All Hail the Brand! Why Brand Gravitas *Really* Does Matter

Justin Beneke and Emma Trappler

Abstract This study examines the influence of supermarket brand name on the perceived quality of its private label merchandise. The research design employed an experimental approach to assess whether brand presence had a material effect on perceived quality of the merchandise. In the experiment, both products were rated equally at the outset in unsighted conditions, however ratings diverged when brand name was introduced. Here, the high-end private label brand was scored considerably better than in its unsighted condition, whilst the low-end brand suffered a marginal decline in rating. Overall, the study points to the brand name as being a supremely powerful extrinsic cue, and hinting at the fact that within emerging markets, such as South Africa, mainstream private labels still have some way to go in acquiring trust and respect amongst consumers.

Keywords Private Label Brand • Perception • Quality • Experiment • Retail • South Africa

1 Introduction

Numerous studies in the scholarly literature (e.g. Baker, Borin, Grewal, & Krishnan, 1998; Bowles & Pronko, 1948; Breneiser & Allen, 2011; Hilgenkamp & Shanteau, 2010; Kaswell, 2007; Rubio, Oubiña, & Villaseñor, 2014) have considered the effect of the brand on perceived quality of the merchandise. Such studies have sought answers to the age-old question "*what is the influence of the label on the expected quality of the product?*" or, in marketing phraseology, "*is brand name really used as a leading indicator to discern the perceived quality of merchandise?*"

J. Beneke (✉) • E. Trappler
School of Management Studies, University of Cape Town, Rondebosch, South Africa
e-mail: Justin.Beneke@uct.ac.za

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This paper probes the issue by exploring whether this phenomenon holds true for private label brands in an emerging market context. Private label brands are brands that are owned by specific retail chains and sold exclusive through their own network of stores. Hence, the retailer has full control of the intellectual property and manufacturing process (Kumar & Steenkamp, 2007). Private label brands have struggled to gain traction in certain marketplaces, such as South Africa, due to their quality being uncertain, as well as consumers' lack of knowledge and experience in using these brands (Beneke, 2010; Walker, 2006).

In order to achieve the above, this study sets out to consider whether consumers can discern the inherent differences in quality between competing products without the benefit of the brand name to provide guidance. Conversely, with full sight of the brand name, is this situation materially different?

2 Conceptual Overview

2.1 The Perceived Quality of Merchandise

Perception may be defined as the subjective process by which individuals select, organise and interpret stimuli into a coherent picture (Joubert & Poalses, 2012). In a branding context, perceived quality is a powerful construct, cited among the most "important non-sensory factors affecting consumers' choice decisions" (Ares, Gimenez, Gambaro, & Varela, 2010). Numerous scholars, including Méndez, Oubiña, and Rubio (2011), Chowdhury and Andaleeb (2007), Cronin, Brady, and Hult (2000) and Aaker & Keller (1990), have drawn attention to perceived quality as a crucial variable in the product selection process.

Confirming these results, in a study conducted by Baltas and Argouslidis (2007), respondents were asked to indicate the most important aspect in the decision process, with perceived quality being given the highest priority. Other studies have found perceived quality to be strongly related to brand loyalty (Beneke, 2010; Jacoby, Olson, & Haddock, 1971; Nies & Natter, 2012), brand image (Aaker & Biel, 1993; Diallo, 2012; Semeijn, Van Riel, & Ambrosini, 2004), as well as perceived value and purchase intent (Baker et al., 1998; Beneke, Flynn, Greig, & Mukaiwa, 2013; Sweeney, Soutar, & Johnson, 1999). Regardless of real, objective quality, consumer decisions are ultimately based on their perceptions (Joubert & Poalses, 2012).

2.2 Brand Name as a Leading Indicator of Perceived Quality

Consumers use a variety of cues in order to evaluate quality alternatives (Baker et al., 1998; Olsen, Menichelli, Meyer, & Naes, 2011; Ramberg, Bowman, & Jones, 2011; Richardson, Jain, & Dick, 1996; Teas & Agarwal, 2000). Jacoby, Olson, and

Haddock (1971) refer to extrinsic cues as those that are external to the physical product and intrinsic cues, such as taste or ingredients, which are internal and not immediately apparent. Similarly, Richardson et al. (1996) refer to extrinsic cues as indirect factors and intrinsic cues as direct factors.

There is widespread consensus that it is typically the extrinsic cues that are more influential, as intrinsic cues are generally more difficult to evaluate (Collins-Dodd & Lindley, 2003). This effect is amplified when considering food products, as accessing intrinsic cues typically necessitates consumption of the product and therefore cannot be adequately evaluated by the consumer at the point of purchase.

A brand name serves as a trigger to populate a consumer's mind with preconceived ideas, often setting expectations and recalling important information (Lee & Lou, 2011; Rubio et al., 2014). Joubert and Poalses (2012) contend that a strong brand can serve to reduce risk perception and foster customer loyalty. A successful supermarket brand name can convey an image of consistent food quality, good service, fresh ingredients and a pleasant environment (Lee & Lou, 2011), as well as facilitate future product developments (Hilgenkamp & Shanteau, 2010). Furthermore, it can command a premium, as customers feel they are not simply purchasing a product, but an assurance of good quality (Kohli, Harich, & Leuthesser, 2005).

Numerous studies have experimented with different product categories and confirmed that brand name does indeed have a significant influence on perceived quality (Baker et al., 1998; Brucks, Zeithaml, & Naylor, 2000; Dawar & Parker, 1994; Dodds, Monroe, & Grewal, 1991; Jacoby et al., 1971; Rigaux-Bricmont, 1982; Rubio et al., 2014; Vahie & Paswan, 2006; Zielke & Dobbelstein, 2007). This was emphasised in a study by Bonham (1995), in which sighted and unsighted sampling of branded and private label confectionery revealed a preference for the branded version despite zero taste difference. Underscoring this, Rubio et al. (2014) found a negative effect of the inference brand awareness-brand quality relationship on the perceived performance of private labels, with quality conscious consumers being highly susceptible to this. Thus, retailers have a vested interest in learning about this effect on their private label brands and mitigating any potential damage in this respect.

De Wulf, Oderkerken-Schroder, Goedertier, and Van Ossel (2005) conducted sighted versus unsighted sampling to investigate the extent to which brand associations are stronger than taste preferences. Orange juice was set as the product category, with respondents sampling Minute Maid (the market leader) and four other, private label, brands. Results revealed that when respondents were unaware of the brands being sampled, Minute Maid was the least preferred juice, and a private label the most preferred. When respondents tasted Minute Maid with its true identity visible, they experienced an immediate inclination to favour it. This suggests that once aware of the brand, bias in introduced into the assessment of product quality.

In another such test, Breneiser and Allen (2011) tested whether the presence of a strong brand affected taste preference judgments. Taking three brands of cola, one national brand and two private label brands, they conducted sighted versus

unsighted experiments to record taste preference ratings. In a sighted environment, the national brand (Coca-Cola) was voted the clear favourite, with the two private label brands holding considerably weaker positions. Yet in unsighted conditions, no difference was recorded. Only once brand name was revealed did the ratings diverge.

Ramberg et al. (2011) went a step further, deliberately attempting to confuse participants by swopping labels. Results revealed that when respondents tasted the higher-end branded soda, labelled correctly (i.e. congruent condition), a mean rating of 4.18 was assigned. When respondents tasted the same higher-end branded soda but packaged as a private label (i.e. incongruent condition), their taste ratings of the very same product declined to 3.18. Conversely, when respondents tasted the lower-end soda packaged as originally packaged (i.e. congruent condition), their ratings were 3.25. However, when respondents tasted the same soda under a branded label (i.e. incongruent condition), their ratings increased to 4.05. These results reveal a strong brand preference that overshadows the pure intrinsic qualities of the merchandise.

Based on the insights extracted from the experiments highlighted above, the following four hypotheses are presented for empirical testing in this study:

Hypothesis 1: When participants are presented with two different brands within the same product category, in an unsighted environment, these will be rated as having no significant taste difference.

Hypothesis 2: When participants are then presented with two different brands within the same product category, in a fully sighted environment, their ratings will diverge.

Hypothesis 3: The product from the higher-end brand will have higher ratings in the sighted environment than in the unsighted environment.

Hypothesis 4: The product from the lower-end brand will have lower ratings in the sighted condition than in the unsighted environment.

3 Methodology

3.1 Research Design

The methodology for this study assumes the form of an experiment design, aimed towards ascertaining whether brand name alters the perceived quality of merchandise in sighted and unsighted conditions.

The product category chosen was that of orange juice as fruit juices retail particularly well under a private label and typically occupy a category share of over 50 % (Steenkamp & Dekimpe, 1997), outperforming other general private label food products by a factor of two (Van Ossel & Versteylen, 2002). Furthermore, orange juice was selected as fits the definition of an ‘experience’ product—one that can only be assessed by means of consuming it (Batra & Sinha, 2000).

3.2 Data Collection

Respondents were chosen on the basis of willingness to participate in the study, as well as their availability. No prior product knowledge or experience was required. Ultimately, a sample size of 160 participants was obtained, consistent with that used in similar studies (Breneiser & Allen, 2011; Ramberg et al., 2011).

A research instrument in the form of a questionnaire was developed to collect perceptions from respondents and monitor their cognitive processes when the state of variables was shifted in the experiment. Sections A and B, respectively, examined their taste ratings of the product when brand name was withheld (unsighted condition) and when brand name was visible (sighted condition). By measuring variations in ratings between the two conditions, reliable insights could be obtained concerning the influence of brand name as an extrinsic cue on quality perception.

3.3 Experiment Procedure

The experiment was conducted through a multitude of sessions containing five to ten participants per group. Two cups of orange juice were presented: 'Brand A' was written on the one cup and 'Brand B' on the other. Participants were then requested to complete the first component of the questionnaire—a question asking them to rate the quality of 'Brand A' and 'Brand B' on a seven-point semantic differential scale with 1 being 'good taste' and 7 being 'bad taste' (Rigaux-Bricmont, 1982). The two cups were then removed and the group was requested to complete a series of questions pertaining to the conceptual model, but not directly connected to the experiment. This provided them with a short reprieve and an opportunity to clear their minds of the findings from the first phase of the experiment. They were then asked to sample two (supposedly) different orange juices, one cup being labelled 'Woolworths' and the other 'Pick n Pay'. In reality, they were presented with the same two samples of orange juice. As in the first instance, participants were required to rate each on the seven-point semantic differential scale provided.

3.4 Statistical Analysis of Data

Hypotheses one and two were tested with paired sample t-tests (two tailed). These considered whether a difference in ratings existed between the brands, both in a sighted and unsighted capacity.

Hypotheses three and four were tested with paired sample t-tests (one-tailed). These aimed to assess whether the higher-end brand will experience higher ratings when the brand is exposed and, conversely, whether the lower-end brand will experience lower ratings when the brand is in full view.

4 Results

Prior to the statistical analysis of the data, the dataset was checked for normality using the Kolmogorov-Smirnov test, as well as subjected to skewness and kurtosis examination. The data was found to adhere to standards of normality, implying that parametric tests were appropriate for use.

The hypotheses relating to the outcome of the experiment are tested below.

Hypothesis 1: *When participants are presented with two different brands within the same product category, in an unsighted environment, these will be rated as having no significant taste difference*.

H_0: In unsighted conditions, the ratings of both brands are scored equally

H_1: In unsighted conditions, a difference in ratings is observed between the brands

The mean ratings for the higher- and lower-end brands were 4.02 and 4.00, respectively. We failed to reject the null hypothesis at a 5 % level of significance (p-value = 0.949) and concluded that no difference in ratings was evident. Hypothesis one is therefore **supported**.

Hypothesis 2: *When participants are then presented with two different brands within the same product category, in a fully sighted environment, their ratings will diverge*.

H_0: In fully sighted conditions, the ratings of both brands are scored equally

H_1: In fully sighted conditions, a difference in ratings is observed between the brands

After exposure of the brand, the higher-end brand score was recorded as 3.02 (a shift of 1.0 units) and the lower-end brand score was recorded as 4.37 (a shift of 0.37 units). As in Hypothesis 1, the null hypothesis was rejected at a 5 % level of significance (p-value = 0.000) and it was concluded that there is indeed a perceived difference between the brands. Thus, hypothesis two is also **supported**.

Hypothesis 3: The higher-end brand will have higher ratings in the sighted environment than in the unsighted environment.

H_0: Ratings for the higher-end brand will not change between sighted and unsighted conditions

H_1: Ratings for the higher-end brand will improve when the brand is exposed

A mean of 3.02 was recorded in unsighted conditions and 4.02 in sighted conditions. To this end, the null hypothesis was rejected at the 5 % level of significance (p-value = 0.002) and it is concluded that the higher-end brand did indeed receive higher ratings once the brand was exposed. Hypothesis three is therefore **supported**.

Hypothesis 4: The lower-end brand will have lower ratings in the sighted condition than in the unsighted environment.

H_0: Ratings for the lower-end brand will not change between sighted and unsighted conditions

H_1: Rating for the lower-end brand will deteriorate when the brand is exposed

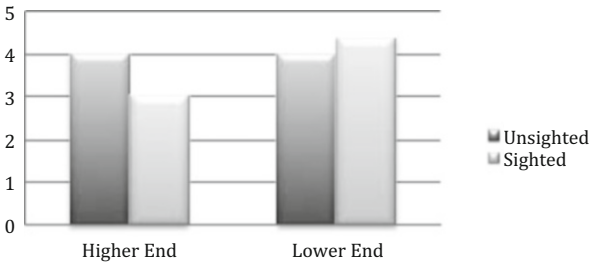

Fig. 1 Results of experiment conducted

A mean of 4.00 was recorded in unsighted conditions and 4.37 in sighted conditions. To this end, the null hypothesis was also rejected at the 5 % level of significance (p-value = 0.015) and it was concluded that the lower-end brand did indeed receive lower ratings once the brand was exposed. Hypothesis four is, too, **supported**.

The respective ratings are illustrated in Fig. 1 above.

5 Discussion

The experiment within this study compared perceived quality ratings for the higher-end and lower-end brand in a sighted and unsighted environment.

All results pertaining to the experiment validated the hypothesised assertions and were in line with previous literature (e.g. Bonham, 1995; Breneiser & Allen, 2011; De Wulf et al., 2005). In the unsighted condition, with brand name withheld, the average rating of the higher-end and lower-end brand was 4.02 and 4.00 respectively. These were recorded at close to the midpoint on the seven point differential scale, indicating an ambivalent response. Interestingly, both were rated very similarly, therefore indicating that intrinsically they were perceived to be on par.

When respondents tasted sighted samples of the same orange juices, the average rating for the higher-end and lower-end brand was 3.02 and 4.37, respectively. This indicates that when brand name was revealed to participants, ratings diverged substantially. The t-tests quantify this phenomena, indicating that no significant difference existed between the two (at the 5 % significance level) in an unsighted environment, yet a significant different in perceived quality surfaced as soon as brand name was introduced into the proceedings.

Furthermore, comparing the average rating of the higher end brand—4.02 in the unsighted condition to 3.02 in the sighted condition—there was a significant increase in perceived quality (at the 5 % level) when respondents were made aware of the brand name. Likewise, the opposite effect came into existence when the lower-end brand name was revealed, with the rating changing from 4.00 to 4.37.

This, once again, was recorded to be a significant decrease in perceived quality (at the 5 % level).

6 Conclusion and Managerial Implications

This study underscores the importance of creating, and managing, powerful private label brands. In an emerging market, consumers have been found to exhibit high levels of brand loyalty, often being unable to afford taking the financial risk of trusting a relatively unknown brand that has the potential for failure. The results reveal that the mind is more powerful than the taste buds. In this respect, as the brand name was introduced, ratings diverged in favour of the higher-end brand and to the detriment of the lower-end brand. There appears to be a symbiotic relationship between brand name and perceived quality, perpetuated by a 'placebo effect', resulting in consumers' expectations driving their perceptions of quality. Owing to this effect, it is advisable for retailers to invest both in product quality and levels of brand awareness, trust and prestige. Whilst some may see advertising as 'wasted expenditure' in building private label brands, reinforcing marketing communications and brand messaging may just be the key to maximising sales. It would appear that the old adage remains stubbornly true: Perception = Reality.

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