



Ehrenberg-Bass
Institute for Marketing Science

**Submission for the Award of
Doctor of Philosophy**

**“Understanding consumer knowledge about private labels.
A study of brand perceptions and rejection”**

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Abstract

This thesis examines the nature and content of knowledge about supermarket private labels in consumer memory. It investigates the patterns in perceptual responses, the organisation of private label knowledge and the levels and underlying reasons for consumers rejecting private labels.

Private labels (brands that are sponsored or owned by retailers, wholesalers, or distributors and sold exclusively in their stores (Schutte, 1969)) are the fastest growing group of brands around the world (Steenkamp et al., (forthcoming)). Private labels are important to retailers, as they often provide higher margins than national brands and, because of their exclusivity, create a point of differentiation from other retailers (Corstjens and Lal, 2000). They pose significant challenges to national brands, as both brand types compete for consumer choice, and this competition is increasing.

Brand perceptions are an important area to research because of the two main roles they have in the brand choice process (Keller, 2003a). Firstly, they facilitate brand retrieval and, secondly, they are used to evaluate retrieved options (Nedungadi, 1990). Today the majority of consumers buy private labels and during the process of seeing, buying and using private labels, perceptions about these brands develop. Drawing from the Associative Network Theory (see Bower, 1998) these perceptions link with associations about other brands in the same category. However, the academic literature reveals little about the nature, content and organisation of perceptions consumers hold about private labels and the implications of this knowledge for consumer choice and marketing practice. Examination of these issues is the aim of this thesis.

This thesis consists of three independent studies designed and conducted to address the following research questions:

1. Do the perceptual responses to private labels fit the 'normal' patterns in brand image data?
2. How is the knowledge about private labels of different tiers and national brands organised in consumers' memory?

3. What proportion of current non-users of private labels will not consider private labels in the future and why may this happen?

The scope of this thesis is supermarket private labels from different tiers (premium and value) in nine supermarket product categories from the UK and Australia.

This thesis contains three major discoveries, which advance private label literature and practice:

The main difference between private label and national brand image is the level of knowledge of non-users

Advertised national brands enjoy a higher level of knowledge amongst their non-users than do private labels. The finding emphasises the importance of advertising for national brands to maintain their position. Well branded and appropriately scheduled advertising can lead to building up brand associations in consumers' memory, which increases the probability of thinking of or noticing a brand (Romaniuk and Sharp, 2004). The importance of building up associations in non-users memory is primarily because each brand has so many non-users and they are the source of brand growth. Many current non-users may simply be light or occasional buyers that did not have the opportunity to make a purchase in a given period. Strong empirical evidence shows that consumers buy from repertoires of *look-alike* brands implying that any brand's potential market is those who use the category (e.g. Ehrenberg, 2000b). Therefore, failing to reach non-users and light consumers means that a large proportion of potential consumers are neglected.

This finding, along with the result that rejection of private labels is generally low suggests that consumers may not have major objections to try private labels, but rather they just do not think of or notice them. In order to grow sales, private label managers should invest in programs that induce trial and exploit the advantage they have over national brands in-store by making private labels more visible and easy to buy.

This empirical finding provides benchmarks on what to expect when private labels are included in brand image data, which advances private label literature.

Premium private labels are different to value private labels

Perceptual responses to premium private labels deviate from ‘normal’ patterns in brand image data; they form a subgroup in the consumer’s memory; and their rejection levels are lower than rejection levels of value private labels. Therefore, consumers do perceive differences between premium and value private labels. This finding implies that consumer research on private labels can no longer treat private labels as a homogenous group of brands. For private label managers this finding shows that investments in the enhancement of extrinsic product cues (such as packaging and advertising) and objective quality (e.g. product ingredients) of premium private labels can bring the desired effect.

About two third of private label rejection occurs due to factors not linked to past negative experience, with the primary reason being low perceived quality

This finding suggests that objective quality improvements for private labels should be accompanied by investments in extrinsic cues, such as attractive packaging and advertising, which can enhance perceived product quality. National brand marketers should target this reason for private label rejection by maintaining the high quality of their products while simultaneously investing in product innovations. Product innovations will give them a short-term advantage over private labels and the ability to justify a price premium. This finding advances academic literature on brand rejection by extending it to private labels and quantifying the levels and reasons for rejection.