Consumer perceptions of store brands versus national brands

Kristof De Wulf
Vlerick Leuven Gent Management School, Gent, Belgium

Gaby Odekerken-Schröder
Faculty of Economics and Business Administration, Maastricht University, Maastricht, The Netherlands, and

Frank Goedertier and Gino Van Ossel
Vlerick Leuven Gent Management School, Gent, Belgium

Abstract

Purpose – The objective of this study is threefold. First, the authors want to use taste tests to assess how four store brands that are differently positioned compare to one national brand in terms of perceived brand equity. Second, the authors want to investigate whether brand equity of store versus national brands is determined by current brand loyalty towards these brands. Third, they want to find out whether store patronage has an influence on perceived brand equity of store versus national brands.

Design/methodology/approach – A total of 225 consumers were involved in a repeated measures design involving two within-subject factors: a blind and non-blind taste test of five orange juice brands. Across our three objectives, we describe the impact of the retailers' positioning strategies on the results generated.

Findings – The results confirm the common belief that private label products can offer the same or even better quality than national brands, but at a lower price.

Originality/value – Until now, hardly any study incorporates the differences in positioning objectives of retailers and national brand manufacturers. Nevertheless, as is true for any brand, positioning of a store brand can exert an important influence on its performance.

Keywords Brand loyalty, Stores and supermarkets, Brand equity

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this article.

1. Introduction

Store or retailer brands have made significant inroads into the packaged goods market in the 1980s and 1990s with the average market share of store brands increasing from 15.3 percent in 1988 to 20 percent in 1998 (Corstjens and Lal, 2000; Dunne and Narasimhan, 1999; Hoch, 1996). According to Quelch and Harding (1996), there are more private labels – "store brand" goods – on the market than ever before. Especially in Europe, store brand penetration is extremely large, with Belgium occupying a third place after UK and Switzerland with a store brand market share of more than 40 percent since 2001 (Fitzell, 1992; Hoch, 1996; Van Ossel and Versteylen, 2002).

Retailer brands have clearly evolved throughout time. According to Dunne and Narasimhan (1999), private labels are no longer simply category killers. In fact, they now play a range of roles, with different implications for manufacturers and retailers alike. Burt (2000) indicates that the typical brand product range of the late 1970s and early 1980s comprised a three-tier structure of leading manufacturer brands, seen as the high-quality/high-price alternative; retailer brands, generally positioned as a mid-quality/mid-price alternative; and a "generic" range offering acceptable quality for a low price. He argues that there is an evolution from private labels offering the consumer a lower quality product alternative for a lower price, to retail brands offering a true quality brand alternative, reflecting the application of a clear marketing approach in the retail environment. Effective marketing of store brands can create a captive clientele and make the chain less vulnerable to price pressures or aggressive attacks by the competition (Dick *et al.*, 1995). Several real-life examples illustrate that this new type of retailer brand is clearly gaining ground. One example is the success of the private label "President's Choice" of Loblaws, the largest Canadian grocery chain, showing that premium private labels are viable and that they can be a major competitive force in the consumer goods industry (Dunne and Narasimhan, 1999).

In spite of the emergence and growing importance of store brands, most previous conceptual and empirical research has been focused on national brands (Steenkamp and Dekimpe, 1997). Although store brand mechanisms have often been discussed in the business press, only recently have they been systematically investigated in theoretical and/or empirical research (Ailawadi, 2001). The limited amount of academic research that has been conducted on store brands has taken

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two basic approaches: some studies examined correlates of store brand proneness, others were oriented towards experimentally investigating store brand attitudes and strength (Richardson *et al.*, 1996). With respect to the second type of research, Cotterill *et al.* (2000) state that surprisingly little research has been conducted addressing the issue of the increasingly intense competitive interaction between private labels and national brands. Most previous empirical research has focused on the variation in market share of private label products across categories. Richardson (1997) supports this identified gap, indicating that the question whether store brands are perceived to be just another brand in the market has received little attention in the marketing literature over the past three decades. Until now, hardly any study incorporates the differences in positioning objectives of retailers and national brand manufacturers. Nevertheless, as is true for any brand, positioning of a store brand can exert an important influence on its performance (Sayman *et al.*, 2002).

In response to the concerns raised above, the objective of this study is threefold. First, we want to assess how four store brands that are differently positioned compare to one national brand in terms of perceived brand equity. Brand equity has been conceptualized in a variety of ways (Aaker, 1991; Erdem and Swait, 1998; Fournier, 1998; Keller, 1998). In line with common measurement approaches (Park and Srinivasan, 1994; Van Osselaar and Alba, 2003; Yoo *et al.*, 2000), we define brand equity as the incremental utility or value added to a product by its brand name. In other words, to which extent is a store brand name able to create a perceived difference as opposed to a manufacturer brand name? Second, we want to investigate whether brand equity of store versus national brands is determined by current brand loyalty towards these brands. Third, we want to find out whether store patronage has an influence on brand equity in the mind of the consumer. Across these three objectives, we want to describe the impact of the retailers' positioning strategies on the results generated.

2. Theoretical background and hypotheses

The creation and maintenance of brands is becoming more important in today's highly competitive environment (Seetharaman *et al.*, 2001). In consumer marketing, brands often provide the primary points of differentiation between competitive offerings, and as such they can be critical to the success of retailers and manufacturers. Hence, it is important that the management of brands is approached strategically (Wood, 2000). To do this, the concept of brand equity is an essential element to consider. Brand equity has attracted increasing attention in the marketing literature over the last decade. Broniarczyk and Gershoff (2003) still stress the importance of brand equity nowadays. Shapiro (1982) already demonstrated that positive brand equity provides goodwill value in the face of uncertainty. In case of high brand equity, consumers are more likely to believe extreme advertising claims (Goldberg and Hartwick, 1990) and high equity brands reduce the negative impact on consumer choice of an unattractive sales promotion (Simonson *et al.*, 1994). Finally, a high equity brand limits consumers' negative inferences after a price increase (Campbell, 1999).

Yoo *et al.* (2000) suggest that any marketing action has the potential to affect brand equity as brand equity represents the effect of accumulated marketing investments into the brand. In their research, they studied price, price promotions, distribution intensity, store image, and advertising expenditures as elements potentially affecting brand equity. Simon and Sullivan (1993) additionally refer to advertising share, sales force and marketing research expenditures, age of the brand, order of entry, and product portfolio as brand equity sources. Other marketing activities being proposed as antecedents of brand equity are the use of public relations, slogans or jingles, symbols and packages (Aaker, 1991), warranties (Boulding and Kirmani, 1993), company image, country of origin, promotional effects (Keller, 1993), and brand-naming strategy (Keller *et al.*, 1998).

While most studies on brand equity relate to brand equity of manufacturer brands (e.g. Lassar *et al.*, 1995), retailer brands can also enjoy brand equity. In this study, we are particularly interested in the differential impact of marketing mix elements used by manufacturers versus stores expressed by the equity of their brands. While store image will be predominantly important as a source of brand equity for store brands, advertising will be a dominant factor in creating national brands that reveal strong brand equity. Our first research objective will be achieved by assessing the main effects of store versus manufacturer brands on perceived brand equity, while the second and third research objectives pertain to the interaction effects of brand loyalty and store loyalty on perceived brand equity.

2.1. Main effects

It is generally recognized that consumer preferences for national brands are strong and that a competitive national brand assortment is critical for retail profitability although store brands do provide leverage to retailers and allow retailers to improve margins (Ailawadi, 2001). Several studies have found that consumers perceive national brands to be superior to store brands and to generic grocery items on attributes such as overall quality, taste, aroma, and reliability (Bellizzi *et al.*, 1981; Cunningham *et al.*, 1982; Hawes *et al.*, 1982). National brands provide hedonic utility and quality (Sethuraman, 2000), whereas store brands are generally lower priced, poorly packaged, lack strong brand recognition, and are rarely advertised at the national level (Cunningham *et al.*, 1982). In other words, national brands enjoy a level of equity and image, over and above quality, that is not offset by the lower price of store brands (Ailawadi, 2001). Therefore, national brands provide a secure alternative that in many consumption situations is more socially acceptable (Baltas, 1997). Richardson *et al.* (1994) stated that extensive advertising, strict quality controls and superior extrinsic cue effects have led to strong national brand images signaling to many consumers a quality reassurance. They empirically showed that regardless of the product category or the actual ingredients sampled, ingredients coupled with national brand extrinsic cues received significantly more favorable quality assessment than the same ingredients coupled with store brand extrinsic cues. In line with this reasoning, we hypothesize:

H1a. A national brand enjoys brand equity: its non-blind taste score will be significantly higher than its blind taste score.

Does the same reasoning apply to store brands? Previous studies indicate that consumers generally perceive store brands to be of lower quality than national brands (Dick *et al.*, 1995) and that store brand grocery items are judged inferior to national brands in terms of quality of ingredients, taste, texture and aroma (Bellizzi *et al.*, 1981; Sundel, 1974). Nevertheless, Dunne and Narasimhan (1999) and Quelch and Harding (1996) claim that North American retailers have been introducing store brands whose quality matches or even exceeds that of national goods, while still selling for a slightly lower price. Empirical evidence was found by Fitzell (1992) who came to the conclusion that quality perceptions of store brands are equal to quality perceptions of national brands. This finding is also consistent with recent trends suggesting that a large number of consumers feel store brands usually perform as well as or taste as good as nationally advertised brands (Fitzell, 1992). Quelch and Harding (1996) even argue that the more private label products of higher quality there are on the market, the more readily consumers will choose a private label over a higher-priced national brand. They state that the days when there was a stigma attached to buying private labels are gone (Quelch and Harding, 1996). In line with this, Roach (1995) claimed that "30 percent of retailers are indicating a growing enthusiasm for premium, high quality store brands intended to compete directly with leading manufacturer brands on quality and image, not price." These efforts seem to have had an impact on consumers' quality perception of private labels, as is evident from the recent statistics released by the Private Label Manufacturing Association in conjunction with the Gallup Organization: "75 percent of those polled said that their supermarket offers a premium private label" (Brookman, 1996) and 86 percent believe that premium private label is better than or equal to national brands (Corstjens and Lal, 2000).

However, to the extent that consumers use extrinsic cues to judge product quality, store brands are at a disadvantage relative to national brands. Store brands are less well known than national brands and lack a distinct identification with a particular manufacturer (Dick *et al.*, 1996). Richardson (1997) suggested that store brands are undifferentiated in consumers' minds. The finding of a non-significant store brand image treatment effect is consistent with those reported by Sundel (1974) and Richardson *et al.* (1994). It appears that store brands are regarded as comparable in terms of quality. In this sense, store brands may be perceived to be just another brand in the market (Richardson, 1997). Connor and Peterson (1992) and Ailawadi and Harlam (2001) note that the primary reason for a margin differential is that private label suppliers have very little market power in contrast with national brand manufacturers. They are much less concentrated than national brand manufacturers and operate in a competitive market with no product differentiation. As a result, they may sell to retailers at a price close to their marginal cost (Ailawadi, 2001). By consequence, we hypothesize that today's store brands are not able to create brand equity yet as they lack sufficiently strong extrinsic cues:

H1b. A store brand does not enjoy brand equity: its non-blind taste score will not be significantly higher than its blind taste score.

2.2. Interaction effects

In the branding literature, a consumer is said to be brand loyal when this consumer consistently purchases a single brand (Knox and Walker, 2001). Dick and Basu (1994) proposed a conceptual framework for brand loyalty, which is a composite model of relative attitude and repeat patronage. In the context of national brands, Aaker (1991, p. 5) stated that:

> The brand loyalty of the customer base is often the core of the brand's equity.

Brand equity is sometimes defined as the differential effect of brand knowledge on consumer response to the marketing of the brand (Keller, 1993, p. 2). Brand knowledge consists of brand awareness and brand image. Brand awareness is the likelihood that a brand will come to mind and the extent to which it does so. Brand awareness is composed of brand recognition and brand recall. Brand recognition refers to a consumer's ability to discriminate the brand when given the brand as a cue, while brand recall requires that consumers correctly generate the brand from memory (Keller, 1993). Brand image pertains to the perceptions about a brand as reflected by the brand associations in the memory of consumers (Keller, 1993). So, we could argue that knowledge and image are prerequisites for the existence of brand equity. It is evident that a consumer, who is loyal to a particular store brand, demonstrates a high level of brand recall. In addition it is likely that this particular store brand enjoys a favorable brand image. Moreover, Krishnamurthi and Raj (1991) showed that brand loyal consumers are less price sensitive, also supporting brand equity. Although the existing literature is based on studies about national brands, there is no reason to assume that loyalty to a store brand would have a different effect on brand equity. This reasoning leads to the following hypothesis:

H2. A store brand enjoys brand equity among consumers that are already loyal to this store brand: its non-blind taste score will be significantly higher than its blind taste score.

Our next hypothesis builds on the premise that store loyalty should be positively associated with store brand equity. On a general level, Rao (1969) already found that when store brand purchasers switched stores, they were prone to buy the own label of the new store. Similarly, East *et al.* (2000) infer that a positive attitude towards the store and its brands is the outcome of loyal behavior. So, consumers who use a store proportionately more and over longer periods of time will exhibit a more positive attitude towards the store and its brands. Store-loyal consumers trust their chosen store and become familiar with its store brands (Dick *et al.*, 1995). Ailawadi *et al.* (2001) empirically demonstrated that the store-brand focused customer segment mainly contains store-loyal customers. This implies that once a consumer is store loyal, he/she is more inclined to purchase and value the store brand of that particular store. Based on this reasoning we formulate the following hypothesis:

H3. A store brand enjoys brand equity among consumers that are already loyal to the store carrying this store brand: its non-blind taste score will be significantly higher than its blind taste score.

3. Method

3.1. Context

We selected orange juice as a product category, first of all because for certain product categories such as hard cheese, kitchen rolls, cleaning cloths, fruit juices, and frozen vegetables, Steenkamp and Dekimpe (1997) indicate that store brands obtain market shares above 50 percent, which makes these product categories interesting to study. With a volume share of almost 70 percent, private label juices perform twice as well as private label food products in general, in a country that ranks third in the European listing of top private label sellers (preceded only by the UK and Switzerland) (Van Ossel and Versteylen, 2002). Second, orange juice attributes are more "experience" related than "search" related. Search attributes can be verified before purchase through direct inspection or through readily accessible sources such as color, look, packaging, or ingredient content. Experience attributes can be verified only by using it or, in this case, tasting it (Batra and Sinha, 2000; Nelson, 1974). Consumers tend to rely more on extrinsic cues such as a brand name when confronted with ambiguous product attributes (i.e. experience attributes). By consequence, the orange juice product category allows us to reliably assess the relative equity of a particular orange juice brand, which is precisely the focus of this study (Hoch and Ha, 1986). Finally, orange juice as a product category is well known by consumers and counts many store as well as manufacturer brands.

The orange juices tested were market leader Minute Maid (with 18 percent of volume share) and four private label products: Delhaize brand sold by Delhaize, GB brand sold by GB/Carrefour, Cara brand sold by Colruyt, and Goldhorn brand carried by Aldi. Delhaize is the brand name of the food stores of the Delhaize Group in its home country, Belgium. Worldwide, the Delhaize Group is among the 25 biggest food retailers with operations in Asia, Europe, and the USA. With the acquisition of Hannaford, it has become the sixth largest food retailer in the USA. In Belgium, Delhaize is number two behind Carrefour. Delhaize operates convenience and neighborhood stores as well as small and large supermarkets. They all operate under the Delhaize brand name. Carrefour operates the same store formats as Delhaize as well as hypermarkets. Until recently, they all used the GB brand name, but since November 2001 the hypermarkets have been remodeled and renamed as Carrefour. Prior to its acquisition by Carrefour, GB was loosing market share. In an attempt to turn the tide, Carrefour lowered its prices drastically and triggered what comes close to a price war. The Belgian number three is the local soft discounter Colruyt. It mainly operates supermarkets, although it also has a limited number of convenience stores called Okay. This top three accounts for two thirds of the Belgian food market. Finally, Aldi is the last retailer included in our study. Aldi is a discounter of German origin carrying a limited set of brands that are uniquely sold via the Aldi stores (e.g. Goldhorn orange juice). No manufacturer brands are included in the portfolio of Aldi stores.

3.2. Research design

We opted for a repeated measures design involving two within-subjects factors (blind and non-blind test of five orange juices). The dependent variable that was used is the taste preference for a particular orange juice. Taste judgments are generally considered to be effective in order to understand brand positioning and strength. By measuring the difference between the non-blind and blind pattern of taste preferences, reliable insights are obtained concerning the effect of non-taste factors (i.e. the brand equity related to the orange juice tasted) on preferences (Ghose and Lowengart, 2001). Taste testing is especially suited for research on drinks. Ghose and Lowengart (2001) report that taste tests are suitable and often used in product categories such as soft drinks or the beer sector. In this study, we use blind and non-blind taste testing as a technique to investigate to what extent brand associations are stronger than taste preferences.

We used brand loyalty and store loyalty (Cunningham, 1961; Dunn and Wrigley, 1984) as two between-subject factors. Brand loyalty was operationalized as the primary brand of orange juice drank at home. Store loyalty was operationalized as the primary store at which the respondent does his or her daily shopping. A quota sample based on brand loyalty including 225 respondents was drawn. For each brand (GB, Delhaize, Cara, Goldhorn, and Minute Maid), we recruited 45 respondents most frequently using this brand for home consumption. For the Minute Maid brand, respondents were spread according to the retailer at which the Minute Maid brand was bought: 15 buying it at GB/Carrefour, 15 at Delhaize, and 15 at Colruyt. Moreover, respondents were maximally spread across the sample according to their store loyalty.

3.3. Data collection procedure

Data were collected via mall-intercept surveys. We intercepted every fifth shopper to a large Belgian shopping mall, presenting this shopper with screener questions used to check whether he/she bought and drank orange juice over the last month. If yes, people were invited to taste five different orange juices, once blind (without displaying the brand name) and once with the brand name next to the glass. The order of presentation of the juices was randomized in order to balance any cross-adaptation effects. The juices were each presented in a separate glass. A subject would taste an orange juice, then wash his/her mouth with water and then taste the next orange juice. Subjects were allowed to taste an orange juice more than once, if needed to be able to make a proper assessment. The subject each time indicated on a seven-point Likert rating scale his/her taste preference for any juice tasted. As Roper (1969) stated that discrimination tests should not be prerequisites for a respondent's ability to participate in a product test, we did not check whether or not subjects varied in their discriminating abilities, i.e. their ability to distinguish between two different product formulations. Moreover, we did not opt for a paired comparison test as the large number of brands would lead to a wide number of paired comparisons and as several paired comparisons do not reflect how consumers would actually evaluate a situation in which all brands are jointly present (Ghose and Lowengart, 2001).

4. Results

The outcome of the blind taste test was rather surprising: market leader and manufacturer brand Minute Maid turned out to be the least preferred juice, while the GB juice ranked number one. The taste preference score for the GB juice was statistically significantly higher than the scores obtained for Colruyt and Minute Maid. This result confirms the common belief that private label products can offer the same or even better quality than national brands, but at a lower price. Next, we compare the blind taste test results with the non-blind taste test results and comment upon the main and interaction effects hypothesized.

4.1. Main effects

H1a claims that national brands receive higher taste preferences in the non-blind test than in the blind test. In our study, Minute Maid represents a national brand. A paired sample t-test demonstrates that this hypothesis can be supported. Table I shows that consumers express a significantly higher taste preference for the branded Minute Maid juice than for the unbranded Minute Maid juice. This main effect implies that Minute Maid has strong brand equity, creating a perceived difference. The same product is much more appreciated when branded. *H1b* argues that store brands are not able to create a difference in taste preferences between unbranded and branded juices. Our results in Table I clearly support this hypothesis for the store brands GB, Delhaize, and Cara (Colruyt), as the blind and non-blind taste scores are not significantly different. Aldi's store brand Goldhorn seems to be a special case, since the branded juice obtains a significantly lower taste preference than the unbranded juice, implying that this store brand is confronted with negative brand equity. This allows us to conclude that the private labels create no perceived positive difference, lacking significant brand equity.

4.2. Interaction effects

Our next objective was to assess whether the above-discussed main effects are influenced by either brand loyalty or store loyalty. First, we assessed the impact of brand loyalty, operationalized as the primary juice brand consumed at home, on taste preferences. We asked respondents to indicate which juice brand they usually consume at home and distinguished five different groups of consumers represented by the rows in Table II. Paired sample *t*-tests revealed several interesting results. Respondents who mainly consume GB juice at home express a significantly lower preference for the branded than for the unbranded Goldhorn (Aldi) juice, implying that Goldhorn has a negative brand equity. On the contrary, Minute Maid juice experiences positive brand equity for loyal GB juice consumers. Respondents who mainly consume Cara at home do not show any taste preference differences between unbranded and branded juices. Respondents who mainly consume Goldhorn at home do not experience the negative brand equity experienced by the total sample. Moreover, they express a significantly higher taste preference for the branded than for the unbranded Minute Maid juice. Respondents mainly consuming Minute Maid at home do not experience brand equity of store brands nor of their own brand consumed. The fact that their favorite brand does not lead to brand equity could possibly be explained by the fact that a major part of their brand preference seems to be explained by their taste preference. For Minute Maid consumers the taste perception of the unbranded Minute Maid is 3.93 (not reported in the tables), while this value is 3.73 for the total sample. Buyers of Minute Maid ranked the Minute Maid product first in the blind taste test. Apparently, they prefer the taste of the product, which is not significantly reinforced by the brand itself. The most interesting case however is that of Delhaize juice consumers as it is the only one supporting *H2*. Respondents who mainly consume Delhaize juice at home clearly experience brand equity of their primary juice brand. This is expressed by the significantly higher preference of the branded Delhaize juice than the unbranded Delhaize juice.

Second, we assessed the impact of store loyalty on taste preferences, operationalized as the primary store at which the respondent does his/her daily shopping. We asked our respondents to indicate at which store they do most of their grocery shopping and distinguished four different groups of consumers represented by the rows in Table III. This table clearly reveals a positive branding effect of the store brands GB, Delhaize and Cara (Colruyt) as expressed by the significant increase in taste preference between the unbranded and the branded juices as expressed on the diagonal of Table II. The interaction effect of store loyalty at GB seems to be particularly strong as GB loyal shoppers rate competitive store brands Delhaize, Cara (Colruyt), and Goldhorn (Aldi) lower in the non-blind taste test compared to the blind taste test. The same can be observed for loyal Colruyt shoppers rating the GB store brand lower in the branded test compared to the unbranded test. No interaction effect seems to occur for regular shoppers at the Aldi stores, again underlining the weak or non-existing brand equity of Aldi. Finally, only Delhaize shoppers seem to be sensitive to the brand equity enjoyed by Minute Maid as no significant difference between blind and non-blind taste tests can be observed for non-Delhaize loyal shoppers.

Table I Main effects

Brand	Mean	Std. deviation	Std. error mean	Significance
GB				0.113
Blind	4.45	1.426	0.095	
Non-blind	4.29	1.347	0.090	
Delhaize				0.454
Blind	4.07	1.363	0.091	
Non-blind	4.04	1.277	0.085	
Cara (Colruyt)				0.184
Blind	3.82	1.250	0.084	
Non-blind	3.82	1.211	0.081	
Goldhorn (Aldi)				0.009*
Blind	4.21	1.239	0.083	(−)
Non-blind	4.00	1.249	0.083	
Minute Maid				0.000*
Blind	3.73	1.379	0.092	(+)
Non-blind	4.06	1.341	0.090	

Notes: * $p < 0.01$; (−) The taste preference for the branded juice (non-blind test) is lower than the taste preference for the unbranded juice (blind test); (+) The taste preference for the branded juice (non-blind test) is higher than the taste preference for the unbranded juice (blind test)

5. Summary and managerial implications

Store brands versus national brands: who wins the battle for brand equity? Our results clearly indicate that the national brand (Minute Maid in our study) is still quite powerful compared to the store brands despite all the efforts made by these store brands. The test of the main effects of store versus national brands suggests that only for the national brand the non-blind (branded) taste score was significantly higher than the blind (unbranded) taste score. This finding would support the idea that especially national brands enjoy a favorable level of brand equity: when the consumer is aware of the brand,

Table II Interaction effect with brand loyalty as between-subject factor

	Significance of difference in taste preference between blind and non-blind tests				
Primary juice brand	GB	Delhaize	Cara (Colruyt)	Goldhorn (Aldi)	Minute Maid
GB	0.113	0.454	0.184	0.009** (−)	0.000** (+)
Delhaize	0.573	0.002** (+)	0.315	0.910	0.468
Cara (Colruyt)	0.209	0.918	0.160	0.335	0.876
Goldhorn (Aldi)	0.346	0.107	0.824	0.767	0.094* (+)
Minute Maid	0.092	0.151	0.443	0.194	0.238

Notes: * $p < 0.10$** $p < 0.01$; (−) The taste preference for the branded juice (non-blind test) is lower than the taste preference for the unbranded juice (blind test); (+) The taste preference for the branded juice (non-blind test) is higher than the taste preference for the unbranded juice (blind test)

Table III Interaction effect with store loyalty as between-subject factor

	Significance of difference in taste preference between blind and non-blind tests				
Primary store	GB	Delhaize	Cara (Colruyt)	Goldhorn (Aldi)	Minute Maid
GB	0.055* (+)	0.047** (−)	0.046** (−)	0.020** (−)	0.118
Delhaize	0.331	0.064* (+)	0.581	0.869	0.038** (+)
Colruyt	0.048** (−)	0.740	0.054* (+)	0.355	0.370
Aldi	0.102	0.275	0.879	0.285	0.103

Notes: * $p < 0.10$** $p < 0.01$; (−) The taste preference for the branded juice (non-blind test) is lower than the taste preference for the unbranded juice (blind test); (+) The taste preference for the branded juice (non-blind test) is higher than the taste preference for the unbranded juice (blind test)

he/she apparently holds some strong and favorable brand associations in memory (Keller, 1993). This implies that for these brands, consumers make a distinction between the characteristics related to the product (taste) and those associated to the brand. This distinction between the product and the brand is supported by the classic definition of the brand as an addition to the product, which enables its identification (Aaker, 1991). It is important for manufacturers to create these positive associations, either by the initial choice of the brand name or symbol or by a solid integration of these brand identities into the supporting marketing program.

Our second research question was aimed at providing insights in the moderating role of current brand loyalty. An interesting finding pertaining to this research question is the fact that consumers who are loyal to one of the store brands (Delhaize) exhibit a strong level of brand equity of the Delhaize store brand. These consumers give higher scores to the branded than to the unbranded product. This finding supports the idea that some store brands are no longer simple category killers, but are comparable to national brands (Dunne and Narasimhan, 1999). This finding refines our previous finding that only national brands enjoy brand equity. This strong appeal of the Delhaize brand is reflected in the pricing of its private label orange juice at a six per cent premium over Minute Maid. Moreover, at store level – that is all food, not just juices – private label accounts for 35 percent of sales or index 120 versus the country average within Delhaize stores. Therefore, we believe that the Delhaize juice is not a mere private label, but that it can claim to be approaching the power of a national brand. It is a fine example of a food retailer that has chosen for a clear brand identity. Its brand values are clearly reflected in its retail marketing mix. It has installed everyday fair pricing instead of the high/low strategy of Carrefour and the guaranteed lowest price of Colruyt, it uses stylish visual merchandising, frequent sampling of food products, and extensive cross-merchandising, and it uses more theme advertising, communicating the brand values – "while others talk price, we talk quality" – instead of price oriented action communication (sales promotions driving traffic and short-term sales). Moreover, its product range and private label policy is very much in line with these brand values. First of all, Delhaize complements its regular private label products, offering equal quality as the national brands but at a discount, with premium and specialty private label items, particularly in the destination categories. Second, Delhaize has created sub-brands with their own design and brand name. A first example is the "Delhaize Delice" fruit and vegetables quality label. Thirdly, Delhaize is constantly looking for high-quality branded food suppliers that are unknown in Belgium. They are introduced at the expense of (less rotating) national brands that can claim high brand awareness but limited brand loyalty.

Our third research question involved an assessment of the moderating role of store loyalty. Our findings clearly support the hypothesis that store loyalty moderates perceived brand equity of store brands. Our results demonstrate that for three out of four store brands, brand equity is present when consumers are loyal to the store carrying the store brand. It is commonly accepted that store brands can create store loyalty (Dick *et al.*, 1996), while our study reveals that a reverse relationship also exists, since store loyal consumers are prone to purchase grocery items of the store brand.

Concluding, strong brands integrate both functional and emotional benefits that are relevant to the consumer, build on concrete and abstract attributes, are sufficiently known, and are perceived to be different from competition. Therefore, retailers should dare to go beyond the purely functional attributes. Just like Coca-Cola is selling "fun" instead of a thirst quencher, a supermarket should not simply sell food. Supermarkets can offer their shoppers a feeling of enjoyment, hedonism, social recognition, and health. At the same time, food retailers should always keep in mind that grocery shopping is a low involvement consumer activity. The orange juice private label test has shown that the way consumers perceive and judge manufacturer and retailer brands can be very similar (Minute Maid versus Delhaize). However, the way national versus store brands build their brand equity is fundamentally different. Manufacturers sell products to consumers, while retailers sell a service to shoppers. Therefore, manufacturers rely heavily on traditional mass media, while retailers engage much more in experience marketing. That is why to retailers the branding of their private label products should be a means to an end. Private label is part of the total store experience and helps to build the store brand. The resulting synergies in brand image will in turn help to drive the sales, brand equity and hence the gross margin of the product retailer brands. For manufacturers, the opposite is true: the products are the focal point of their branding efforts.

6. Limitations and directions for future research

A first limitation is related to the fact that we have focused on an experience oriented product category as opposed to a search oriented product category. Evidence has been accumulated that consumers buy fewer private label brands if a product category's benefits require actual trial or experience instead of searching through package label or other search information (Batra and Sinha, 2000). Moreover, brand equity is most prevalent in situations characterized by high levels of uncertainty (Shapiro, 1982). As a result, our findings could be different when investigating more search-oriented product categories. Moreover, in line with our first limitation, we acknowledge that our findings may not be generalizable to other product categories and other countries. In product categories that may be viewed as hedonic products, such as chocolate or beer, other factors might moderate the role of the brand. The current study was conducted in Belgium where store brands play an important role. Findings might be different for American brands. Third, another potential limitation refers to the methodology applied. All taste testing methodologies must address the problem of reliability, since all tasks combine the process of tasting with a judgment. The traditional solution has been to minimize the probability of guessing correctly by repeating the test. However, in doing so, a respondent might become bored and other testing factors might disturb the results. Finally, the single dependent variable of taste ratings was used as a proxy for brand equity. It is clear that by using additional measures of brand equity our results could have been strengthened.

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Executive summary and implications for managers and executives

This summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto *to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefits of the material present.*

It's the shop that comes first not the product on the shelves

About 20 or 30 years ago retailers – and especially grocery retailers – realized the importance of branding. These retailers spotted that they were selling expensively promoted branded goods and asked a simple question. Is this what our customers are wanting? Good retailers like Manny Cohen, the founder of Tesco, appreciated that their customers wanted consistent quality at a decent price. For some of these customers this meant the reassurance of the national or international brand but for others the preference was for cheaper, generic goods. "Pile it high and sell it cheap" was the Tesco mantra and it delivered for the consumer.

Another group of retailers – J Sainsbury, Wal-mart and Carrefour, for example – began to appreciate that, from being emporia selling other people's brands, their shops had developed a brand of their own. Initially this brand came about almost by accident. Back in the days when branding was a specific set of marketing interventions associated with a given product or group of products, the idea of a retail brand was not something that had received much attention. But these good retailers combined their instinct for excellent shopkeeping and considerable buying power with the development of a specific brand for the store.

Combine the strong store brand with the idea of "generic" products produced as a counterpoint to the heavily promoted national (and international brands) and we have the idea of a store brand that is not simply a cheaper product labeled with the store's name but can be a premium brand. In some markets – and none more so than the UK – the result of this realization was that store brands could provide an advantage for the retailer. Higher margins resulted from this and "own-label" goods reached up to 50 percent of sales through big, "branded" retailers.

Brand equity and store brands

De Wulf, Odekerten-Schroder, Goedertier and Van Ossel ask a question that, on the face of it, sounds fairly familiar – do consumer perceptions differ for store brands and national brands? However, there is a subtle difference to the manner of de Wulf *et al.*'s question since they focus on the issue of "brand equity" and seek to assess whether store brands contain a premium reflecting the investment that has been made in the brand.

For store brands there is some confusion in determining the return of marketing investment. For a conventional brand, the marketer invests directly in the brand through advertising, sales activity, promotions and pricing strategies. We can, in theory, at least, assess whether our marketing investment has secured a return. The return is what we call "brand equity". For a retail brand or store brand we do not always invest directly in the individual "brand" preferring instead to rely on the successful promotion of the store itself. The store brand lives of the credibility and image of the store rather than owning a specific brand value in and of itself.

Therefore, when an individual purchases a store brand, there is the possibility of "brand equity" being present but this is more likely to be a reflection of the equity inherent in the store brand rather than any added premium derived from the store brand taken in isolation. As de Wulf *et al.* find, national brands remain "... quite powerful compared to the store brands despite all the efforts made by these store brands". It seems that retailers face a difficult task developing brand equity specific to their "own-label" brands.

Brand loyalty and store brands

Although a classical approach to assessing brand equity demonstrates a continuing advantage for the national brand over the store brand, there is a second factor that de Wulf *et al.* consider – brand loyalty. Loyalty is a critical element of brand equity and is one area where retailers have a degree of advantage – we will remain loyal to a given retailer even when they stop selling a brand to which we have been loyal. The retailer is there and is willing to exercise its power to gain advantage from this greater degree of loyalty.

What de Wulf *et al.* demonstrate is that this relationship helps create positive brand equity for store brands. The authors report on one store brand orange juice that enjoys a degree of brand loyalty despite it being higher priced. Set against the national brands, this retailer has transferred loyalty to the store to preference for premium priced products carrying the store's brand. It is this strategy that allows retailers to challenge the dominance of national and international brands in particular markets. There is a relationship between the store's brand and the products that the store sells. By exploiting the store's brand equity, we achieve the same benefit that the fmcg marketer seeks from investment in the brand – a premium that does not merely reflect the product's actual quality but a premium derived from the marketing investment itself – brand equity.

Clearly, the retailer's brand, as a retailer, is a critical element in the development of the store brand. Separating the two would represent a weakening of strategy since the store itself is a far wider consumer experience than the individual store brand. As de Wulf *et al.* conclude, retailers need to stretch beyond the prosaic offering a "... feeling of hedonism,

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social recognition and health". But this offering and the development of the retail brand is done in the context of the retailer as someone offering a service to the consumer which makes the "own-label" product a means to an end rather than the purpose of the organization.

Retailers need to focus on the retail brand itself – on the branding of the service rather than the branding of the products on the shelves. And if the development of store brands is a good way to build the store's brand equity (and it is) then any premium that comes from this investment benefits overall brand equity. The difference between the fmcg manufacturer and the retailer is that for the former the brand equity associated with the product is the essence of success whereas for the retailers it is the retail brand that takes priority.

(A précis of the article "Consumer perceptions of store brands versus national brands". Supplied by Marketing Consultants for Emerald.)