

# Does advertising matter to store brand purchase intention? A conceptual framework

Shalom Levy and Hanna Gendel-Guterman

Graduate School of Business Administration, Ariel University Center, Ariel, Israel

## Abstract

**Purpose** – The hottest trend in retailing is the emergence of “premium” store brands. Though store brands are treated as important players in grocery store strategies, many retailers prefer price over quality and often prefer to invest in store promotion, while neglecting brand advertising. This paper’s aims are to propose a conceptual framework, integrating advertising-related psychographic factors which will be empirically tested.

**Design/methodology/approach** – Data were collected through a survey of 206 participants randomly recruited among adult grocery shoppers. The study employs a factor analysis method following path analysis using AMOS 17 and structural equation modeling (SEM), based on the maximum likelihood approach.

**Findings** – The results show the salience of creating a strong and sustainable store brand through advertising and innovation. A store brand’s perceived quality was found to be the most important factor in predicting store brand purchase intention, and advertising was found to have an indirect effect on perceived quality, shaped through extrinsic cues and novelty lovers’ tendency variables.

**Practical implications** – Retailers are advised to change their promotional budget’s allocation. Along with their in-store promotions, retailers should invest more heavily in advertising their store brand and offering innovation, in order to build a strong and sustainable brand. The costs of advertising could be compensated by a growth of the total store sales and the store’s gross margin.

**Originality/value** – The originality of this study lies in the conceptual framework proposed to examine the importance of building a strong store brand through advertising and innovation from a psychographic point of view.

**Keywords** Advertising tendency, Store brand, Perceived quality, Extrinsic cues, Consumer characteristics, Advertising, Brands, Shops, Buying behaviour

**Paper type** Research paper

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

## 1. Introduction

Store brand strategy is a common practice adopted by retailers around the globe, as part of their manufacturer-retailer struggle over channel control (Hoch, 1996; Burt, 2000). Store brands, also referred to as private labels by practitioners, are defined as products produced on behalf of retailers, and sold under the retailers’ own name or trademark, through their own outlets. The utilization of the store brand concept was considered as a means of capturing a higher market share and generating higher profit margins for the retailer, while at the same time, offering the customers good and fair prices for products similar to the national brands (Nandan and Dickinson, 1994). Though some retailers emphasize quality over price, store brands have traditionally been merchandised on the basis of price and targeted to the price-sensitive segment (Hoch and Banerji, 1993).

There is a positive interaction between the store and its store brand; researchers indicate that a store brand’s

exclusiveness can increase store traffic and lead to customers’ store loyalty (Richardson *et al.*, 1996; Steenkamp and Dekimpe, 1997; Corstjens and Lal, 2000). Others argue (Dhar and Hoch, 1997; Aliawadi and Keller, 2004) that store brands are likely to be accepted by customers and occupy a market share, benefiting from retailers’ promotional efforts to promote its stores. This is manifested particularly when the retailer has a store brand promotion that creates store brand advantages; like shelf space allocation, in-store promotion and lower prices; and exists especially when the store brand carries the retailer’s name.

The majority of consumers continue to prefer national brand products over store brands (Richardson *et al.*, 1994; De Wulf *et al.*, 2005). Store brands are perceived as being inferior to national brands – low-quality products or, at least, of lower quality than national products and, as such, are treated as second-rate alternatives (Richardson *et al.*, 1994; Mieres *et al.*, 2006), although some studies show a positive and even high quality perception of store brands (Corstjens and Lal, 2000, Ward *et al.*, 2002). This tendency is assumed to be the result of the lack of sustainable strong store brands, usually built up through advertising (Milgrom and Roberts, 1986; Kirmani and Wright, 1989). Accordingly, Apelbaum *et al.* (2003) found a premium of 37 per cent for an advertised national brand over a store brand, as a result of advertising investments.

Most studies recommend national brand manufacturers a higher investment in advertising, as well as developing a variety of new products, to build their brand in order to compete against the growing share of store brands (Verhoef *et al.*, 2002; Rao, 1991). On the other hand, for store brands, investing in advertising is not advocated, and the

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Journal of Product & Brand Management  
21/2 (2012) 89–97  
© Emerald Group Publishing Limited [ISSN 1061-0421]  
[DOI 10.1108/10610421211215418]

recommended approach is to rely on their low prices (leveraging the economic advantage they embody, low R&D and absence of advertising expenses).

These recommendations may traditionally have been worthy; however, these days one of the hottest trends in retailing is the emergence of “premium” store brands (Kumar and Steenkamp, 2007a, b; Huang and Huddleston, 2009). Advanced retailers are now investing in premium store brands in order to differentiate themselves from other retailers and directly compete with leading manufacturer brands. These retailers are offering consumers store brand products superior to the traditional copycat, and store brands are positioned and advertised as being of superior quality (Huang and Huddleston, 2009; Kumar and Steenkamp, 2007a, b; FMI, 2003). Therefore, the importance of advertising store brands has become more crucial.

The current research will address this issue by examining psychographic variables that are related to advertising and promotion. A set of demographic and psychographic variables that may drive store brand purchasing decisions is discussed previously in the academic literature (Ailawadi *et al.*, 2001); however, there is no research focusing on store brand advertising and promotion aspects that relates to psychographic factors; hence, our understanding of these relations is limited. Considering the high advertising rate of national brands, we need to understand consumer characteristics correlated to advertising that may influence the tendency to buy store brands. Thus, this research will propose a conceptual framework, test it empirically, and present related conclusions and managerial implications.

## 2. Theoretical background

Theory and empirical research on consumers’ affective response behavior clearly indicates that positive thoughts concerning advertising can affect attitudes towards a product or brand, and eventually influence the consumer’s willingness to purchase that product or brand (Shimp, 1981; Lutz, 1985; Mackenzie *et al.*, 1986; Batra and Ray, 1986; Mackenzie and Lutz, 1989). Consumers form their preferences on the basis of likes, feelings and emotions induced by the advertisement or familiarity. The assumption is that people do not respond directly to the stimulus; their behavior is rather mediated by feelings, beliefs, attitudes and estimations, and they respond accordingly.

Applying this approach to the store brand environment, an insufficient investment in advertising can lead to improper familiarity or undesired emotion towards store brands, particularly among consumers who tend to rely highly on advertising as regards their brand perception and preferences (high “advertising tendency”). Following this approach, Kim and Parker (1999) show there are two types of consumers, store brand seekers and branded product seekers who are willing to pay a premium for advertised products.

### 2.1 Advertising, extrinsic cues and perceived quality

Contrary to store brands, national brand manufacturers advertise extensively. Steiner (2004), Dhar and Hoch (1997) and Hoch and Banerji (1993) found the advertising quantity of national branded products to be an obstacle to the market share expansion of store brands. Furthermore, a study that examined store brand share (Ashley, 1998) found that, while advertising media weight alone showed no overall effect on

store brand share, two factors – advertising quality and quantity as measured by persuasive rating points and changes in price ratio, did have a significant effect – an increase in the national brand’s persuasive advertising volume is what causes the decrease in store brand share. Nevertheless, there are currently big retailers in the USA and England who advertise their own store brands (Baltas, 1997), and research emphasizes its positive effect on the increase of store brand sales (Putsis and Dhar, 2001).

Advertising is a strategy used by managers to design positive brand perception about their products through extrinsic cues that signal quality (Milgrom and Roberts, 1986). Extrinsic cues are product-related attributes, such as brand name, packaging, advertising and price, which are not actual parts of the physical product (Zeithaml, 1988; Richardson *et al.*, 1994; Richardson *et al.*, 1996). Extrinsic cues, especially perceived advertising expenditures and advertising creativity, can convey high quality because an expensive and intensive advertising campaign is a signal of high quality (Park *et al.*, 1986; Kirmani and Wright, 1989; Kirmani, 1990).

When consumers have difficulty judging a product’s value, they usually rely on extrinsic attributes in order to evaluate product quality. Richardson *et al.*’s (1994) findings suggest that consumers’ primary evaluation of store brand products is based on the products extrinsic cues. Manufacturers of national brands develop brand-perceived images based on high advertising expenditures (Kirmani and Wright, 1989). Considering store brands, retailers encounter difficulties when trying to match the advertising levels of national brand manufacturers; as a result, they often follow a low-cost strategy and reduce advertising costs. Thus, store brands are perceived as inferior products, relative to national brands. It seems that consumers, who use extrinsic cues as criteria for judging product quality and eventually consider buying, will, in the end, prefer national brands (Richardson *et al.*, 1996; Dick *et al.*, 1996).

Studies identify quality as one important reason for purchasing store brands (Hoch and Banerji, 1993; Hoch, 1996). Product perceived quality can be defined as “the consumer’s judgment about a product’s overall excellence or superiority” (Zeithaml, 1988, p. 3). Perceived quality is a general assessment of the consumer, different from objective quality, and has been recognized as a component of brand value (Zeithaml, 1988), and as a variable that drives consumers to choose one brand over other competing brands. Previous research indicates significant perceived quality differences between store brands and national brands (Cunningham *et al.*, 1982; Richardson *et al.*, 1994). National brands are perceived as higher-quality products; the greater the perceived difference in quality between national brands and store brands, the higher the buying preference of national brands (Hoch and Banerji, 1993; Batra and Sinha, 2000), and some retailers really make an effort to emphasize the quality of their store brands. These retailers develop premium and high quality store brands intended to compete with leading manufacturer brands on points of quality and image, and even attempt to advertise their store brands in the media (Verhoef *et al.*, 2002).

According to the above discussion, we suggest the following hypotheses:

*H1.* Store brand perceived quality will be positively correlated to store brand purchase intention.

- H2. Extrinsic cues will be negatively correlated to store brand perceived quality.
- H3. Extrinsic cues will be negatively correlated to store brand purchase intention.
- H4. Advertising tendency will be positively correlated to extrinsic cues.
- H5. Advertising tendency will be negatively correlated to store brand perceived quality.

## 2.2 Novelty lovers

Because of the variety of products and limited budgets, retailers follow a “me too” store brand strategy, and usually take a free ride on manufacturers’ product development efforts. As part of the market strategy competition, the development of store brands is based on imitating manufacturers’ brands and selling them at a lower price (Hoch and Banerji, 1993). On the other hand, national brand manufacturers are now attempting to increase their differentiation from store brands by implementing innovations and strengthening their own brand image (Hoch and Banerji, 1993; Verhoef *et al.*, 2002). It is worth mentioning that nowadays some retailers, especially European ones, are also developing high-quality products for their store brands, based on actual innovation and promotional support (Fernandez and Gomez, 2005).

The innovative tendency of “novelty lovers” can be defined as “the predisposition to buy new and different products and brands, rather than remain with previous choice and consumption patterns” (Steenkamp *et al.*, 1999). People who like and appreciate new innovative products will evaluate brands accordingly. It seems that these novelty lovers, who look for information and rely on advertising, tend to perceive store brands as relatively low-quality products, dislike store brands, and restrict their buying to national brands. Accordingly, we suggest the following hypotheses:

- H6. Novelty lovers will be positively correlated to advertising tendency.
- H7. Novelty lovers will be positively correlated to extrinsic cues
- H8. Novelty lovers will be negatively correlated to store brand perceived quality.
- H9. Novelty lovers will be negatively correlated to store brand purchase intention.

## 2.3 Tendency to impulse buying

Manufacturers and retailers are constantly trying to stimulate the consumer to engage in unplanned purchasing, termed impulsive buying. Impulsive buying is perceived as an aspect of consumers’ lifestyle (Cobb and Hoyer, 1986) – behavior that depends on his or her personality (Youn and Faber, 2000) – and is defined as a person’s irresistible, sudden urge to purchase a product or service with no advance planning (Rook and Fisher, 1995; Rook, 1987; Cobb and Hoyer, 1986). Impulsive buying is associated with the behavior of customers who are attracted to acquiring promoted products or services as a result of external stimuli, such as sale promotions or advertising. Customers are constantly subjected to different cues in the retail store environment that can influence impulse buying. Retailers induce impulsive buying by innovative point of sale promotions and advertising, such as in-store displays, posters, price discounts, sales, and more (Bellenger *et al.*, 1978; Zhou and Wong, 2004).

Consumers who have a higher tendency to engage in impulsive buying are more prone to promotions, and are more likely to yield to sales promotions in retail stores. As store brands are highly promoted in in-store displays, we suggest the following hypotheses:

- H10. Advertising tendency will be positively correlated to the tendency to engage in impulse buying.
- H11. Tendency to engage in impulse buying will be positively correlated to external cues.
- H12. Tendency to engage in impulse buying will be negatively correlated to store brand perceived quality.
- H13. Tendency to engage in impulse buying will be positively correlated to store brand purchase intention.

Integrating the above hypotheses and relationships, in Figure 1 we present a proposed model of psychographic advertising-related factors that might influence store brand purchase intention.

## 3. Methodology

*Sample:* data were collected through a survey. Participants were randomly recruited from among adult grocery chain store shoppers. Overall, 206 usable responses were analyzed in this study; most were female (71 percent). Ages mostly (82 percent) ranged between 26 and 65; the majority possessed a full high school education or above (85 percent); average income or above (84 percent); and approximately all subjects usually participate in family shopping trips (99 percent). The external validity of the sample was confirmed by comparing it to the socio-demographic traits of the total cumulative population of the chain’s customers.

*Measurement:* the survey instrument consisted of consumer’s lifestyle attributes, developed in order to measure the different aspects of the study variables. The items were partly gathered from multiple studies (Rook and Fisher, 1995; Richardson *et al.*, 1994, 1996; Donthu and Gilliland, 1996; Bush *et al.*, 1999; Ailawadi *et al.*, 2001; Jin and Suh, 2005), and partly self-phrased, based on the literature review carried out in the present study. We added three additional items as dependent variables to account for store brand purchase proneness (Richardson *et al.*, 1996). Respondents were asked to indicate their level of agreement with different statements. A five-point Likert scale was used, ranging from 1 = strongly disagree, to 5 = strongly agree. See Table I for factor loadings and reliability. Demographic variables were also gathered.

## 4. Results

*Validity and reliability:* first, all items were subjected to an exploratory factor analysis with Varimax rotation and factors with eigenvalues greater than 1 were retained. Reliability tests on each factor were then carried out and factors with a Cronbach’s alpha of less than 0.60 were removed. Then, factor analysis, using principal component analysis with Varimax rotation, was conducted for the remaining items. The analysis produced six factors explaining 56 percent of the cumulative variance (see Table I). Items that did not demonstrate high internal validity (acceptable loading) were eliminated. Once again, internal consistency was examined using Cronbach’s alpha. The coefficients’ range was 0.68–0.86, displaying an acceptable reliability of the measurements. Means were then calculated and examined for each factor.

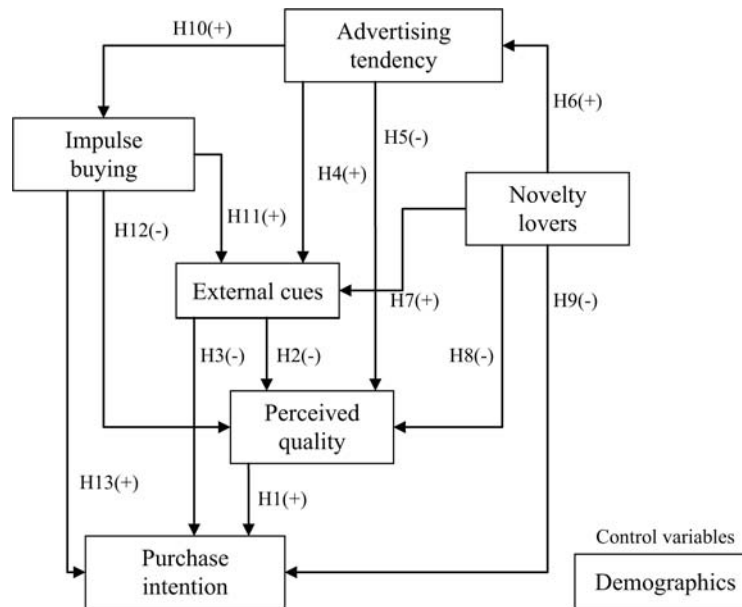
**Figure 1** A proposed model of psychographics' advertising-related factors that might influence store brand purchase intention

Table I illustrates the items' loadings and Chronbach alphas for the model components.

Model testing: path analysis was conducted using AMOS 17 and Structural Equation Modeling (SEM), based on the maximum likelihood approach (using correlation matrixes of variance measurements, see Table II); demographics are also included as exogenous variables.

The overall fit statistics (goodness of fit measures) exhibit an acceptable level of fit ( $\chi^2$ value(15/207) = 20.01,  $p = 0.172$ ; Comparative fit index (CFI) = 0.977; Normed Fit Index (NFI) = 0.921; Root mean square error of approximation (RMSEA) = 0.040), indicating that the path model is valid. The path model, regression standardized coefficients, and their significance are illustrated in Figure 2. The model demonstrates the variables' direct and indirect effects on store brand purchase intention. These model variables accounted for 23 percent of the total variance of store brand purchase intention ( $R^2 = 0.23$ ).

As has been seen, there is a significant positive and direct relationship between store brand relative perceived quality and store brand purchase intention ( $\beta = 0.45$ ). Extrinsic cues share a significant negative and direct relationship with store brand relative perceived quality ( $\beta = -0.24$ ) and a positive relationship with store brand purchase intention ( $\beta = 0.19$ ). The novelty lovers variable has a significant negative and direct relationship with store brand relative perceived quality ( $\beta = -0.17$ ). The impulse buying tendency has a significant positive and direct relationship with extrinsic cues ( $\beta = 0.15$ ). Advertising tendency has a significant positive and direct relationship with the extrinsic cues ( $\beta = 0.34$ ), novelty lovers ( $\beta = 0.33$ ) and impulse buying tendency ( $\beta = 0.32$ ) variables. Table III shows the direct and indirect effect of the independent variable. Although no clear direct negative relationship between advertising tendency and store brand relative perceived quality was found, the negative relationship is indirect through the extrinsic cues and novelty lovers' variables. The novelty lovers' variable also has an indirect relationship with store brand purchase intention. Thus,

hypotheses *H1*, *H2*, *H4*, *H5*, *H6*, *H7*, *H8*, *H9*, *H10* and *H11* were accepted, while *H3* was rejected and hypotheses *H12*, *H13* were not accepted because of low correlations.

In addition, the results also indicate that there is a negative correlation between consumer income and store brand purchase intention ( $\beta = -0.22$ ). Educational level is positively correlated with store brand relative perceived quality ( $\beta = 0.13$ ), and negatively correlated with advertising tendency.

## 5. Discussion and implications

This study exhibits the important role of advertising on enhancing store brand purchase intention through its correlation to perceived quality. In regard to previous research (Hoch and Banerji, 1993; Hoch, 1996; Richardson *et al.*, 1996; Batra and Sinha, 2000), this study suggests that consumers' quality perception toward store brands is highly essential in predicting store brand purchase intention.

This study identifies a complex relation between consumers' reliance on extrinsic cues and store brand purchase intention. On one hand, a positive direct relation found between the reliance on extrinsic cues and intention to buy store brands, gives a boost to many retailers' assumption that promotions of store brands at the point of sale are effective. However, it seems that reliance only on in-store promotions is not sufficient because of its short time effect. This study indicates an indirect negative effect of extrinsic cues on store brand purchase intention through the perceived quality. This negative relation is due to the absence of sustainable strong store brands usually built up through advertising (Milgrom and Roberts, 1986; Kirmani and Wright, 1989), which has a much longer and lasting effect. In addition to the importance of store brand advertising, demonstrated by the indirect relationship between advertising tendency and perceived quality of store brand, one can also easily see the importance of advertising through its strong correlation to novelty lovers, who are perceived as opinion leaders. This is particularly true since novelty lovers



Table I Factor analysis: items' factor loading and variables' reliability

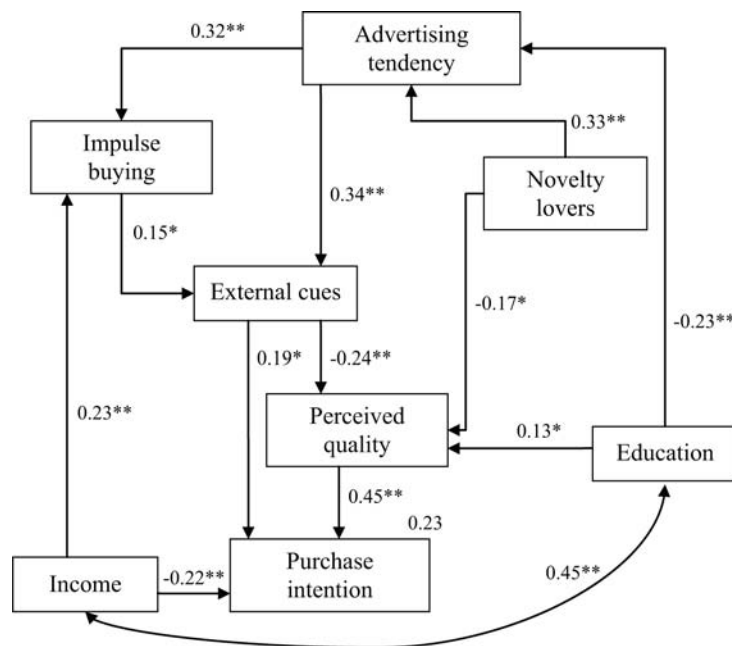
Variables and items	Factor loading	Eigenvalue	Variance	Cronbach's alpha
Store brand purchase intention		1.42	5.08	0.80
I usually buy store brand food grocery items, if available	0.79			
I usually buy store brand detergent grocery items, if available	0.83			
Store brand grocery items offer great value for the money	0.71			
Extrinsic cues		5.16	18.43	0.82
The higher the price of the grocery item, the better the quality	0.66			
The more a grocery item is advertised, the better the quality	0.76			
The more attractive the packaging of a grocery item, the better the quality	0.84			
The more "famous" the brand name of a grocery item, the better the quality	0.70			
International brands are usually of higher quality than national brands	0.81			
Store brand relative perceived quality		2.46	8.79	0.86
There is a great difference in overall quality between national brand and store brand grocery items <sup>a</sup>	0.85			
There is a great difference in ingredients' nutritional value between national brand and store brand grocery items <sup>a</sup>	0.81			
The purchase of store brand grocery items is risky because the quality of store brands is inferior <sup>a</sup>	0.79			
Advertising tendency		2.09	7.46	0.72
I sometimes find TV advertisements to be more interesting than the programs	0.71			
I often find myself talking about advertisements I have seen	0.78			
I usually pay attention to advertisements	0.55			
I am often persuaded to buy products I see in advertisements	0.47			
Advertising on TV usually annoys me <sup>a</sup>	-0.70			
Novelty lovers		1.36	4.84	0.68
I always look for new ideas and new things for my home	0.60			
I like to buy new products for my home	0.75			
When I see a new product, I usually buy it in order to try it	0.57			
I like to try new grocery products	0.62			
I try to keep myself informed about technological innovations	0.58			
Impulse buying tendency		3.27/11.69		0.68
I often buy things without thinking	0.73			
If I want something, I will buy it even if I can't afford it	0.59			
With a credit card, I buy more things than without a credit card	0.50			
I often buy things spontaneously	0.52			
I buy things according to my budget <sup>a</sup>	-0.60			
I carefully plan most of my purchases <sup>a</sup>	-0.61			
If I want something, I will save money to buy it <sup>a</sup>	-0.56			

Note: <sup>a</sup> Reverse coded

Table II Correlations of the model variables

Variables	P1	P2	P3	P4	P5	P6	D1	D2	D3	D4
P1. Purchase intention	1.00									
P2. Perceived quality	0.38 **	1.00								
P3. Extrinsic cues	0.006	-0.29 **	1.00							
P4. Ad. tendency	0.13	-0.14 *	0.39 **	1.00						
P5. Novelty lovers	-0.02	-0.22 **	0.14 *	0.35 **	1.00					
P6. Impulse buying	-0.03	-0.18 *	0.26 **	0.30 **	0.22 **	1.00				
D1. Gender	-0.09	0.05	-0.17 *	0.06	0.08	0.03	1.00			
D2. Age	0.02	-0.04	-0.07	-0.22 **	-0.08	-0.15 *	-0.14 *	1.00		
D3. Income	-0.18 *	0.8	0.02	-0.09	0.03	0.21 **	-0.18 *	-0.02	1.00	
D4. Education	-0.01	0.19 **	-0.18 **	-0.26 **	-0.10	-0.10	-0.06	-0.01	0.45 **	1.00

Notes: \* Significant at a 0.05 level (two-tailed); \*\* significant at a 0.01 level (two-tailed)

**Figure 2** A proposed model of psychographics' advertising-related factors that might influence store brand purchase intention – Path analysis results

Notes: Parameters are standardized parameter estimates. \* $p < 0.05$ ; \*\* $p < 0.01$

**Table III** Hypotheses tests: direct and indirect correlations of the variables

Hypotheses		Standardized Effect			Regression weights (direct)			
H1	Perceived quality positively correlates purchase intention	Y	0.45	0.45	0.000	0.473	6.98	<0.001
H2	Extrinsic cues negatively correlate perceived quality	Y	-0.240	-0.240	0.000	-0.282	-3.62	<0.001
H3	Extrinsic cues negatively correlate purchase intention	N	0.087	0.194	-0.107	0.241	3.03	<0.01
H4	Advertising tendency positively correlates extrinsic cues	Y	3.92	0.342	0.050	0.360	5.15	<0.001
H5	Advertising tendency negatively correlates perceived quality	Y	-0.094	0.000	-0.094			
H6	Novelty lovers positively correlate advertising tendency	Y	0.330	0.330	0.000	0.322	5.18	<0.00
H7	Novelty lovers positively correlate extrinsic cues	Y	0.129	0.000	0.129			
H8	Novelty lovers negatively correlate perceived quality	Y	-0.203	-0.172	-0.031	-0.207	-2.61	<0.01
H9	Novelty lovers negatively correlate purchase intention	Y	-0.066	0.000	-0.066			
H10	Advertising tendency positively correlates impulse buying tendency	Y	0.322	0.322	0.000	0.299	4.95	<0.001
H11	Impulse buying tendency positively correlates external cues	Y	0.154	0.154	0.000	0.175	2.33	<0.05
H12	Impulse buying tendency negatively correlates store brand perceived quality	N	-0.037	0.000	-0.037			
H13	Impulse buying tendency positively correlates store brand purchase intention	N	0.013	0.000	0.013			

evaluate store brand quality directly, and may base their evaluation on the relative amount of advertising of new products in the market arena.

The study results provide valuable insights and practical implications for retailers and manufacturers alike. First, retailers are advised to look for high quality manufacturers for their store brand, thereby offering a high quality product, similar to that of national brands (Hoch and Banerji, 1993). Second, retailers should allocate their promotional budget differently. Along with their in-store promotions, retailers should invest more heavily in advertising their store brand in order to build a strong and sustainable brand (De Wulf *et al.*, 2005), thus replacing the current practice, based on relatively low prices and “over shelf” display (over-representation). It is commonly accepted that the display space available in the store is limited, and there is a shelf display space shortage in

regards to displaying national brands (Corstjens and Lal, 2000; Kumar and Steenkamp, 2007b). Strong store brands will allow for the cutting of shelf-space, currently assigned to the national brand. In addition, the currently existing low selling price of store brands has two contradicting outcomes: the positive outcome – signaling high value for the money and the negative outcome – implying low quality as consumers frequently employ a price-quality heuristic (Rao and Monroe, 1989). The strong store brand built through advertising will also allow selling it at a higher price signaling high value.

We believe that higher advertising costs will be compensated by a growth in total store sales along with improved gross margin. Three components are expected to increase sales. One, a more effective and rational display of the products; two, perceived good quality of the store brand,

which enhances store loyalty (Corstjens and Lal, 2000); three, raising the store brand's price.

Apart from advertising, retailers should also focus more efforts on innovation indicators, such as using more distinctive and upscale new packaging; creative and up-to-date logos, adding lines of premium store brands and the like, in order to specifically attract novelty lovers, who are regarded as opinion leaders.

Regarding manufacturers, the war between them and the retailers is not over and will further intensify in the future. We predict that retailers will increase their advertising expenditures; therefore, in order to carry out the higher perception of their brands, manufacturers should increase their advertising expenditures of national brands and sharpen the advertising message in order to maintain the existing higher perception of these brands, as compared to store brands. National brand manufacturers should also continue to look for creative innovations so as to precede store brands.

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## About the authors

Shalom Levy is a Lecturer in Marketing in the Department of Economics and Business Administration, Ariel University Center, Israel. He holds an MBA and a PhD in Marketing. He was previously a member of the School of Business Administration at Bar-Ilan University, Israel. Prior to this, he worked as a media manager and head of planning and research in advertising companies. His research interests focus on advertising in general, interactive media and store brands. His work has been published in such journals as *Marketing Letters* and *International Journal of Advertising*. Shalom Levy is the corresponding author and can be contacted at: shalom@ariel.ac.il.

Hanna Gendel-Guterman is a Senior Lecturer in Marketing in the Department of Economics and Business Administration, Ariel University Center, Israel. She holds an MBA in Finance and a PhD in Marketing. She also teaches in the School of Business Administration at Bar-Ilan University, Israel. Previously, she was the Head of Economics and Research Department in the leading retailer company in Israel. She has written and published many professional papers in the fields of economics and marketing. Hanna Gendel-Guterman can be contacted at: hanag@ariel.ac.il

## 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.*

The emergence of store brands or private labels enabled retailers to offer cheaper alternatives to established manufacturer brands. In addition, these products help stores to improve market share and profits, increase business and generate customer loyalty to the retailer.

Retailers typically use low price to market store brands and target the more price-sensitive consumer. A common strategy is to market the store rather than individual brands, with the saving on expensive advertising helping to keep the price of own label products low. Store brands can also gain an advantage through in-store promotional efforts and extra shelf-space allocation.

Much research has shown how advertising might influence attitudes towards a product or brand. Advertising helps nurture feelings and emotions which combine with and reinforce beliefs and attitudes to shape consumer response and subsequent purchase intention. It is generally accepted that advertising gives national brands a marked advantage over private label competitors. According to some evidence, the persuasiveness of advertising increases in relation to its quantity and quality. As its impact grows, the market share of store brands tends to decrease.

Marketers use extrinsic cues that include brand name, packaging, advertising and price to signal quality and improve



brand perception. Creative use of expensive advertising is a proven method of indicating high quality as consumers rely on extrinsic cues like this when they are unable to directly evaluate the physical product. In the absence of similar advertising, store brands are generally considered as being substandard by comparison. Because of this perceived quality difference, consumers are more likely to choose national brands.

From the outset, store brands were perceived as cheap and of inferior quality to national brands. And although these perceptions have improved significantly since then, manufacturer brands remain the preferred choice of many consumers. Retailer brands have become a serious threat though, forcing manufacturers of national brands to respond by raising their investment in both advertising and new product development.

This threat has intensified in recent years with the arrival of premium store brands. Retailers have launched such products in order to achieve differentiation from other stores and to compete directly with major national brands. Premium own label products differ in the respect that they are positioned on superior quality rather than price. As a consequence of this progression, advertising of store brands becomes more important.

Given the high costs associated with advertising, retailers will benefit from an understanding of which consumer traits might affect the inclination to purchase store brands. Certain individuals are attracted to the novelty value of products and therefore tend to regularly seek new and different offerings instead of sticking to the same consumption patterns. Growing competition from store brands has prompted many national brand manufacturers to adopt a more innovative approach. Certain scholars therefore assume that novelty seekers who respond to advertising will therefore purchase national brands and reject private label option.

The literature also acknowledges that the purchase behavior of some consumers is driven by impulse buying tendencies. It is argued that personality traits determine this predisposition, which is also activated by external stimuli like advertising or sales promotions. Studies have found that in-store displays, posters, point-of-sale promotions and other cues within the retail environment often initiate impulse purchases. This being the case, one assumption is that consumers who respond to such cues will be more inclined towards retailer brands that are extensively promoted in store.

These issues are investigated in the current study by Levy and Gendel-Guterman. A survey was conducted involving randomly recruited adult shoppers of a grocery chain store. The sample of 206 consisted of 71 percent females and 29 percent males. Most respondents were aged between 26 and 65 and virtually all are involved with the family shopping.

The study explored consumer lifestyle attributes and subjects were asked to respond to various statements relating to store brand purchase intention, extrinsic cues, the relative perceived quality of retailer brands, response towards advertising, novelty lovers and impulse buying tendency.

Analysis revealed:

- Positive correlation between store brand perceived quality and store brand purchase intention.

- Negative correlation between extrinsic cues and store brand perceived quality.
- Advertising tendency is positively linked to extrinsic cues.
- Advertising tendency is negatively correlated with store brand perceived quality.
- Positive correlation between novelty lovers and advertising tendency.
- Positive correlation between novelty lovers and extrinsic cues.
- Negative correlation between novelty lovers and store brand perceived quality.
- Positive correlation between novelty lovers and store brand purchase intention.
- Impulse buying propensity is positively associated with external cues.
- Positive correlation between advertising tendency and the inclination to engage in impulse purchase behavior.
- Negative correlation exists between income level and retailer brand purchase intention.
- Educational level is positively linked with the relative perceived quality of store brands.
- Negative correlation exists between educational level and advertising tendency.

The authors note the strong relationship between consumer quality perception of store brands and intention to buy such products. They additionally point out the role of advertising in increasing this perceived quality. Advertising helps to strengthen store brands and has a more potent effect than in-store promotions which are inherently transient in nature. Levy and Gendel-Guterman believe that the impact of advertising on novelty lovers is especially significant because these consumers often function as “opinion leaders”.

Retailers are advised to use high-class manufacturers to produce their store brands in order to offer products comparable in quality to national brands. Heavier investment in advertising is likewise recommended as a means to make the store brand more sustainable. Strengthening the store brand in this way should enable retailers to increase the price of their own brands to signal quality and to offset some of the advertising outlay. It is realistic to expect total store sales to rise and this will also help.

Advertising will raise consumer perceptions of store quality too. In addition, retailers might attempt to become more innovative to attract novelty seekers. This can be achieved through improvements to features like packaging and logos together with the introduction of more premium own label products.

National brands are typically perceived as being of higher quality to store brands. In order to maintain these consumer perceptions, the authors recommend that manufacturers increase their advertising budget even further. Innovation is also seen as an important means of retaining this advantage.

*(A précis of the article “Does advertising matter to store brand purchase intention? A conceptual framework”. Supplied by Marketing Consultants for Emerald.)*