

Consumers' Reasons for Buying Private Label Brands - Some Empirical Findings

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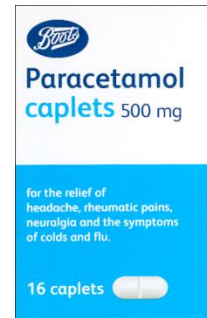


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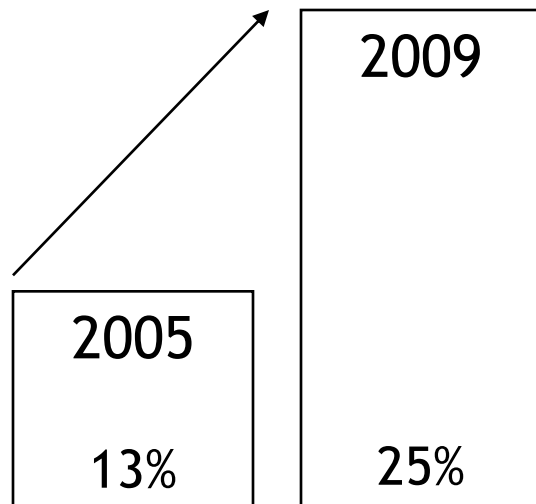
- I. Background
- II. Two Studies
- III. Conclusion

Background: The PLB Market



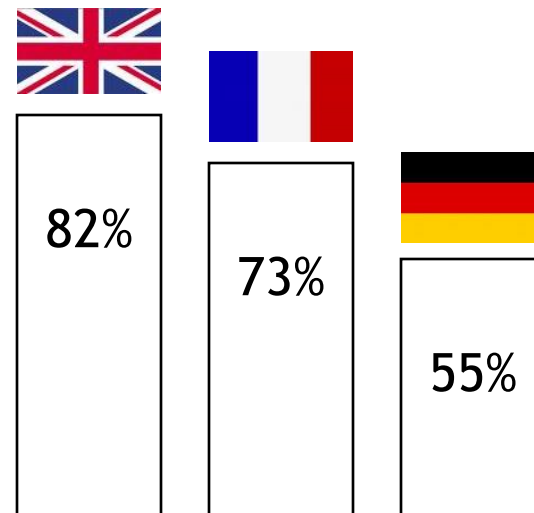
Background: The PLB Market

Private Label Brands
(PLB) Food Product
Introductions in the US
(in % of all food product
launches)



Source: Mintel, USA (2009)

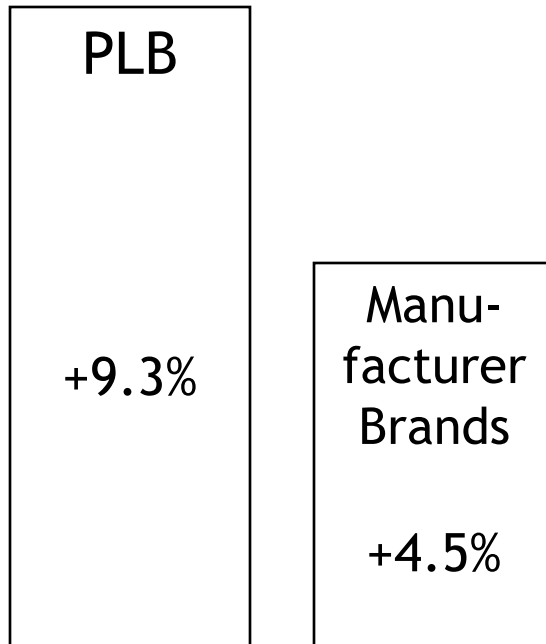
Percentage of all
Shopping Trips
Including PLB



Source: AC Nielsen (2006)

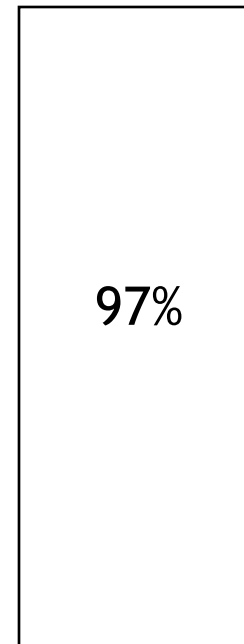
Background: The PLB Market

In 2008, Food Sales
in US:



Source: Mintel, USA (2009)

Percentage of US
households that consume
PLB regularly



Source: Levy, P. (2009)
marketingnews, 30.05.09. p. 13

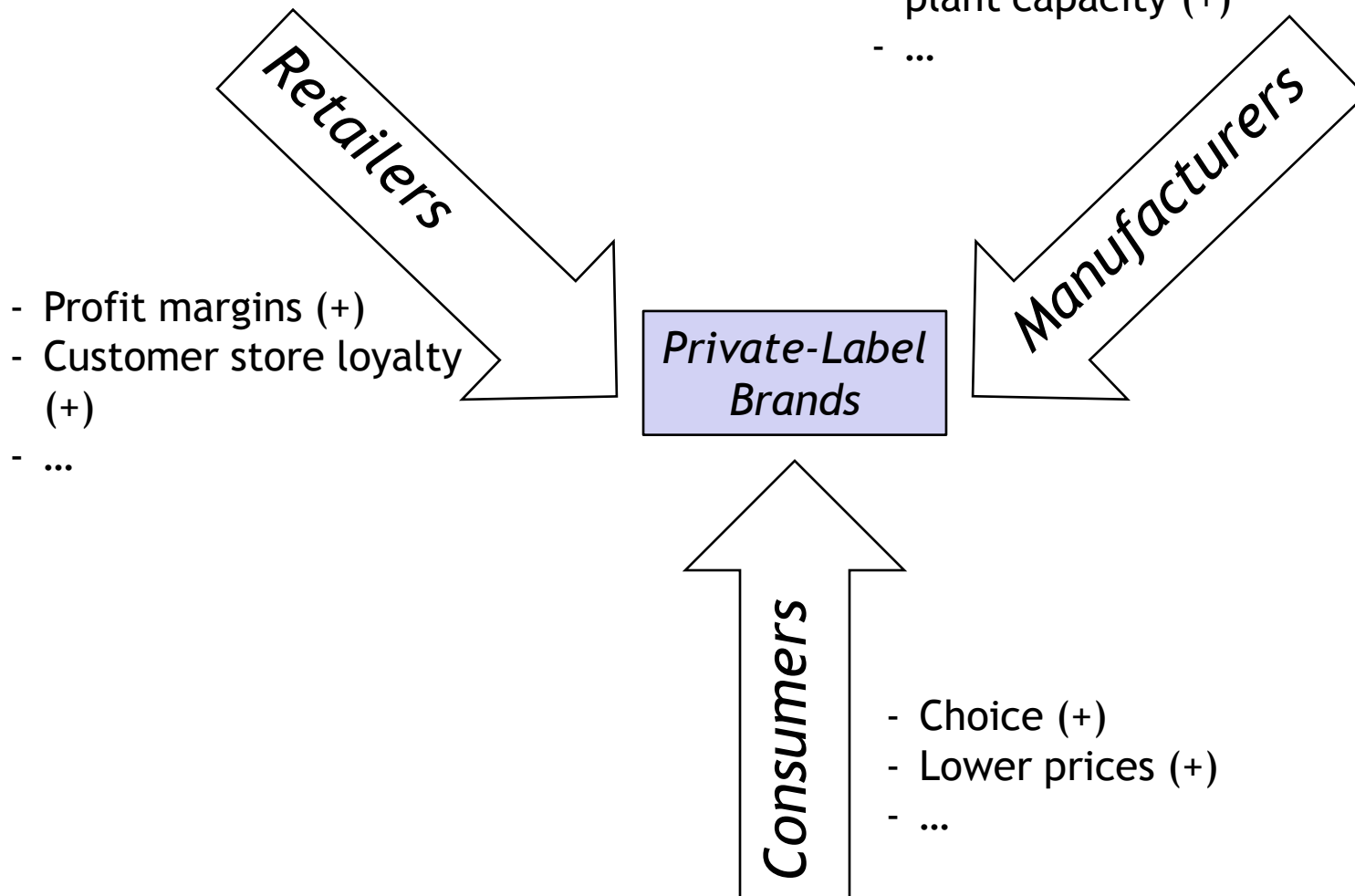
Background: The PLB Market

- In 2009, Wal-Mart relaunched its own "Great Value" brand.
- Great Value includes 5,000 items.
- Several European multiples increase share of private label brands.
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Source: Brat, Illan, Ellen Byron and Ann Zimmerman (2009): US retailers cut back on variety, once the spice of marketing, Wall Street Journal, June 29 , p. 16

Background: The PLB Market

- Category competition (-)
- Utilize expertise and excess plant capacity (+)
- ...



Background: Previous Research

- Private label brands (PLB) continue to attract attention within retailing and marketing (e.g., Choi and Coughlan 2006; Jin and Suh 2005; Lamey et al. 2007).
- UK retailer Tesco: in 1993 introduced its 'Value' range. In 1997, Tesco launched 'Finest' product range - premium PLB, priced the same as their branded counterparts.
- Previous research that shows that national brands command higher prices (e.g., Kosenko and Krishnan 1990) needs revising.
- Price differential in some categories such as frozen and refrigerated food is now as low as 20% or 16%, respectively (AC Nielsen 2005).

Background: Previous Research

Authors	Determinants Examined / Results	Type of Study
Burton et al.	Attitude toward PLB → IBPLB (+)	U.S., n=333 shoppers
Sinha & Batra	Category price consciousness → IBPLB (+) Category risk → IBPLB (-) Perceived price-quality association → IBPLB (-)	U.S., n=404 shoppers
Jin & Suh	Price consciousness → IBPLB (+) Consumer innovativeness → IBPLB (+)	Korea, n=168 shoppers
Zielke & Dobbstein	Attitude toward <i>new</i> PLB → IBPLB (+) Impulsiveness → IBPLB (+) Decision involvement → IBPLB (+) Experience with PLB → IBPLB (+)	Germany, n=990 consumers

IBPLB = Intention to Buy Private Label Brands (PLB)

Background: Previous Research

- AC Nielsen (2005) survey in 38 European countries: PLB are good alternative to other brands and rated most highly in the Netherlands (91%), Portugal (89%), and Germany (88%).
- Why do people buy PLB?
 - “Similarity hypothesis” (PLB and MB are made by the same manufacturers; Study 1).
 - “PLB-offer-numerous-benefits hypothesis” (Study 2).

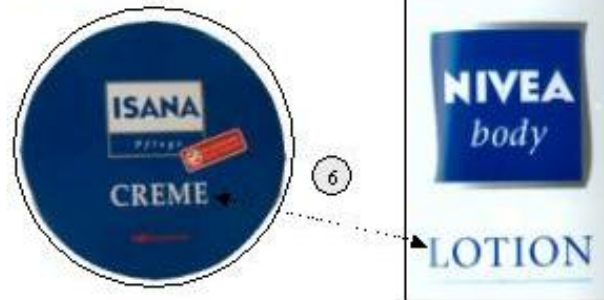
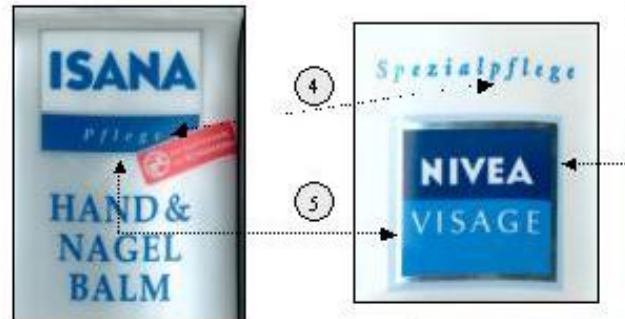
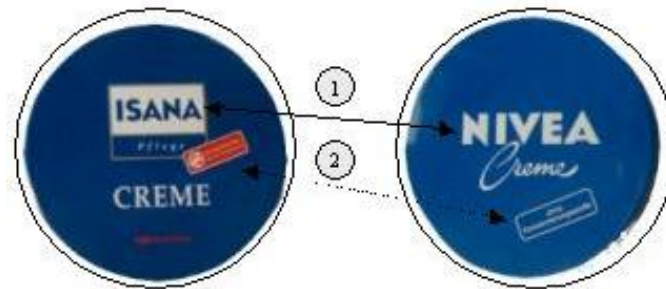
Study 1 (Similarity hypothesis)

- First, 30 exploratory interviews.
- Second, survey was carried out in two waves in the German city of Hanover using a qualified convenience sample of N = 355 male and female and different aged consumers.
- On-street interviews from Monday to Saturday.
- Average interview length was just below 30 minutes.

Study 1

ROSSMANN

Germany's 3rd largest chemist's chain with 1,300 stores and 18,000 employees. Revenues in Germany of approx. €2.5 bn.



Source: Walsh, G. (2002).

Study 1



Private label brand shown
during the interviews
(copy)



Manufacturer brand
(original)

Source: Walsh, G.; Mitchell, V.-W. (2005): Consumers Vulnerable to Perceived Product Similarity Problems: Scale Development and Identification, *Journal of Macromarketing*, 25 (2), 140-152.

Study 1

- Interviewees received a tin of Isana Crème and asked if they believed that Isana Creme and Nivea Creme were made by the same manufacturer.



Private label brand shown
during the interviews
(copy)



Manufacturer brand
(original)

→ 43% said 'no' / 31% 'don't know' / 26% 'yes'

Study 1



Private label brand shown
during the interviews
(copy)



Manufacturer brand
(original)

Finding:

PLB can cause perceived product similarity,
which can benefit retailers but hurt customers.

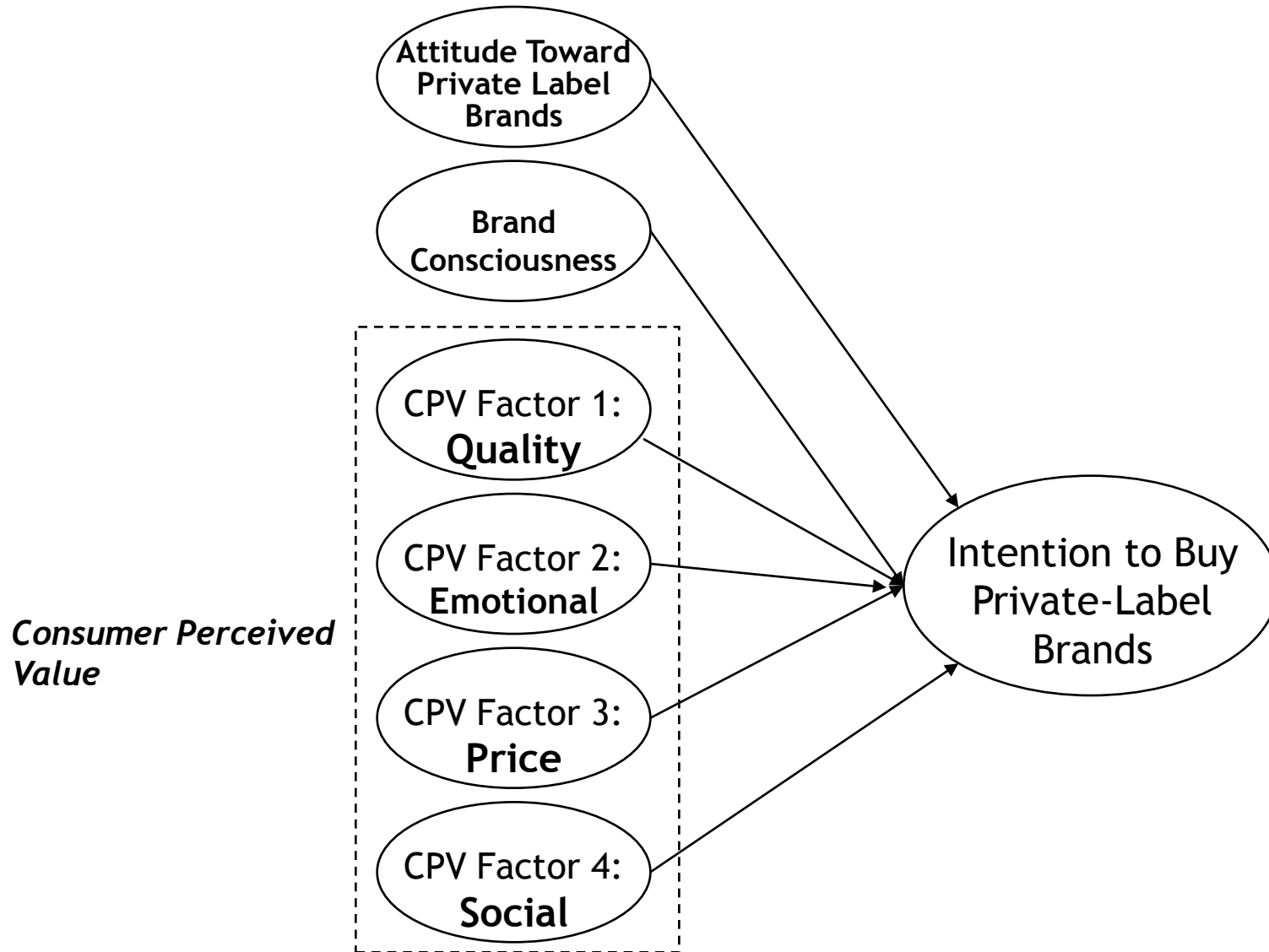
→ Legal responses?

Sample 2 (PLB-offer-numerous-benefits hypothesis)

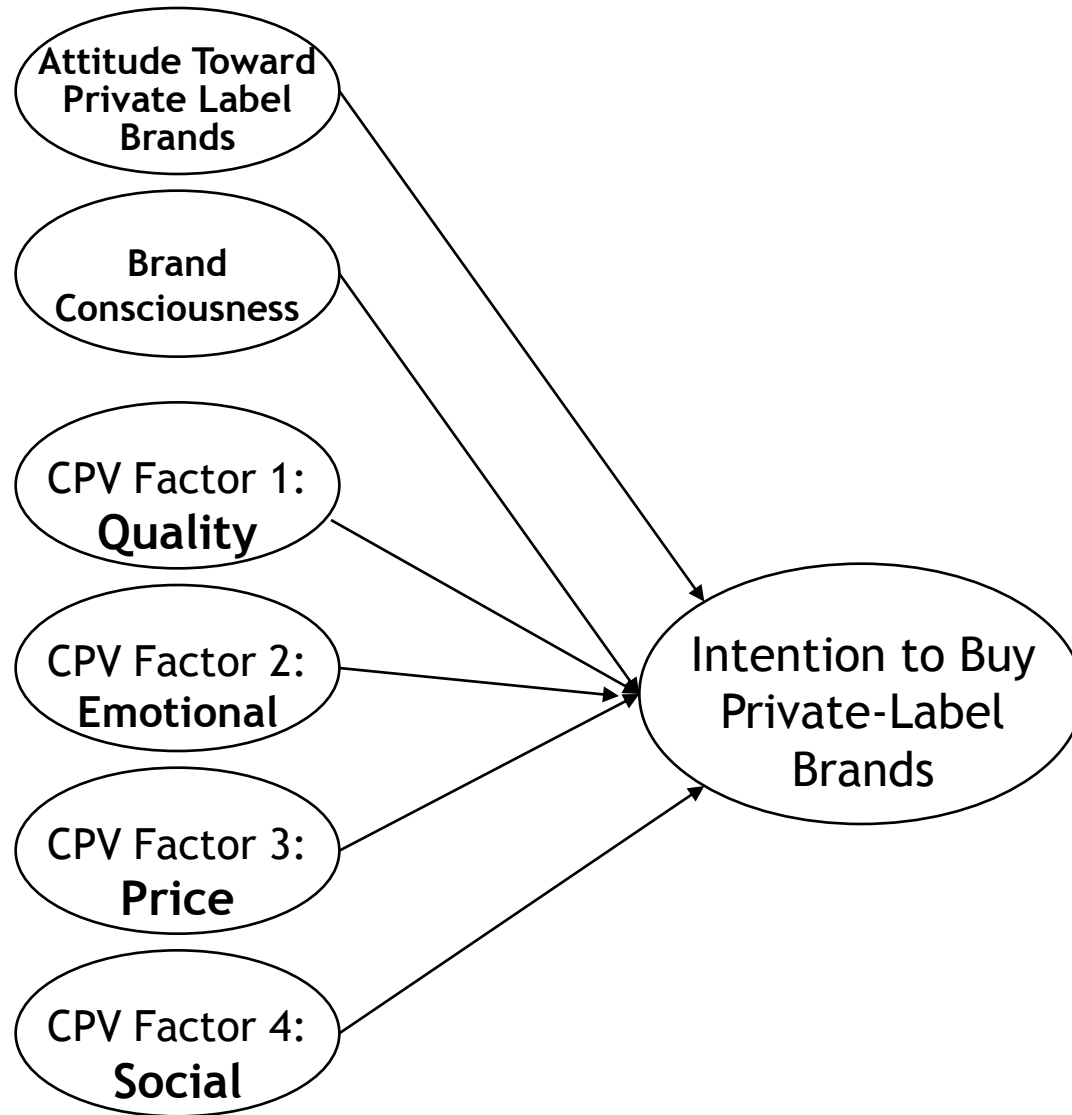
- Primary data were collected in Germany.
- The questionnaire was pre-tested with N = 38 consumers.
- Two surveys were carried out in two major western German cities.
- Two samples - total of N = 642 face-to-face interviews.
- Four product categories (cookies, chocolate bar, granola bar, canned sweet corn).
- Regression Analysis.

Source: Walsh, G.; Mitchell, V.-W. (2008): Determinants of the Intention to buy Private Label Brands - A Revised Perspective, in: Robinson, L. (Ed.), Proceedings Developments in Marketing Science, AMS 2008 Annual Conference, Vancouver (Kanada).

Sample 2 - The Model

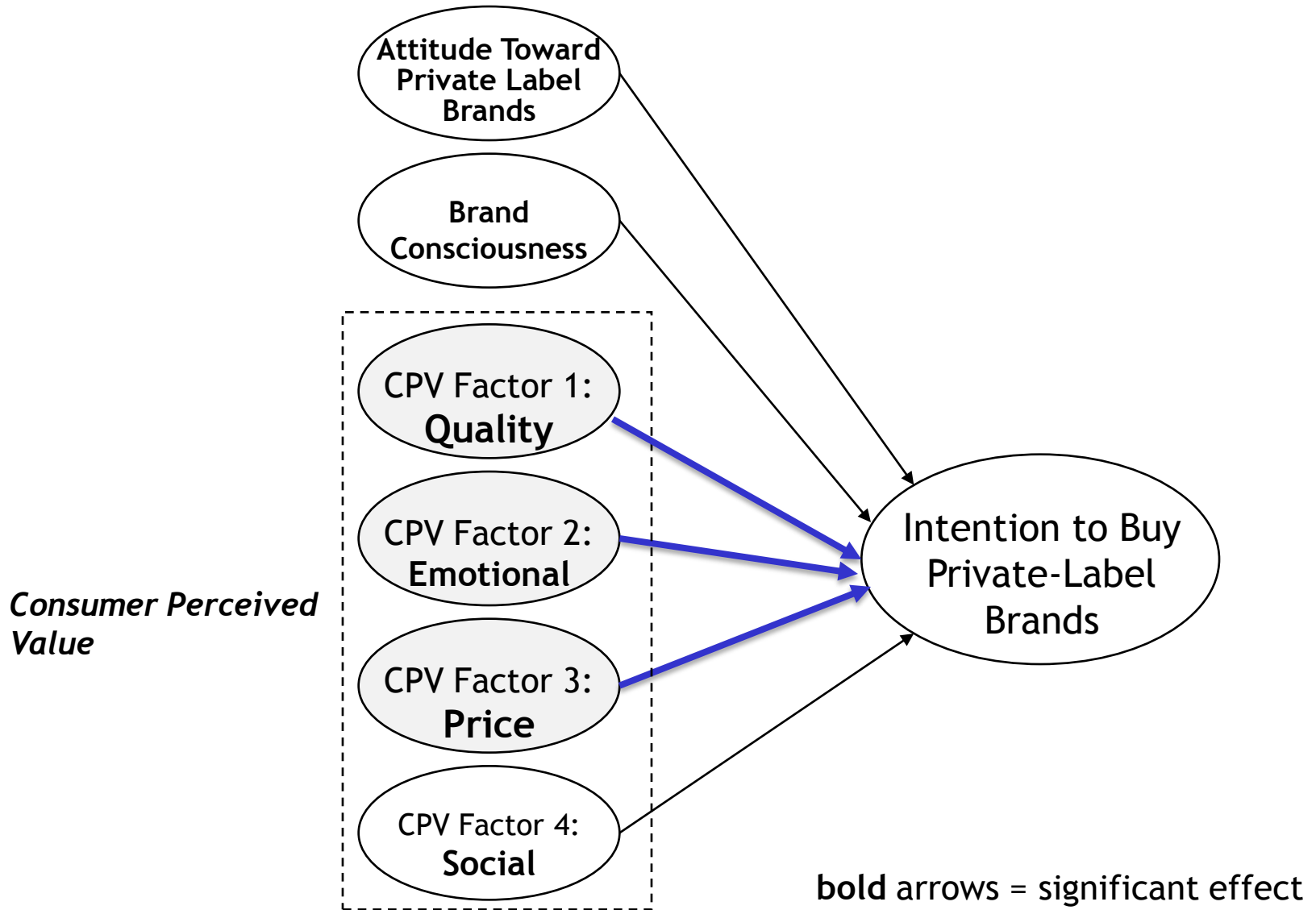


Sample 2 - The Model



CPV = Consumer Perceived Value

Study 2 - Results



Conclusion

- Study 1: Fine line between legitimate retail brand and trademark infringement.
- Study 2 specifies new drivers of intention to buy PLB and shows their differential impact.
- **Quality**-related value, **emotional** value and **price**-related value are drivers of intention to buy PLB.
- Implication: enhance the social value of PLB, either through communications or through more premium ranges of PLB which are consumed in social situations.
- Future research: test our model to see if the findings hold in other countries
- ...

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