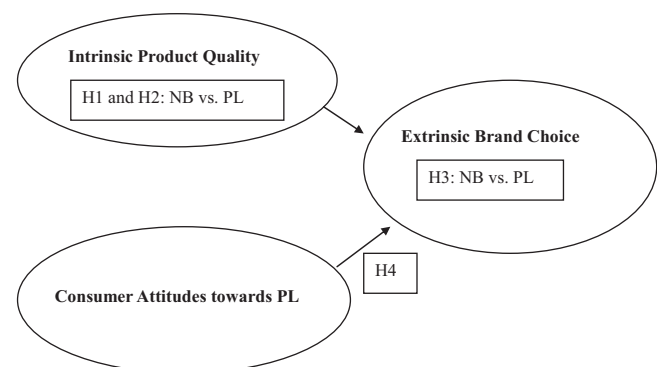


Fig. 1. Conceptual model.

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