

# Customers' willingness to purchase new store brands

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## Abstract

**Purpose** – The purpose of this paper is to identify factors influencing customers' willingness to purchase new store brands.

**Design/methodology/approach** – The paper develops a 3 × 3 design to investigate the impact of price and quality positioning on the willingness to purchase new store brands in five product groups. A total of 990 respondents completed a questionnaire about store brand perception, aspects of purchasing behavior and willingness to buy. Data are analyzed with analysis of variance and partial least squares.

**Findings** – The paper finds that customers' willingness to buy new store brands differs between different product groups. It is lowest for product groups associated with high social risk. Accordingly, premium store brands are preferred for these categories. The influence of price is small and nonlinear. Furthermore, the attitude towards a specific store brand has a large impact on customers' willingness to purchase, while the attitude toward store brands in general is less important. The drivers influencing customers' attitude towards specific store brands depend on the respective product group.

**Practical implications** – The results indicate that price is not the only factor influencing customers' willingness to buy new store brands. Therefore, the results encourage retailers to position store brands also in premium segments, especially for product groups where social acceptance is important.

**Originality/value** – This paper differs from other papers in the literature in that it analyses factors influencing the success of new store brands. Furthermore, it analyzes many different potential influencing factors, namely product group, price and quality positioning, store brand perceptions, attitudes and aspects of purchasing behavior.

**Keywords** Generics, Retailing, Experimental design

**Paper type** Research paper

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

## Introduction

The importance of store brands in fast moving consumer goods marketing has increased throughout recent years. There are various reasons for this development. Retailers expect increased store loyalty (Corstjens and Lal, 2000) and to become less dependent on the national brand manufacturers by using store brands (Mills, 1995; Narasimhan and Wilcox, 1998). Store brands usually lead to higher unit margins and allow the retailer to cover the "low-price" tier within the range of goods (Pauwels and Srinivasan, 2004).

Before a store brand increases customer loyalty, many steps in the process have to be completed. The customer must notice the product, develop some kind of interest, try the product the first time, become satisfied and then develop a preference which creates loyalty to the retailer. During this process the first trial of a store brand is most critical. Accordingly, from a marketing perspective, knowledge about

factors influencing the first willingness to buy a new store brand is essential for product development and positioning. However, current literature mostly concentrates on success factors of existing store brands, independent of their novelty. We close this gap by analyzing variables influencing the trial of new store brands. We will shed some light on these variables, answering the following questions:

- 1 Which factors influence the willingness to buy a new store brand?
- 2 Do these factors differ between product groups?
- 3 Which factors have the largest impact on customers' willingness to buy?
- 4 Which management implications arise from the results?

The remainder of this article is organized in line with these questions. First, we discuss the current state of research, from which we derive hypotheses about the determinants of customers' willingness to buy new store brands. Next, an empirical survey tests these hypotheses, answering the aforementioned questions. Finally, the paper closes with a summary of results and a discussion of management implications.

## Definition and systemization of store brands

According to Schutte (1969) store brands are "products owned and branded by organizations whose primary economic commitment is distribution rather than production." Store brands are produced by a retailer himself or according to his instructions and are sold under his name or label in his own shops (Baltas, 1997). Depending on their

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strategic orientation we can distinguish different types of store brands:

- The classic store brand is positioned similar or slightly below smaller producer brands. On average, they are between 10 and 30 percent cheaper than leading national brands (Baltas, 1997).
- The generic store brand emphasizes the basic use of a product. A plain packaging design, limited advertising activities and cuts in quality yield a positioning in the lowest price tier (Yelkur, 2000; Harris and Strang, 1985).
- Premium store brands are positioned like leading national brands (see examples in Richardson *et al.*, 1994; Hoch, 1996; Davies, 1998).

### Current state of research

Different factors have been proposed in the literature to explain the success of store brands. Success is mostly operationalized as market share (Hoch and Banerji, 1993; Hoch, 1996; Dhar and Hoch, 1997), individual purchase behavior or purchase willingness respectively (Richardson *et al.*, 1994; Dick *et al.*, 1995, 1996; Baltas, 1997; Batra and Sinha, 2000; Miquel *et al.*, 2002; Sheinin and Wagner, 2003; Veloutsou *et al.*, 2004). Further measures of success are store brand perception (Belizzi *et al.*, 1981; Cunningham *et al.*, 1982; Dunn *et al.*, 1986), attitudes (Sheinin and Wagner, 2003; Semeijn *et al.*, 2004) and willingness to pay (Sethuraman and Cole, 1999). However, the willingness to try a new store brand has not been examined in these studies. Still, the existing studies give possible hints about factors influencing the decision to purchase a new store brand:

- Characteristics of the product group have an influence on the willingness to pay for (Sethuraman and Cole, 1999) and the market share of (Hoch and Banerji, 1993) national brands and store brands. Especially risks deriving from the type of product group significantly influence the success of a store brand (Semeijn *et al.*, 2004; Batra and Sinha, 2000).
- Store brand sales increase as the price advantage towards national brands grows (Hoch, 1996) and retailers with higher differences in prices between national brands and store brands yield higher market shares for the latter (Dhar and Hoch, 1997). However, the relationship between price and willingness to buy is not inevitably monotonous and is influenced by context effects (Sheinin and Wagner, 2003).
- With regard to the quality positioning (type of store brand) empirical results suggest that the quality of national brands is perceived as better compared to classic store brands. The latter again are appraised as superior to generic products (see, e.g. Belizzi *et al.*, 1981; Cunningham *et al.*, 1982). However, classic and generic store brands differ only slightly in the perception of certain risks (Dunn *et al.*, 1986). For retailers offering premium store brands, the literature suggests a larger store brand market share (Dhar and Hoch, 1997).
- The attitude towards store brands in general influences the attitude towards a specific store brand significantly. This again influences buying behavior positively (Kelmeci-Schneider, 2004).
- The perception of a specific store brand and the resulting attitude towards it are also important. Perceived quality and the importance of different attributes have an impact

on the willingness to buy store brands (Veloutsou *et al.*, 2004). However, the perception of quality differences between producer brands and store brands depends on the customers' category knowledge and product involvement (Miquel *et al.*, 2002).

- Finally, different aspects of individual purchasing behavior have an impact on store brand performance. Customers looking for price promotions, buying the same brands, attaching a high importance to get the right brand and trying a large number of brands are less inclined to buy store brands. Customers looking for the cheapest brand, buying store brands because of lower prices or higher preferences, having a high frequency of shopping in the category and being satisfied with the available brands, are more likely to buy store brands (Baltas, 1997). With regard to purchase frequency, the literature reports higher willingness to pay for national brands if customers buy less frequently in the category (Sethuraman and Cole, 1999). Therefore, a small category purchase frequency constrains the success of store brands. In contrast, other authors found that a high category purchase frequency has a negative impact on the willingness to buy a store brand (Veloutsou *et al.*, 2004). Hence, the empirical results are incoherent.

The factors discussed above refer to the type of product group, the price and quality positioning of the store brand, latent variables like perceptions and attitudes, and different aspects of purchasing behavior. Furthermore, the influence of socio-demographic characteristics has been examined in the literature (Hoch, 1996; Dick *et al.*, 1995; Sethuraman and Cole, 1999).

### Hypotheses

Based on the current state of research, we develop hypotheses about factors influencing the customers' willingness to buy a new store brand.

#### Product group characteristics

Results from previous studies indicate that risks related to a product group have an influence on the success of store brands. Often, financial, functional and social risks are distinguished (Dunn *et al.*, 1986; Semeijn *et al.*, 2004). We define a financial risk as the potential financial loss resulting from a bad purchase. So, the financial risk depends on the price level of the product group. It will be higher for products like laundry detergents or sparkling wine than for butter. Functional risks are defined quite different in the literature. We define it as the potential loss resulting from an inadequate product quality. These risks are relevant when the function of a product is important. For example, there could be a certain risk that the laundry detergent will not clean the washing or that a shampoo desiccates the hair. Hence, we assume that functional risks are especially relevant for non-food items, bought to fulfill a specific function. Finally, social risks affect a possible loss of image or prestige resulting from the purchase or use of certain products. These risks mainly exist with products that are consumed in public or offered to guests. Two examples are potato chips and sparkling wine. A categorization of the selected product groups into the discussed risk groups is presented in Table I[1]. In conclusion, we assume that the willingness to try a new store brand differs between product

Table I Selected product groups categorized by risks

	Financial risk	Functional risk	Social risk
Laundry detergent	High	High	Low
Shampoo	Low	High	Low
Potato chips	Low	Low	High
Sparkling wine	High	Low	High
Butter	Low	Low	Low

groups, depending on certain risks which are typical for the respective category:

- H1a.* The willingness to buy a new store brand depends on the product group.
- H1b.* The higher the financial, functional and social risk of a product group, the lower the willingness to buy a new store brand.

### Store brand positioning

Another factor is the store brand's positioning regarding price and quality. We assume that a large price gap compared to the leading national brands influences the disposition to buy a new store brand positively. However, in certain situations in which customers use price as a quality cue, the relationship between price and purchase willingness may be weaker or even the reverse (Rao and Monroe, 1989):

- H2.* The higher the price gap towards leading national brands, the higher the willingness to buy a new store brand.

The quality positioning of a store brand is mirrored by its positioning as a classic, a generic or a premium store brand. While generic store brands are positioned lower in quality aspects, customers should perceive premium store brands like national brands. Previous studies indicated that the introduction of premium store brands has a positive impact on store brand success. We assume that customers' preferences for one of these store brand types depends on the product group and category specific risks respectively. For example, customers may prefer premium store brands in product groups with higher social risks. In the absence of these risks, premium store brands will not necessarily be preferred because customers might associate the prefix "premium" with "higher prices":

- H3a.* Preferences for classic, generic and premium store brands depend on the product group.
- H3b.* In product groups with a high social risk premium store brands are preferred to own and generic store brands.

### Store brand perception and aspects of purchasing behavior

Besides the product group and the store brands positioning, different psychological constructs and aspects of purchasing behavior influence customers' willingness to try a new store brand. The attitude towards store brands in general is a predictor of the attitude towards a specific store brand (Kelmeci-Schneider, 2004). However, we can also assume a direct impact on willingness to try out a new store brand:

- H4.* The more positive a customer's attitude towards store brands in general, the higher the willingness to buy a new store brand.

We also expect that the attitude towards a specific new store brand will influence the disposition to buy. Further, the perception of different attitude dimensions as well as their importance may vary between product groups:

- H5a.* The specific attitude towards a new store brand and the importance of single attitude dimensions depend on the product group.
- H5b.* The more positive a customer's specific attitude towards a new store brand, the higher the willingness to buy this new store brand.

With regard to aspects of purchasing behavior different factors offer an explanatory contribution. Here, we want to consider two of the factors identified by Baltas (1997). First, since brand-loyal customers tend to buy national brands we can conclude vice versa that customers tending to buy new products spontaneously have a higher disposition to buy a specific new store brand. We will call this variable impulsiveness. Second, customers who attach great importance to buy the optimal product tend towards choosing national brands. The importance of buying the optimal product expresses some kind of decision involvement. In addition to the impact on purchase willingness, we assume that impulsiveness and decision involvement probably vary between product groups:

- H6a.* Impulsiveness depends on the product group.
- H6b.* The higher a customer's impulsiveness, the higher the willingness to buy a new store brand.
- H7a.* Decision involvement depends on the product group.
- H7b.* The higher a customer's decision involvement, the lower the willingness to buy a new store brand.

Another aspect of purchasing behavior is the experience with store brands in the product category. We can operationalize this experience by the share of store brand purchases in a category. Persons with higher store brand experience will probably evaluate the risks of buying a new store brand somewhat lower. Hence, we expect a higher willingness to try the new store brand for these customers:

- H8a.* The experience with store brands depends on the product group.
- H8b.* The higher a customer's experience with store brands in a product group, the higher the willingness to buy a new store brand.

The hypotheses above indicate that the factors influencing customers' disposition to try a new store brand differ between product groups. Further, we discussed how these factors impact on purchase willingness. Finally, there may be causal relationships between some of these factors. For example, the attitude towards store brands in general might have a significant influence on the attitude towards a specific store brand:

- H9.* The more positive a customer's attitude towards store brands in general, the more positive is the attitude towards a specific new store brand.

We can also assume that customers who have had specific experiences with store brands in one product group have a better attitude towards a specific new store brand:

- H10.* The higher a customer's experience with store brands in a product group, the more positive is the specific

attitude towards a new store brand within this product group.

## Method

We examined the hypotheses in an empirical survey. Before the results are presented, we explain the research design and the course of the examination.

### Research design

We created a research design to analyze the derived hypotheses for the product groups laundry detergent, shampoo, potato chips, sparkling wine and butter. We selected these product groups with regard to different specific risks associated with these categories. Students of the University of Cooperative Education Ravensburg designed three product lines (classic, generic and premium) as stimuli for the empirical survey.

To investigate the hypotheses about the positioning of store brands we developed a  $3 \times 3$  experimental design. Each cell was characterized by a certain price advantage against the leading national brand (10, 20 or 40 percent) and certain quality positioning (product line: classic, generic, premium store brand). Each respondent was assigned to one of the resulting nine treatments for which he/she had to evaluate his/her disposition to buy a new store brand in the five product groups. In addition, the respondents answered questions about the store brands' perception, aspects of purchasing behavior and socio-demographic variables. Most of these variables were measured one-dimensionally on a five-point scale. Since general and specific attitude are multi-dimensional constructs, they were measured with multiple-item scales (see the Appendix).

### Course of the examination

In the empirical investigation the interviewers first read a short entry text to the respondents. The entry text provided information about their preferred retailer, introducing a new store brand in several product groups. Depending on the treatment, pictures and prices of the respective store brand product line were presented. After this introduction, the respondents completed the questionnaire. By this procedure we received 990 completed questionnaires (110 per treatment)[2].

## Results

Although we did not use a quota sample, the distribution of age, gender, household size and income indicated no conspicuous biases. The share of female respondents (60.4 percent) was substantially higher than the share of male interviewees (39.6 percent). To make sure that the interviewees were a suitable target group for grocery items they were first asked how often they bought these products and how much they spent on average per week. With regard to the purchasing frequency 53.1 percent of the respondents bought grocery items more than once a week, 37.9 percent once a week and 9.0 percent less than once a week. The average amount spent was €75.40 per week.

### Product group characteristics

First we examined whether and to what extent the disposition to buy varies between product groups (*H1*). Table II shows

the (rounded) average values of the disposition to buy. It is highest for butter (4.0), followed by shampoo (3.5), laundry detergent (3.3), potato chips (3.1) and sparkling wine (2.8). An analysis of variance (ANOVA) verifies the influence of the product group on the disposition to buy. Both the complete model as well as the individual differences are highly significant ( $p < 0.001$ ). The differences express how far the disposition to buy differs from the product group butter, which was selected as the reference group. Hence, *H1a* is accepted though the amount of variance explained by product group is relatively small ( $r$ -square: 0.094).

Next, we investigate if the disposition to buy depends on financial, functional and social risks associated with the respective product groups (*H1b*). The ANOVA results show that all these risks reduce the disposition to buy a new store brand. Social risks have the strongest effect ( $B: -0.920$ ,  $p < 0.001$ ), followed by functional ( $B: -0.484$ ,  $p < 0.001$ ) and financial risks ( $B: -0.207$ ,  $p < 0.001$ ). This coincides with the observation that the product groups with a high social risk (potato chips and sparkling wine) had the lowest average values for the disposition to buy (3.1 and 2.8, respectively). Accordingly, the results verify *H1b*, though again the explained variance is rather low ( $r$ -square: 0.094).

### Store brand positioning

In the next step we checked how the positioning of store brands, manipulated by various treatments, influences the disposition to buy. *H2* proposed that a larger difference in price to comparable national brands influences the disposition to buy positively. Further, we assumed that the preference for classic, generic or premium store brands depends on the type of product group (*H3a*), and especially that premium store brands are preferred in product groups with high social risk (*H3b*). To verify these hypotheses with an ANOVA, we used the risks resulting from the product groups, the level of price advantage and the interaction between type of store brand and social risk as explaining variables of purchase willingness. Regarding risks the results are nearly identical to those reported above. The disposition to buy decreases significantly when the risks are present, most strongly for social risks. The impact of the price advantage compared to leading national brands has a nonlinear impact on the disposition to buy. If the price difference from a leading national brand is reduced from 40 percent to 20 percent this results in a significantly lower disposition to buy as assumed in *H2* ( $B: -0.109$ ,  $p < 0.05$ ). However, for a price difference of 40 percent compared to 10 percent no significant differences in purchasing willingness were observed ( $B: -0.062$ ,  $p = 0.140$ ). We might explain this surprising result by the assumption that the small advantage of 10 percent is interpreted as an indicator for quality so that the negative price effect is compensated by a positive quality effect. Accordingly, the results support *H2* only partially. *H3a* proposed product group specific preferences for classic, generic and premium store brands. We expected a positive interaction effect between the positioning as a premium store brand and social risks of the product group (*H3b*). The empirical results support this interaction ( $B: 0.337$ ,  $p < 0.001$ ). This verifies *H3b* and with it *H3a*. However, the treatments add only a small part to the explanation of customers' disposition to buy ( $r$ -square: 0.101).

Table II Differences of the specific attitude between product groups

Item	Laundry detergent	Shampoo	Potato chips	Sparkling wine	Butter	Legend
<i>Disposition to buy</i>						
Willingness to buy	3.3	3.5	3.1	2.8	4.0	Average value difference
$R^2$ : 9.4 percent ***	-0.666 ***	-0.509 ***	-0.895 ***	-1.153 ***	0	
<i>Perception of specific store brand</i>						
Value for money	3.4	3.6	3.4	3.1	3.9	Average value difference
$R^2$ : 7.2 percent ***	-0.565 ***	-0.299 ***	-0.558 ***	-0.838 ***	0	
Quality	3.1	3.5	3.2	2.9	3.8	Average value difference
$R^2$ : 7.3 percent ***	-0.670 ***	-0.305 ***	-0.602 ***	-0.828 ***	0	
No harmful ingredients	2.8	3.0	2.8	3.0	3.6	Average value difference
$R^2$ : 8.3 percent ***	-0.798 ***	-0.548 ***	-0.830 ***	-0.562 ***	0	
Acceptance by friends	2.9	3.2	3.1	2.9	3.5	Average value difference
$R^2$ : 5.9 percent ***	-0.608 ***	-0.296 ***	-0.442 ***	-0.681 ***	0	
Expected satisfaction	3.3	3.5	3.3	3.0	3.9	Average value difference
$R^2$ : 7.2 percent ***	-0.528 ***	-0.401 ***	-0.581 ***	-0.816 ***	0	
<i>Importance of single attitude dimensions</i>						
Value for money	4.3	4.1	3.7	3.8	4.2	Average value difference
$R^2$ : 5.2 percent ***	0.076	-0.076	-0.524 ***	-0.353 ***	0	
Quality	3.9	3.9	3.5	3.8	4.0	Average value difference
$R^2$ : 3.1 percent ***	-0.081	-0.087 *	-0.494 ***	-0.233 ***	0	
No harmful ingredients	4.0	4.1	3.9	4.0	4.4	Average value difference
$R^2$ : 3.1 percent ***	-0.363 ***	-0.237 ***	-0.470 ***	-0.385 ***	0	
Acceptance by friends	2.5	2.5	3.1	3.3	2.9	Average value difference
$R^2$ : 7.3 percent ***	-0.389 ***	-0.319 ***	0.209 ***	0.451 ***	0	
Expected satisfaction	4.4	4.4	4.1	4.3	4.4	Average value difference
$R^2$ : 1.8 percent ***	0.035	0.019	-0.271 **	-0.055	0	
<i>Purchase behavior characteristics</i>						
Impulsiveness	3.4	3.3	3.6	3.2	3.7	Average value difference
$R^2$ : 2.4 percent ***	-0.332 ***	-0.390 ***	-0.133 **	-0.517 ***	0	
Involvement	3.2	3.3	3.0	3.1	3.6	Average value difference
$R^2$ : 3.5 percent ***	-0.441 ***	-0.253 ***	-0.642 ***	-0.444 ***	0	
<i>Purchase frequency</i>						
Experience	2.9	2.6	2.8	2.3	3.3	Average value difference
$R^2$ : 6.8 percent ***	-0.421 ***	-0.695 ***	-0.497 ***	-1.045 ***	0	

Notes: \*  $p < 0.05$ ; \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

**Store brand perception and aspects of purchasing behavior**

The risks of a product group and the positioning of a store brand explain only a small part of the disposition to buy. Therefore, as a next step, it is necessary to analyze the impact of psychological latent variables like store brand perception and attitude as well as aspects of purchasing behavior (H4-H10).

*Category-specific differences in store brand perception and purchasing behavior*

Before we analyze the influence of the different factors on the willingness to try a new store brand, we report category-specific differences in store brand perception and purchasing behavior (H5a, H6a, H7a, H8a):

- *Attitude towards a specific store brand.* Regarding the attitude towards a specific store brand, we assumed that the perception of different attitude dimensions differs among the product groups (H5a). In the questionnaire attitude was measured according to five factors, covering the dimensions value for money, quality comparable to national brands, harmlessness of ingredients, social

acceptance and expected satisfaction. Table II presents the corresponding ANOVA results. Apparently, respondents perceived the store brand for butter as superior to all other products in terms of each of the five factors. In contrast, the sparkling wine store brands are perceived worst in terms of value for money, comparable quality, social acceptance and expected satisfaction. The harmlessness of ingredients is questioned especially for the potato chips store brands. Hence, the results verify H5a, suggesting attitude dimensions are perceived differently depending on the respective product group.

Apart from perception, also the importance of the five dimensions is relevant for attitude formation and H5a respectively. We asked the responds directly about the importance of the attitude dimensions for each product group. Although the validity of direct importance statements is somewhat questionable, we present these values as first impressions and benchmarks before we derive importance values indirectly using a partial least squares (PLS) approach. Table II illustrates that, on average, expected satisfaction is the most important

dimension for all product groups, while social acceptance showed the smallest importance values. However, if we compare importance statements between product groups, we observe some interesting differences. Value for money and comparable quality are least important for potato chips and sparkling wine, while the importance of social acceptance is substantially higher compared to the other product groups, especially laundry detergent and shampoo. The harmlessness of ingredients is of special importance regarding butter. For the importance of expected satisfaction there are no significant differences between the product groups with the exception of a notably smaller value for potato chips. To conclude, we can verify *H5a* not completely, but in large part. Interesting is also a comparison of the stated importance values with the categorization of risks in Table I. We see from this comparison that social prestige is rather important for the product groups potato chips and sparkling wine, which carry a high social risk compared with other product groups. With regard to functional and financial risks the picture is less distinct.

- *Aspects of purchasing behavior.* Regarding aspects of purchasing behavior we assumed that impulsiveness and decision involvement differ between product groups (*H6a*, *H7a*). Table II shows that impulsiveness is rather high for butter and potato chips, and lowest for sparkling wine. Astonishingly, for decision involvement we also observe high values for butter, whereas potato chips had the smallest value for this variable. In conclusion, impulsiveness and decision involvement do not inevitably rule each other out. Apparently, a high decision involvement for butter is not disturbed by a spontaneous purchase decision. However, both variables do not have to tend in the same direction. We observe for potato chips that the low decision involvement permits spontaneous purchasing behavior. Overall, the results support *H6a* and *H7a*.

Finally, we investigate differences in familiarity or experience with store brands for the five product groups. To measure experience, we asked the respondents for their share of store brand purchases in each product group. Table II illustrates that the respondents buy store brands more often for butter and laundry detergent and less frequently for sparkling wine. This supports *H8a*.

#### *Impact of factors influencing customers' willingness to buy*

After examining category-specific differences in store brand perception and purchasing behavior, we will analyze the impact of the distinct influencing factors on the disposition to buy a new store brand. According to *H4*, *H5b*, *H6b*, *H7b*, *H8b* these are the attitude towards store brands in general (GA), the specific attitude towards a new store brand (SA), impulsiveness (IMP), decision involvement (INV) and experience with store brands in the product group (EXP). General and specific attitudes were operationalized by multiple-item scales which are presented in the Appendix. We measured the attitude towards store brands in general according to six items. A principal component analysis assigns these items to three factors, interpreted as image, price and quality (explained variance: 68.68 percent). For the later analysis, we calculated indexes for each factor, which we can use as formative indicators of attitude towards store brands in general. As we already illustrated, attitude towards a specific store brand was measured according to five criteria. Although

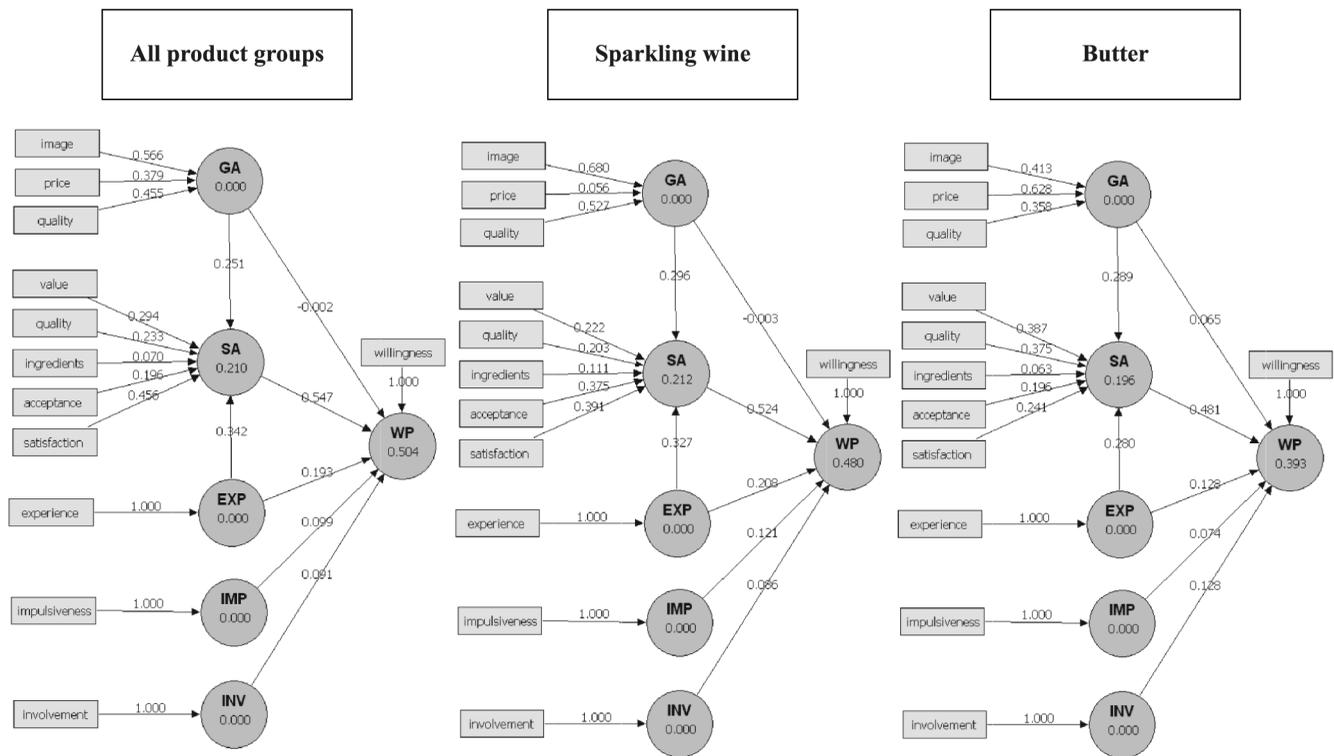
these criteria were somewhat correlated, we treated them as formative indicators of specific attitude. We justify this procedure by the fact that most of these correlations are only moderate. Nevertheless, we should interpret the resulting effects with some caution. In addition to the direct impact of the aforementioned variables, we also analyze causal effects between the explaining variables as stated in *H9* and *H10*.

We use a PLS approach to test hypotheses *H4*, *H5b*, *H6b*, *H7b*, *H8b*, *H9* and *H10*, because indicators of both attitude variables have formative properties (see Chin, 1998; Diamantopoulos and Winklhofer, 2001). The following results are calculated using the software SmartPLS 2.0 (Ringle *et al.*, 2005). Significance is proved with the bootstrapping method (see Bollen and Stine, 1993), and coefficients are reported as significant if the probability of error is less than 5 percent[3]. Figure 1 presents the results aggregated over all product groups as well as specific outcomes for two selected categories, namely sparkling wine and butter. Wine and butter were selected, because they represent very distinct product groups. While for butter the financial, functional and social risk is low, sparkling wine is characterized by financial and social risks.

The aggregated results show that the specific attitude towards the new store brands has the highest explanatory power (0.547,  $p < 0.001$ ), but that experience with store brands in the respective product groups also has a significant influence on the disposition to buy (0.193,  $p < 0.001$ ). Smaller, but still significant impacts exist for the impulse purchasing disposition (0.099,  $p < 0.05$ ) and product decision involvement (0.091,  $p < 0.01$ ). Interestingly, the coefficient for decision involvement is positive, and not negative as stated in *H7b*. No direct effect was observed for the general attitude towards store brands ( $-0.002$ ,  $p = 0.960$ ). However, though the general attitude does not have any direct influence on the disposition to buy, there exists an indirect effect in that it influences the specific attitude towards a new store brand significantly (0.251,  $p < 0.001$ ). An indirect effect with similar power comes from the specific experience with store brands in the product groups (0.342,  $p < 0.001$ ). This verifies *H5b*, *H6b*, *H8b*, *H9* and *H10*, whereas *H4* and *H7b* must be dismissed. Observing the specific results for sparkling wine and butter the coefficients in the path model are quite similar, but differ in some points. For example, the effect of experience with store brands is much stronger for sparkling wine (0.208,  $p < 0.01$ ) than for butter (0.127,  $p = 0.066$ ). Furthermore, for sparkling wine decision involvement has an insignificant coefficient (0.086,  $p = 0.124$ ), as does impulsiveness for butter (0.074,  $p = 0.280$ ).

More interesting are the differences with regard to the measurement models of general and specific attitude. Though the general attitude was measured independent of any product group, the weightings of store brand image, price and quality differ. In the aggregated analysis image is the most important indicator (0.566,  $p < 0.001$ ), followed by quality (0.455,  $p < 0.01$ ) and price (0.379,  $p < 0.05$ ). For sparkling wine we observe that price becomes an unimportant feature of general attitude as indicated by the small weighting (0.056,  $p = 0.834$ ). In contrast, price is the strongest indicator of general attitude when customers evaluate store brands for butter (0.628,  $p < 0.001$ ), while image (0.413,  $p < 0.05$ ) and quality (0.358,  $p = 0.080$ ) are less important or even insignificant. The measurement models of specific attitude

Figure 1 Effect of potential influencing factors on the disposition to buy



are also different. For the aggregated model satisfaction is most important (0.456,  $p < 0.001$ ), followed by value for money (0.294,  $p < 0.001$ ), quality (0.233,  $p < 0.01$ ), social acceptance (0.196,  $p < 0.01$ ) and ingredients (0.070,  $p = 0.258$ ). Interestingly, satisfaction is also most important for the product groups laundry detergent and shampoo where quality is difficult to evaluate. In contrast, for sparkling wine social acceptance is much more important than in any other product group (0.375,  $p < 0.01$ ). For butter, value for money (0.387,  $p < 0.01$ ) and quality (0.375,  $p < 0.01$ ) are the dominant drivers while satisfaction is less important than in any other product category (0.241,  $p = 0.101$ ). The harmlessness of ingredients is of least importance in all observed causal models and its impact is never significant. This is highly surprising since this dimension was highly important in the directly measured importance statements. Obviously the interviewees evaluate this characteristic as important but not as relevant for attitude formation. This effect is characteristic for must-be requirements, which have only an impact if they are not fulfilled in the customers' eyes (Kano *et al.*, 1984; Matzler *et al.*, 1996; Vavra, 1997).

The explained variance of the disposition to buy is 0.504 for the aggregated model, 0.480 for sparkling wine and 0.393 for butter. These values indicate that the investigated factors explain customers' disposition to buy to an acceptable extent, but not completely. Obviously there are additional factors, for example the attractiveness of national brands in the product category, which were not explicitly examined here.

**Summary and implications**

In this article we have examined different factors influencing customers' willingness to buy new store brands. Potential

factors were characteristics of the product group, the positioning of the store brand, attitudes to store brands in general and to specific new store brands and finally different aspects of purchasing behavior.

We observed substantial differences in the disposition to buy new store brands between the five product groups. Butter, characterized by the lowest financial, functional and social risk, exhibited the highest purchase willingness. In contrast, store brands for potato chips and sparkling wine showed the smallest willingness to buy. Interestingly, these products are often consumed together with friends. Therefore, in these categories buying a store brand is accompanied by a social risk. Correspondingly, respondents rated acceptance by friends as more important than in any other product group. Furthermore, premium store brands were preferred over classic and generic private label products in high social risk categories, especially for sparkling wine. These results should encourage retailers to develop premium store brands especially for product groups with certain social risks.

The results from the price treatments are also remarkable. A price advantage of 40 percent leads to the highest purchase willingness, followed by a 10 percent reduction. Surprisingly, we observed the lowest willingness to pay for a 20 percent price difference from a leading national brand. We can explain this by the assumption that savings are not substantial at this price point, but possibly big enough to evoke negative price-quality associations. From a management point of view these results indicate that retailers should position store brands either price-aggressively in the lowest price tier or as a real alternative to leading national brands. In any case they should avoid a "stuck in the middle" positioning, as known from competition theories.

Regarding attitudinal effects and aspects of purchasing behavior, the specific attitude towards a new store brand had the biggest explanatory power. However, the importance of different attitude drivers differs between product groups. While for sparkling wine acceptance by friends and satisfaction are very important, value for money and quality are the most relevant drivers of purchase willingness for a new butter store brand (PLS results). Surprisingly, a direct effect of general attitude towards store brands on purchase willingness was not observed. This indicates that no firmly established general attitudes pose real barriers against the success of new store brands in a product group. Obviously it is more important to convince potential customers of the specific advantages of a new store brand. So the starting point for marketing should be more the individual product. Furthermore, retailers should take product group-specific drivers of store brand attitude into account.

The positive impact of decision involvement was somewhat surprising. However, the results of a study by Miquel *et al.* (2002) might help to understand this effect. They observed that product involvement has a positive and a negative effect on store brand purchasing. The positive effect is mediated by the knowledge of the category and the negative is mediated by the perception of differences between products.

To summarize, the results show that also for store brands different marketing strategies must be developed. A simple positioning by price is often not enough. In certain product groups premium strategies seem promising while for others a price-aggressive positioning is more favorable. With regard to the latter special focus should lie on the prevention of negative price-quality associations, for example by advertising campaigns or the communication of objective product test results.

Finally, we should point out some limitations of our study. A first critical aspect is the design of the store brand product lines presented to the respondents. We do not know if the design itself had any uncontrolled influences on the dependent variables. To minimize these effects the stimuli were kept as neutral as possible so that they were dissimilar to any existing store brands[4]. This prevented any image transfers between existing store brands and the evaluation of the store brand prototypes. Second, the assumptions about risks in different product groups are only based on theoretical arguments. We did not measure risk perception in the distinct product groups. Third, and finally, some surprising results might well be focused on in future studies. Especially the observed non-linear relationship between price and purchase willingness was not expected. Also the positive impact of decision involvement on the disposition to purchase new store brands was unforeseen.

## Notes

- Note that the categorization in Table I depends on the definition of risk types. We derived Table I from an extensive qualitative discussion with students on a university course.
- For some treatments we received slightly more than 110 questionnaires. For these cases, redundant questionnaires were excluded by chance.
- Bootstrapping settings for the complete sample are 500 cases and 500 samples. For product groups the number of cases and samples was reduced to 200 each.
- Images of the prototypes are available from the authors on request.

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## Appendix. Scales

### General attitude towards store brands

(r: variable was recoded; scale: 1: not at all true ... 5: very true.)

#### Image:

- Store brands have a positive image with most customers
- Store brands usually have a negative image (r)

#### Price:

- You can save a lot of money by buying store brands
- Store brands are not cheaper than national brands (r)

#### Quality:

- Since many store brands are produced by national brand manufacturers you can buy them without hesitation
- Store brands often hold a low quality (r)

### Specific attitude towards store brands

(Scale: 1: very improbable ... 5: very probable.)

How probable do you think it is that ...

- ... this product offers a good value for money?
- ... the quality of this product resembles that of a national brand?
- ... this store brand does not contain harmful ingredients?
- ... this product is well accepted by friends?
- ... you will be satisfied after the use of this product?

### Importance of specific attitude dimensions

(Scale: 1: completely unimportant ... 5: very important.)

How important is it to you that ...

- ... (see above).

### Impulsiveness

(Scale: 1: not at all true ... 5: very true.)

When I try a product in this category I do this spontaneously and evaluate quality later after the purchase.

### Involvement

(Scale: 1: not at all true... 5: very true.)

When I buy a product in this category I attach great importance to make a good choice.

### Experience with store brands

(Scale: 1: never (< 20 percent of product group purchases) ... 5: solely (> 80 percent of product group purchases.)

How often do you buy store brands in the following product groups?

### Willingness to buy

(Scale: 1: I would never try this product ... 5: I would definitely try this product.)

Please indicate which of the following new store brands you would buy or rather try and which not.

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### Executive summary

*This executive 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 benefit of the material present.*

#### Success with new store brands: do not rule out premium pricing

The success of store brands is increasingly a focus for both marketing researchers and those charged with driving forward retailing businesses. The supermarkets have been developing and expanding their brands for over twenty years. In the UK, Marks & Spencer's resurgence is squarely based on their longstanding own brand approach.

Store brands were once positioned at the value end of things – targeted at the price sensitive, governed by a desire for volume given wafer thin margins. However this is a picture that is changing. Big name clothing retailers such as Gap and H&M are increasingly looking to create or expand their premium store brand offers.

This is a strategy that would be applauded by Zielke and Dobbstein of the universities of Göttingen and Cooperative Education based in Germany. Their study focused in particular on new store brands, an under-researched field. They pointed to the need for courage, and potential to go after the premium sector, rather than scrape along the cost conscious bottom of the market. However, differences in consumer behavior were noted across different product categories, so care needs to be taken.

#### What affects consumer decisions to buy new store brands

There is a gap in the market and a research opportunity. New store brands are growing in importance and more studies will surely follow, commercially and in academe.

The factors examined in Zielke and Dobbstein's study were:

- the product group – where risk has varying impacts;
- the positioning of the store brand – based on price or quality;
- attitudes to store brands in general – which greatly influences buying behavior;
- attitudes specific to new store brands – including the influence of the customer's category knowledge; and
- different aspects of purchasing behavior – which will be different for different customer groups.

Within this context some fascinating social observations were revealed, presumably not limited to the German consumer. Some of the major ones were:

- There were big differences in customers predisposition to buy new store brands by product group – with butter there was the most likelihood of a consumer purchase, with potato chips and sparkling wine the least. The lesson would appear to be – know your market segment and do not over generalize between segments or you might get caught out.
- Potato chips and sparkling wine are consumed with friends and buying a new store brand represents a social risk. After all, who wants to be considered the cheapskate of the group, particularly if reciprocating for previous hospitality? Social acceptance is of prime importance, and more than for any other product group in the survey. Premium brands were preferred, for just these status-driven reasons – launching something that is simply cheap would be to miss the point.
- The pricing results are also interesting and precise. The best performers were those that were 40 percent cheaper than other brands, followed by those that were just 10 percent cheaper. The place not to be is at a 20 percent reduction where consumers associate the lower price with poorer quality, but do not think that it is a low enough price to make it worth buying. The middle-of-the-road can be a dangerous place.

#### More than price competitiveness

There can be a great temptation to generalize about product markets, but there is an overwhelming imperative to conduct specific consumer research. Social commentators on modern manners would be fascinated by the results. Marketers need them to avoid the banana skins of business life in a status-driven era and one of overwhelming individualism.

For new store brands the message is *viva la difference* – as is so often the case, the French express it best. Different strategies are needed for different products launched in different markets. Even markets that appear close can have vastly different consumer behavioral characteristics based essentially on the context and use of the products.

The big lesson from the study is that positioning based on price is simply not enough. It is hardly a radical thought when taken within the context of the broad brand marketing literature and broad custom and practice. However, for supermarket own brands, as they were originally configured it seems like heresy. But taking on board the developments over the last 20 years it is in tune with more recently emerging practice and the drive for better margins.

When it comes to price, differences between sectors are at their most acute. In some keen pricing is vital, in others, the potential for a premium store brand not only exists, but will be preferred by the majority of people for reasons of personal prestige – or social risk aversion.

The key is to focus and dig deep to understand your customers. The rewards are there for those willing to make the effort.

*(A précis of the article "Customers' willingness to purchase new store brands". Supplied by Marketing Consultants for Emerald.)*