

2 Literature analysis

To answer the research questions outlined in chapter 1, chapter 2 is concerned with identifying psychographic antecedents with a potential influence on consumers' attitudes towards private label brands. After introducing the definitions of central terms and underlying theories, a critical assessment of available literature is followed by a discussion about the shortcomings of demographics in predicting PLB attitude as well as the reasons for selecting psychographics as the antecedents of choice. Those psychographic variables which are to be used in the empirical part of this paper will lastly be introduced in greater detail together with the formulation of the research hypotheses.

2.1 Theoretical preamble

To frame all following considerations in a well-defined context, it is necessary to first provide definitions for the most important concepts used in this paper. The underlying theories on which the logic of this thesis shall be based are complemented by a clarification of the fundamental assumptions, without which the design of the research would become invalid. Lastly, it is argued that attitudes – which form the central concept of this research – function as predictors of actual buying behaviour, thereby justifying their relevance and practical importance.

2.1.1 *Definition of terms*

2.1.1.1 *Private label brand*

In accordance with the definition of the American Marketing Association (AMA, 2014), a brand identifies the goods and services of a manufacturer and differentiates them from those of the competition. Private label brands, in turn, are defined as “*products that encompass all merchandise sold under a retailer's brand*” (Private Label Manufacturer's Association, 2013, para. 3). Accordingly, they are intended to differen-

tiate the offering of a retailer from that of competing retailers (Ailawadi, & Keller, 2004, p. 332), thereby creating a unique selling proposition (USP). Following Beneke (2010, p. 205-206), there exist three basic types of private label brands: representative brands that openly communicate their belonging to the retailer that owns them; exclusive PLBs that do not immediately disclose their ownership; and lastly there are confined labels, which by definition are manufacturer-owned brands, but sold exclusively through one retailer chain. This last category shall however not be considered relevant in the scope of this thesis. Hence, the definition used for the purpose of this thesis describes private label brands as *brands possessed, managed, and offered for sale by retailers as opposed to manufacturers*.

2.1.1.2 Attitude

The literature presents numerous definitions of attitude in general, one of the most prominent being that of Fishbein and Ajzen (1975, p. 6, as cited in Perloff, 2010, p. 43), according to which attitude can be defined as ...”a learned predisposition to respond in a consistently favourable or unfavourable manner with respect to a given object.” While this definition broadly refers to attitude in general, and not attitude towards a certain, more narrowly defined concept, the definition of Burton et al. (1998, p. 298) shall be valid for this thesis: They define attitude towards PLB as “*a predisposition to respond in a favourable or unfavourable manner due to product evaluations, purchase evaluations, and/or self-evaluations associated with private label grocery products*”. This definition thereby reflects the logic of the research questions postulated earlier, since it integrates both a product-centric perspective (price/quality perceptions, risk perceptions, extrinsic cue reliance) as well as a self-centric perspective (smart-shopper self perception) on consumers’ attitudes towards PLB.

On the basis of the definition of PLB attitude presented above, PLB-prone consumers are those consumers who consistently respond in a favourable manner to private label brands. A favourable response in this context shall be considered any positive evaluation (cognitive and emotional response) and corresponding positive behaviour (actual purchase) of private label brands.

2.1.1.3 *Antecedents of PLB attitude*

Antecedents in a general sense are *occurrences or causes that logically or timely precede a given outcome*. For instance, violent childhood experiences are assumed to determine and ultimately lead to a higher tendency to use violence as a means of conflict solving also in adulthood. Similarly, high sugar consumption has been proven to be a reliable antecedent of Diabetes. It thereby assumes a relationship between the preceding event and the resulting outcome, and in the ideal case this relationship would be causal. Causality, however, is very difficult to prove unless it can be claimed with certainty that no other factor could possibly have caused the observed outcome. This is a very complex task when it comes to human attitudes and behaviour.

In the course of this chapter, a number of potential antecedents of PLB attitude will be outlined based on the findings from available research. Arguably, many of them do precede PLB attitude, without causing it however. Other will be considered more promising in explaining the causes that lead consumers to hold favourable attitudes towards PLB. These selected antecedents will be described in greater detail at the end of this chapter.

2.1.2 *Underlying theories*

To answer the research questions, research hypotheses will be developed on the basis of four relevant theories suggested by the literature: Cue Utilization Theory, Theory of Planned Behaviour, Self-Perception Theory, and Expected Utility Theory.

Cue Utilization Theory describes how consumers use both direct (e.g. texture or taste) and indirect product cues (e.g. packaging or price) to draw inferences on product quality and make a purchase decision (Olson, 1972). It suggests that consumers use a combination of these cues to make estimate judgments on the likely performance of a product in order to simplify their decision-making processes. The concepts of extrinsic and intrinsic cue reliance and their resulting hypotheses will be derived from this underlying theory later in this chapter.

Secondly, the Theory of Planned Behaviour proposes an individual's desire for attitude-behaviour consistency (Ajzen, 1991) and therefore supports the assumption that a positive attitude towards PLB likely results in corresponding purchasing behaviour. It

states that, apart from attitude, a person's actions are also based on intentions and subjective norms of the environment as well as the degree to which this behaviour is controlled. This theory does not directly link to any of the specific antecedents this thesis investigates, but it rather supports the notion that attitude, among other factors, is a potent indicator of actual purchase behaviour, which justifies its relevance for managers and researchers alike.

Self-Perception Theory, initially introduced by psychologist Daryl Bem in 1967 as an alternative to cognitive dissonance theory, suggests that consumers observe their own shopping behaviour and consequently draw conclusions about their own attitudes that caused this behaviour. It is in some way the counterpart to the Theory of Planned Behaviour by suggesting that not only does attitude cause behaviour, but that vice versa behaviour can also explain attitude. Bem (1972, as cited in Allen, Schewe, & Wijk, 1980, p. 498) posits that people retrospectively interpret their own behaviour and derive conclusions about the attitudes that must underlie this behaviour in an attempt to make sense of themselves. This theory might become relevant in the discussion section of this paper in terms of an advice for retailers how to use and take advantage of its principles.

Lastly, Expected Utility Theory (Markus and Kunda, 1986) purports that consumers' self-concept is in part dependent on how their peers evaluate their consumption choices. This theory has originally been applied in a production and manufacturing context, but can also be applied broadly over numerous other research areas. In the social sciences, it gives answers to a person's decision-making process based on the expected utility or value of a choice and the particular person's overall risk averseness. This theory provides support for the hypotheses to be formulated on three different kinds of perceived risk (social risk, financial risk, and performance risk) and also has implications on consumers' evaluations of price and quality in grocery products.

More details on any of these theories will be discussed in the respective chapters of the psychographic antecedents further below. They shall be applied to analyze and evaluate current literature on the topic and ultimately develop hypotheses to answer the research questions outlined in chapter 1.

2.1.3 *Fundamental assumptions*

The entire logic of this thesis is based on two important and interconnected assumption, without which there would be no reason to investigate the research question:

The first assumption or precondition is that consumers are actually able to distinguish a private label brand from a manufacturer brand. Various sources suggest that consumers are often not able to differentiate between both brand types, even in countries where PLB market shares are comparatively high. For instance, according to an article by Gabersek published in *Lebensmittel Zeitung* (28th April 2006, p. 58), 40% of consumers are not able to name any private label brand from memory, partly because they are not familiar with the term itself. This difficulty will deserve greater attention in the design of the survey questionnaire for the empirical part of this thesis. Aim will be to take care that consumers have a basic understanding of what a private label brand is before the questions are presented to them, making sure that this first precondition is fulfilled. This is important because, where no differences are perceived, there cannot be any differentiated attitude between PLB and NB.

Given that assumption number one is valid and consumers are able to tell both brand types apart, the second assumption is that there is actually still a difference in how consumers perceive the quality level of private label brands as opposed to national brands. In other words, they must not only be able to identify private label brands as such, but they must also find distinguishing traits that justify to view private label brands differently than national brands. Otherwise, it would at best be possible to assess the influence of various antecedents on consumers' attitudes towards brands as a whole, but not towards private label brands in particular. There have been several studies on whether and, if yes, to what extent shoppers perceive store brands and national brands differently. According to Omar (1996, p. 65), private label brands and national brands are perceived differently by consumers above all in terms of quality, but also in product packaging, consistency over time, and brand image. Bellizzi, Harry, John, and Warren (1981a, as cited in Pandya, & Joshi, 2011, p. 23) investigated consumers' perceptual differences between PLB and NB and found more positive ratings for NB for example in terms of quality, aroma, texture, freshness, packaging, and others. These and other studies have collectively come to the conclusion that consumers have very distinctive

perceptions of and attitudes towards PLB and national brands (Bellizzi, Krueckeberg, Hamilton, & Martin, 1981, p. 63; de Chernatony, 1989, p. 296; Cunningham, Hardy, & Imperia, 1982, p. 30). In case that the existence of differences in consumers' perceptions can be assumed as given, it would be interesting to determine whether this perceptual gap is unchanging, narrowing, or even expanding.

To account for possible consequences in case one or both of these assumptions are violated, they will be included into the research design in the form of control variables.

2.1.4 Attitudes as predictors of intention

Why are consumers' attitudes actually relevant? And in what sense do positive attitudes contribute to the business success of private label brands? Consumers attitudes and preferences towards a brand together ultimately lead to brand loyalty (Goldsmith, R. E., Flynn, Goldsmith, E., & Stacey, 2010, p. 339). Hence, consumers are more likely to come back for a certain product over and over, instead of companies investing large sums of marketing investments to attract a customer once only to lose him or her to other brands again. In essence, an economic benefit for PLB sellers exists if, and only if, positive attitudes lead to corresponding behaviour, i.e. the actual purchase of the product. Goldsmith and Flynn, (2006, as cited in Goldsmith et al., 2010, p. 340) found that among those consumers who frequently buy private label products, attitudes towards these products was more favourable than towards manufacturer brands, and similarly vice versa, manufacturer brand buyers evaluated manufacturer brands more highly than PLB. The explanatory power of these findings are however limited, since they do not fully describe the causal relationship between attitude and purchase behaviour. In simple terms, they reveal that most people who buy PLB like them, but in reverse it does not necessarily mean that every consumer who likes PLB also buys them.

Grewal, Krishnan, Baker, and Borin (1998, p. 334) close this gap by testing a model which assumes a direct and positive relationship between a consumers' perceived value of a brand and his / her intention to actually purchase it. If a consumer hence perceives a store brand to be of high value in terms of constituting a good deal, his readiness to act is increased. By operationalizing factors that determine PLB success, Zielke and Dobbelsstein (2007, as cited in Horvat, 2011, p. 192) have identified two of them to be

of particular relevance. According to the authors, consumers' attitude towards PLB as well as their actual purchase intentions are the two criteria with the highest capacity to predict PLB success.

In his work on the connection between a person's beliefs and behaviour, Ajzen (1991) postulates a theoretical model through which he explains why positive attitudes are likely to lead to corresponding behaviour. He largely contributed to the psychological Theory of Planned Behaviour through his theory of reasoned action, which suggests that individuals strive for attitude-behaviour consistency and hence tend to act according to their attitudes.

The arguments presented here should give sufficient reasoning and justification for selecting attitude as the concept of interest in this paper.

2.2 A critical assessment of the history of PLB research

After describing the process of identifying and selecting relevant PLB literature, this thesis will be placed in the context of consumer-focused PLB research and past and current academic approaches will be analyzed for observable trends and major theoretical or methodological shortcomings.

2.2.1 Identifying relevant literature

In order to identify all academic literature with a possible relevance to the topic at hand, the EBSCO Business Source Premier Database has been searched using the keywords *private label brand*, *store brand*, *private label attitude*, and *store brand attitude*. No restrictions were made with regard to publication date or source type. When search results were available as full text, their abstracts were pre-scanned for potential applicability and bearing to the research questions. Articles have been included as relevant if they contained research findings that contribute to identifying any kind of antecedents to PLB attitudes, regardless of whether they were named as such. Critical and opposing views have thereby been equally taken into account. Further, the reference lists of two extensive literature reviews on PLB attitude have been searched on EBSCO Business Source Premier as well, in order to also integrate and pay attention to literature that is important to the research question, but may not include either one of

the search terms mentioned above in their headlines. Often, articles appeared of interest based on their headlines, but were unfortunately not available as full texts. These sources are hence not counted into the pool of useful research articles.

As a result of this approach, the EBSCO database yielded 156 full-text search results of articles with a topic related to PLB. In selecting those with a direct contribution to private label attitude, 57 scientific articles have been identified to be particularly relevant to the topic and analyzed for meaningful insights about the influence of psychographics on consumers' private label attitudes. The majority of articles with a relevance to this topic has been published between 1965 and 2013. Intentionally, there were no limits set with regard to the publication date, since the vast majority of attitude-related PLB research has been undertaken in the 1980s through 1990s. Excluding these articles on grounds of datedness would have eliminated more than half of the literature that has contributed to this thesis. The most promising findings of previous research will be introduced and evaluated in the following sections.

2.2.2 *The consumer-focused perspective*

Generally, there are five different perspectives from which private label brands have so far been looked at by researchers: the consumer focused perspective, the retailer focused perspective, the market structure-focused perspective, the manufacturer-focused perspective, and the joint retailer-manufacturer-focused perspective (Hyman et al., p. 369). The thesis at hand belongs to the consumer-focused perspective, which for lack of clear and unambiguous results seems to have lost momentum in past years. Instead, the market structure-focused perspective has received steadily increasing attention from researchers since the beginning of the millennium. One reason for this development is the common notion that PLB success factors are rather category specific than consumer specific, which has led many authors to investigate differences between product categories instead of differences between consumers.

However, it would be incorrect to assume that a more consumer-centric perspective would be any less promising than any other perspective. What is more, the enormous complexity of consumers' thoughts and behaviours might indeed be difficult to investigate, but at the same time promise insights of immediate applicability and enormous

relevance to the industry as a whole, not only to particular segments of a market. So despite the fact that researchers' attention has partially shifted away from the consumer and moved more towards the structural peculiarities of the market, it is not a simple task to determine one single dominant perspective at PLB success factors. A multitude of approaches is more often than not extremely helpful in obtaining a holistic, integrative picture of a topic. Therefore, this thesis aims to contribute to and build on existing knowledge about consumers' attitudes towards PLB, and despite doing so from a consumer-centric perspective only, hopefully supports the identification of common denominators between this and other perspectives that research has taken up until now.

One of the few denominators that most of the articles on the topic have in common is the fact that the majority of research investigates into grocery product categories (Mann, Reeve, & Creed, 2002; Shannon, & Mandhachitara, 2005), albeit other categories such as apparel are increasingly included (Krishna, 2011; Liljander, Polsa, & van Riel, 2009). However, to account for PLBs' important role in that sector and to make results more comparable with previous academic research, grocery retail will form the basis of this thesis as well.

2.2.3 *Past and current academic approaches*

Consumer-focused academic research, to which this thesis also belongs, has assessed the topic from a multitude of perspectives, ranging from merely demographic variables (Coe, 1971; Frank, & Boyd, 1965) to psychographics (Ailawadi et al., 2001; Batra, & Sinha, 2000) as well as cultural factors affecting attitudes towards PLB (Erdem et al., 2006), or combinations of these three types. While demographics relate to a population's socio-economic structure, e.g. in terms of age, gender or income, psychographics are on the other hand concerned with "classifying population groups according to psychological variables (as attitudes, values, or fears)" (Merriam-Webster, 2013, para. 1). Cultural factors, lastly, often refer to the cultural dimensions of Geert Hofstede, such as time orientation or risk averseness.

In contrast to demographics, by which authors have not yet achieved to differentiate private label buyers from national brand buyers, psychographics have been found to distinguish both consumer types from each other (Ailawadi et al., 2001, p. 71), and

may therefore be considered stronger antecedents of private label proneness than demographic characteristics. Nonetheless, most researchers do not directly classify the factors they investigate into either one of these categories (Goldsmith et al., 2012, Gooner et al., 2012, Kara et al., 2009). This is in part because many authors focus on a small set of factors that make further sub-divisions obsolete, but in part also because each factor can theoretically be attributed to either one of the three categories, mainly depending on the angle from which it is looked at. For example, the influence of brand name on consumption choice can be explained in the following three different ways: as a means to display one's position in society in comparison to others (power distance according to Hofstede = cultural approach); in terms of more expensive consumption choices as a result of disposable household income (=demographic approach); or as a means of expressing one's identity, personality or belonging to a peer group (=psychographic approach). Hence, even though such a distinction is usually not explicitly stated in the work of other authors, it is considered helpful and meaningful in homogenizing different approaches and shall therefore be applied in this thesis.

2.2.4 *Shortcomings of previous research*

When assessing research that has been published so far on a given topic, it appears useful to also integrate the opinions of other researchers on the work of their peers. Since most scientific articles also include a literature discussion of some sort, the authors usually include a few evaluative judgments on the quality, quantity, shortcomings and achievements of previously conducted research. Ideally, they will point the interested reader to a rough direction of a dominant opinion. Less ideally, as is the case with PLB-related research, evaluations of available literature vary as widely as the approaches of this literature themselves. At best, a number of researchers agree on a lack of agreement. For instance, Kara et al. (2009, p. 129) observe that "findings of these studies were not conclusive and at best presented a weak relationship among the variables investigated".

In order to identify possible reasons for this lack of agreement and contradictory research findings, it is necessary to first clarify a number of relevant questions: Is previous research based on assumptions that are outdated or need revising? Has there been

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