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Mincing the brand

A study of the relationship between private labels and retailer brands

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Abstract

Title:	Mincing the brand – A study of the relationship between private labels and retailer brands
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Keywords:	Retailer brand, Private label, Perceived quality, Store image, Loyalty
Purpose:	To contribute to the understanding of the relationship between private labels and the retailer brand in grocery retailing.
Methodology:	We use structured interviews as a cross-sectional method for quantitative data collection. The existence of the relationship is tested through correlation analysis and regression analysis.
Theoretical perspective:	Perceived quality of private labels and of retailers are the main theoretical concepts for this thesis. Additionally, we introduce the concept of loyalty to show the benefits of a positive consumer image.
Empirical data:	The data consists of 182 valid structured interviews collected during a single day in Lund.
Conclusion:	The study provides further empirical evidence for the existence of a relationship between private labels and the retailer brand. It reveals that the negative perception of a private label product can influence the retailer quality perception as well as the private label quality perception.

“One for all, and all for one”

The Three Musketeers, Alexandre Dumas (1802 - 1870), French writer

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“Don’t brag about your lightning pace,

For slow and steady won the race”

The Hare and the Tortoise, Aesop (ca. 620 – 560 BC), Greek writer

1 Introduction

"After yesterday's programme there are clear suspicions that a crime has been committed."

Daniel Selin, health inspector for Nacka council in Aftonbladet (2007)

1.1 Mincing the brand

On December 5th, 2007 a documentary aired on Swedish television revealed how ICA, Sweden's largest grocery retailer, illegally repackaged minced meat and put it back on the shelves for sale. Approximately 900,000 viewers saw the documentary and since then more or less every person in Sweden has been exposed to this news, causing customer anger and a tremendous damage to the ICA brand. Sweden's flagship grocery retailer hit rock bottom within 24 hours. Before the documentary there was, according to Ingrid Jonasson Blank, an executive vice president of ICA, around 5% negative media coverage of ICA. The month after the documentary negative media coverage exceeded 90%.

Within a few weeks it was revealed that ICA's main competitors, Coop and Axfood, had repackaged meat in much the same way as ICA, however, none of them became the target of the same public uproar. A week after the documentary many ICA stores not even mentioned in the documentary had lost more than half of their minced meat sales (Bengtsson and Gripenberg, 2007). The owners of the ICA stores featured in the documentary are now facing criminal charges and might be forced to pay severe fines for their actions (Bengtsson, 2008). The effects on customers' loyalty and trust are harder to measure and will probably have an effect on ICA long after the sales of minced meat recover to its earlier level. Nevertheless, there is little doubt that the customer's perception of the ICA brand has been severely influenced by this event.

Corporate scandals and the subsequent organisational damage are not unknown to the academic world. Early research dealt with crises of industrial players such as Union Carbide (Bowonder and Lindstone, 1987; Shrivastava, 1988) and Exxon Valdez (Nulty, 1990 in Pearson and Clair, 1998) but also manufacturers like Johnson and Johnson (Dowdell et al., 1992), Odwalla (Martinelli and Briggs, 1998) and Snow Brand Milk Products (Wrigley et al., 2006) have been researched.

However, in our opinion the ICA minced meat incident is unique in two ways. First of all, the new market dominance of retailers in comparison to manufacturers adds an additional

dimension to the retail market that has not been seen in retailers' crises so far. Secondly, no retailer has before been exposed breaking the law in this scale. As the incident affects the products and particularly the private labels, this case is especially interesting. In order to gain a better understanding of the developments in the retail market over the last decades we will first have to scrutinise the relationship between private labels and national brands.

1.2 Literature review

1.2.1 Use of terminology

Before we can continue, however, we need to understand the jargon used in previous literature in order to ascertain consistency in our terminology. Researchers have used the terms store brands and private labels interchangeably in their papers. According to Raju et al. (1995:957) "*store brands, or private labels, are brands owned, controlled and sold exclusively by a retailer.*" We believe this multiple use of language to be confusing and thus, while agreeing with the above definition, we stick to the expression *private labels* in our thesis when speaking of the whole range of private labels. For a single product of the private label range we use the term *private label product*.

As we also investigate the area of the corporate brand of the retailer it is necessary to use a consistent terminology for it throughout the paper. Some researchers refer to it as the store as a brand, however, we find this expression not very convincing. In our paper we use either the term *retailer brand* or *corporate brand* for this concept.

1.2.2 Reviewing the power shift: Private labels vs. national brands

Over the past 30 years the market share of private labels has increased substantially indicating a power shift from the manufacturers to the retailers. Retailers constantly tackle more sophisticated markets in order to add value to the retail chain. (Steenkamp and Dekimpe, 1997) This puts manufacturers of strong and dominating brands under pressure as they fear for their market shares. Private labels do no longer have a low-quality perception but are genuine alternatives competing for market share (Hoch, 1996). Therefore, manufacturers are about to lose one of their remaining competitive advantages, the perceived superior quality of their products in the customer's mind (Steenkamp and Dekimpe, 1997). The development of private labels reflects a logical step for a retailer to maintain growth in a competitive market environment where other approaches to retain return on investments have been exhausted (Kapferer, 2004).

However, a vast number of researchers observe only a limited power shift (Farris and Ailawadi, 1992; Messinger and Narasimhan, 1995; Pauwels and Srinivasan, 2004) and see limited opportunities for retailers to gain market share at the expense of national brand manufacturers (Ailawadi, 2001; Corsjens and Lal, 2000). Private labels are rather considered to help increase store margins and build loyalty. A broad brand assortment as well as a sufficient level of quality of the private labels is vital for the retailers' profitability. After all, consumers still have strong preferences for national brands. However, this does not imply that the emergence of private labels did not affect the relationships between retailers and manufacturers. Retailers' negotiating positions have been strengthened and sometimes only the threat of introducing a private label leads to concessions by national brand manufacturers (Narasimhan and Wilcox, 1998; Steenkamp and Dekimpe, 1997).

1.2.3 Linking private labels and the retailer brand

We have already mentioned how over the years retailers became more sophisticated and constantly developed their private labels. Some retailers' private labels grew to the extent where the ordinary consumer cannot differentiate them anymore from the store (Grewal et al., 2004).

While this is not yet the norm it is important to analyse how private labels as well as the corporate brand of the retailer affect the customer perception of store quality. To better comprehend this complexity we will now have a look at the interactions between the retailer brand and the associated private labels.

Dick et al. (1996) revealed that private labels can create store loyalty while De Wulf et al. (2005) suggest that the reverse relationship also exists. A common view nowadays is that private labels are the representatives of retailers. Corstjens and Lal (2000), for example, analytically and empirically uncovered in their research that high quality private labels not only lead to store loyalty but a high quality perception of private labels also establishes a high quality perception of the retailer brand among consumers. The authors further argue that a low quality private label on the other hand cannot be used as an instrument for differentiation to create store loyalty but rather enhances the chances of price wars among retailers. While the argumentation for a link between private labels and loyalty seems logical to us it has by no means been clearly proven. On one hand, Ailawadi et al. (2001) find supportive data in their survey. On the other hand, Ailawadi and Harlam (2004) reveal contradicting results where heavy buyers of private labels are significantly less loyal than medium users of private

labels. Ailawadi and Keller (2004) conclude that empirical evidence is not only sparse but also mixed.

Branding strategies of retailers and manufacturers differ in their structure. One advantage of retailers is the use of their corporate name to promote the most important private labels (Martenson, 2007). Manufacturers have understood and used this strategy for a while but the synergies are even bigger for retailers due to the retailers' physical presence through retail outlets. The acknowledgment of this connection is very important for our research. There is little doubt that private labels and the corporate brand influence each other to a certain extent, however, research did not yet establish the magnitude. Martenson (2007) argues that both, the retailer brand and private labels, influence the customer perceptions, but in accordance with Grewal et al. (2004) we believe much more research is needed in this area. Martenson (2007) mainly investigates the retailer brand and private labels from a separate point of view and does not go deep into the interactive effects of private labels on the retailer brand and vice versa. In her opinion it is likely though that the store image influences the consumers' willingness to try the private label while the store image is only potentially influenced by the private label. Hence, she asserts the existence of a reciprocal influence between the store image and individual private labels. Richardson et al. (1996) partly provide empirical evidence for this presumption. Their results show that an unattractive and poorly kept store might transfer the image to the private label and influence the customer perception. Hence, store aesthetics as part of the corporate brand awareness can improve the image of private labels.

We can summarise that previous research has so far found the following two important links between the retailer brand and private label:

- High quality perception of private labels can lead to higher quality perception of retailer.
- Reciprocal influences between store image and private label exist: The influence seems to be stronger from the retailer brand to the private label than vice versa.

We have already mentioned quality perception a few times without providing an in-depth explanation. While we will discuss the concept in breadth at a later point, as it is a main concept of our research, we should know for the moment that perceived quality can be simplified as an attitude towards a brand (Anselmsson et al., 2007).

1.3 Problem formulation and research questions

Besides the lack of empirical evidence researchers predominantly argue that the emergence of private labels reconfigured the retail market. The scrutiny of private labels has been given great importance. An abundance of studies have been exerted analysing private labels' influence on retail store margins and loyalty. Others investigated the competitiveness of private labels against national brands as well as appearing synergies when retailers manage to combine them appropriately. In our opinion, however, research demonstrates shortcomings in studying the relationship between private labels and the retailer brand, particularly in the area of brand perception.

As our problem originates from the ICA meat incident it is interesting to see that Hornibrook et al. (2005) studied the consumers' perception of risk when purchasing meat in Irish supermarkets, where almost the entire market is covered through private labels. Interestingly, their results state that consumers still emphasise food safety and health issues but also disclose that supermarket loyalty is a risk reducer in the customers' mind. Assuming that similar presuppositions exist in the Swedish market, combined with a strong private label by ICA, the extraordinary circumstances motivate to dig deeper into this area.

Previous literature has mentioned the existing link between private labels and the retailer brand but rather considered the influencing effects of the corporate brand on the private label than vice versa. Generally speaking this might be the more interesting relationship, particularly in the uneventful daily business. However, we suggest that after an unexpected negative incident this supposition does not apply anymore. In our opinion negative occurrences such as the ICA incident and the associated negative perceptions of the private label exert strong pressure on the retailer brand. Naturally, we do not know yet if these perceptions are negative but we assume that the incident was not well perceived in the society. We have found that literature does not really distinguish between positive and negative perceptions. Hence, we are particularly interested in the effects of negative private label perception as this has been neglected so far. While earlier research indicates a positive correlation between strong private labels, i.e. those with high perceived quality, and store loyalty (Corstjens and Lal, 2000), we will investigate the relationship in the sub-optimal case. As research in this area is very sparse our analysis focuses on the basic relationship between the private label and the retailers' corporate brand. Thus in order to accomplish our research goal we will first analyse the following research question:

- To what extent is the consumer perception of the retailer brand related to the negative perception of a specific private label product?

Additionally, we will scrutinise if we can also find a relationship between the private label and a private label product. Hence, the second research question is:

- To what extent is the consumer perception of the overall private label related to the negative perception of a specific private label product?

We consider both questions to be equally important as it is crucial to understand the magnitude of a negative incident and we therefore have to analyse the spill over effects on other products under the private label as well as on the main corporate brand. By answering these research questions we hope to contribute to the understanding of the connection between private labels and the corporate brand of retailers.

1.4 Delimitations

It is important to clarify that by researching consumer perceptions of quality we are interested in attitudes and not behaviour. Research of purchase behaviour in relation to private label is also interesting and needed, but goes beyond the scope of our thesis. In the theory chapter we introduce the concept of loyalty that in our opinion is a behavioural concept. Please note that we do not measure loyalty; we simply use the concept to get a better understanding of possible consequences of consumer attitude.

Another important delimitation is that we are interested in perception of quality and not quality itself. It is vital to keep in mind that when speaking of quality it is the consumer's perception of quality. The actual quality of private label products is not covered in this thesis.

We use the ICA minced meat incident as a background and as a starting point for our research. In order to make sense of the incident we provide a thorough description of ICA, the incident and ICA's reaction to it. Still it would not be right to say that we do a case-study of ICA since we lack access to an inside perspective.

Finally, we would like to clarify that due to practical reasons we have chosen to include only one of ICA's private labels in our research, the one bearing the ICA name. Other ICA private labels have slightly different profiles and would probably lead to different results.

1.5 Visualising the research

The following illustration (Figure 1) is a visualisation of our research. On the left side of the meat incident the solid arrows display the connections that have been established through previous research. We can see an interacting relationship between the quality perception of the retailer and the quality perception of the private labels. However, it is vital to know that there is no extensive knowledge concerning the magnitude of this relationship. Additionally, we can state that both the quality perception of the retailer and the quality perception of the private labels influence the quality perception of a single private label product, in our case the minced meat, as they exercise endorsement effects (Burnkrant, 1978 in Vahie and Paswan, 2006). It is worthwhile to note that these effects are most likely only one-sided in the normal case, as a specific private label product among others does in our opinion not have the strength to significantly influence the retailer or overall private label quality perception if nothing extraordinary occurs. On the right side of the meat incident the dashed arrows exemplify our research. Taking the minced meat quality perception after the incident as a point of departure we analyse how the incident influences the perceptions of the retailer and overall private label and how perceptions change after a negative event. We believe that the awareness of the minced meat incident has changed the premises for quality perception and a private label product can in this case be influencing the other parts of the brand.

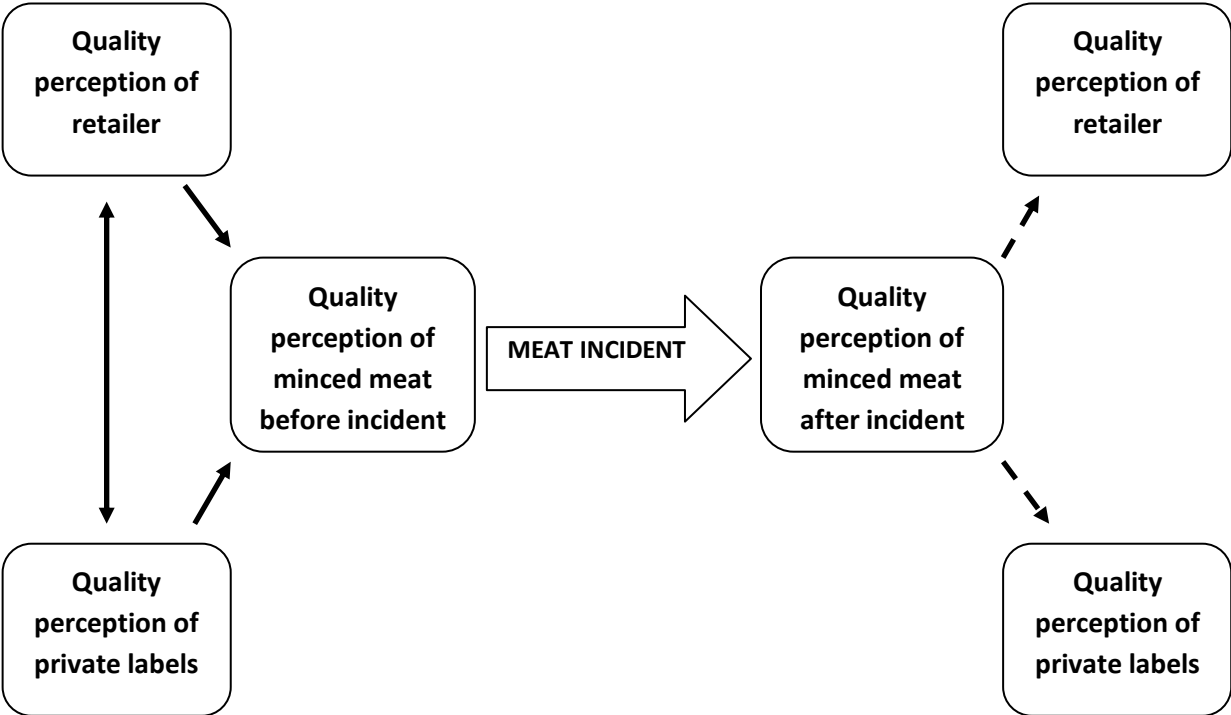


Figure 1.1: Visualisation of the research

1.6 Outline of the thesis

In the first chapter we have explained our interest in the research area and given a background to the present situation. We have also presented a problem discussion that led up to our research questions.

The second chapter outlines the methodology and presents how we approach the research questions. We present and argue for our methodological choices and also describe the collection of our empirical data. In this chapter we also give thought to reliability, validity, variability and generalisability. Finally, we discuss the limitations of our study.

Chapter three deals with the theoretical framework that is necessary to comprehend our research approach and the chapter also provides a deeper understanding of the topic. Within this chapter we create a solid foundation for the analysis as well as it establishes the theoretical background for the creation of the interview schedule.

Within chapter four we present background information of ICA and a detailed description of the minced meat incident. The chapter gives a clear overview of the retailer brand ICA as well as a more in depth understanding of the private label. Finally, we present a timeline of events as well as ICA's actions after the incident, which will contribute to a clearer comprehension of the incident.

The fifth chapter presents the empirical data which we collected using a structured interview approach. Furthermore, it goes into the demographics of our sample before going into the analysis. Within this analysis we conduct several statistical procedures in order to provide empirical evidence for the existence of the relationships presented in the research questions.

Chapter six discusses the contribution of our research in relation to the results we found in the analysis. Additionally, we elaborate on the implications of our findings. Finally, we suggest how further research could contribute to the research area.

*He is quick, thinking in clear images;
I am slow, thinking in broken images.
He becomes dull, trusting to his clear images;
I become sharp, mistrusting my broken images,
Trusting his images, he assumes their relevance;
Mistrusting my images, I question their relevance.
Assuming their relevance, he assumes the fact,
Questioning their relevance, I question the fact.
When the fact fails him, he questions his senses;
When the fact fails me, I approve my senses.
He continues quick and dull in his clear images;
I continue slow and sharp in my broken images.
He in a new confusion of his understanding;
I in a new understanding of my confusion.*

Robert Graves (1895 – 1985), English writer

2 Methodology

In this chapter we present an exhaustive discussion of our methodological choices. We argue for our research design and elaborate on the use of structured interviews for the data collection. Furthermore, we give thought to the quality issues that are of relevance for our study and discuss the limitations of our research.

2.1 Nature of the research

For the methodological discussion in this thesis we use the theories and terminology presented by Bryman and Bell (2003 and 2007) with additional contributions by Easterby-Smith et al (2002) where we find appropriate. It is our belief that additional sources would do little more than to confuse the terminology due to the different vocabulary used by different methodology writers.

Since the aim of this research is to examine the customers' quality perceptions of corporate retail brands and private labels and the link in-between it is necessary for us to adopt a research approach that allows us to study all elements of this phenomenon. Our starting point is that our research question can be approached in such a way that we aim to make findings and draw conclusions that represent an objective reality, and that our research area has an existence independent of social actors. This ontological position is known as objectivism. (Bryman and Bell, 2003:19) Furthermore, the way individuals interpret their surrounding world and their interactions with other social actors is not in focus in our research, but rather emphasis is placed on the description and understanding of the relationship between retailer brands and private labels. Therefore to inquire into the nature of our research questions we will use a quantitative method of data collection, and we take an epistemological position known as positivism. This means that the foundation of our research is that the area we are researching can be approached using methods commonly found in natural science research (Bryman and Bell, 2003:14).

There are two general approaches to research, the deductive and the inductive approach. We analyse the empirical data we collect using existing theories, these theories are partly developed before the data collection. However, some of them are not chosen until during and after the data collection. This is neither a pure deductive nor inductive approach since development of theory and collection of data is more or less simultaneous. This weaving back and forth between theory and data is called an iterative approach. (Bryman and Bell, 2003:12)

This combination of deductive and inductive approaches is not uncommon and researchers often use the two approaches to complement each other (Easterby-Smith et al, 2002:41). Our aim is neither to falsify nor to generate theory but rather to use existing theory as a background and as a way of better understanding the empirical data and thereby the relationship between retailer brands and private labels.

2.2 Research design

Based on the data needed to answer our research question and the limited time and resources available we find that the most appropriate method of data collection is structured interviews, a method that we thoroughly discuss later in this chapter. By using this method we standardise the asking of questions and the recording of answers and thereby minimise the differences between different interviews. This is done in order to make sure the amount of data collected is manageable and possible to analyse without, for example, having to transcribe long, in-depth interviews (Bryman and Bell, 2003:116). Structured interviews are a classical positivistic method choice for quantitative data collection.

Our research concerns one company and a single unique event, ICA and the minced meat incident, described in the first chapter. We perform a detailed and intensive analysis of this event in order to gain understanding about our research question. Combined with the choice of structured interviews our approach is most appropriately described as a cross-sectional research design (Bryman and Bell, 2003:48, 54).

2.3 Object of study

2.3.1 Concept

One important area that needs to be clarified is the point around which our research is conducted and the element of the social world that strikes us as significant. Bryman and Bell (2003: 71) refer to this as the concept. In order to answer our research questions we need to look into customer perceptions of retailer brands and private labels, consequently the concept we are studying is customer perception.

2.3.2 Measure

If a concept is to be employed in quantitative research, it has to be measured. The purpose of measuring our concept is to provide more precise estimates of the degree of relationship

between retail brands and private labels (Bryman and Bell, 2003:72). To do that we need to operationalise the concept since customer perception is too extensive to be measured in our study. Hence, to operationalise it we must specify how we measure customer perception. However, due to limited resources we cannot enquire all facets of consumer perceptions and we will measure only the customer's perception of quality. In the theory chapter we will discuss customer perception of quality in detail and give an overview of several other aspects of customer perception, whereas here we will just present the main reasons for using perception of quality as a measure. Research presents a direct link between perceived quality and patronage intentions (Pan and Zinkhan, 2006). It also finds that attributes such as store atmosphere, service and convenience all strongly influence the customer's perception of product quality (Burnkrant, 1978 in Vahie and Paswan, 2006). Perceived quality is also the most important driver of private label share (Ailawadi and Keller, 2004:336). Taken together this means we can get a wide understanding of several store image attributes by measuring perceived quality. Thus in our study the concept of customer perception is measured through perception of quality. (Bryman and Bell, 2003: 71)

2.3.3 Indicator

To provide a measure of a concept we need indicators that stand for the concept (Bryman and Bell, 2003:72). In this study the indicators are the answers to the series of questions in the structured interviews. The important aspect of the terms presented above is the relationship between the concept, the measure and the indicator and that they will be combined to help us better understand our object of study. In the following sections we describe the design and execution of the structured interviews.

2.4 Structured interviews

As explained above we will use a structured interview method in order to measure consumer perception of quality. This quantitative method strives for standardisation for the asking part of the interview as well as the recording of the answers of the interviewee. The structured interview is sometimes also referred to as standardised interview (Fowler and Mangione, 1990; Oppenheim, 1992, both in Bryman and Bell, 2003), but we will use the term structured interview. Bryman and Bell (2003:116) say:

“[The structured interview] entails the administration of an interview schedule by an interviewer. The aim is for all interviewees to be given exactly the same

context of questioning. Interviewers are supposed to read out questions exactly and in the same order as they are printed on the schedule”.

2.4.1 Interview context

Within quantitative research it is common that one does not interview more than one person at a time because a disruption of the interview may lead to variation of answers due to error, and therefore we conduct one-on-one interviews which eliminate the aspect of disruptions within the interviews. We are three different interviewers because it gives us the opportunity to have a larger sample compared to if one of us had performs all interviews, and this allows us to further increase the validity of the interviews. We are aware of the aspect that with more than one interviewer we need to be careful not to create an inter-interviewer variability. The questions asked as well as the way the questions are asked during the interview must be the same for all respondents, if this is not the case there is another pitfall for error within the interview (Schuman and Presser, 1981 in Bryman and Bell, 2003:125). We will counter this through standardised closed questions. We also need to be aware of certain bias aspects like respondents answering in a way they deem to be desirable to the interviewer (Bryman and Bell, 2003:136). This could in part be counteracted by using telephone interviews. We however do not have the resources to conduct a comparable number of telephone interviews and we believe that over the phone, language issues might be a bigger problem than when the respondents can hear the questions face-to-face. Therefore, structured face-to-face interviews are the most appropriate way to collect data in order to answer our research questions.

2.4.2 Nature of the questions

Our interview schedule (Appendix A) consists of a combination of three kinds of questions: questions about attitudes, questions about beliefs, and personal factual questions (Bryman and Bell, 2003:161). The first set of questions is about attitudes and will provide us with insights into the respondents’ attitudes towards several aspects of our research questions. The second set of questions is about the respondents’ belief of how their perception of several aspects of ICA has changed since the minced meat incident. This set of questions will provide a substitute since we have no comparable data collected before the incident and these questions allow us to get an idea of the changes in respondent attitudes. The first two sets of questions are answered using two different, five-point Likert scales (Bryman and Bell, 2003:160).

The third set of questions consists of personal factual questions where we ask for age and gender in order to better understand the demographical composition of our sample. The age

question is open in the way that we are not pre-defining age groups for the respondents. Instead we ask for the specific age, and might at a later stage in our research segment into groups to enhance data processing and understanding.

As important as the questions we ask is the order of the questions in the interview schedule. Bryman and Bell (2003:165) identify two general lessons when it comes to the order of the questions, namely that the order should not be altered during the data collection and that researchers should be aware of the effect of earlier questions on answers of subsequent questions. These are lessons we keep in mind when designing the interview schedule. We also need to be aware of the effect of probing, where respondents need further explanation to a question. This can be very problematic since the researchers' answer to the probing influences the outcome of the survey and therefore creates a variation in the interview due to error. In order to counter this we include explanations of words that have been considered to be confusing or misunderstood by the respondents during the pre-test. This way they all get the same explanation if they ask for one.

In our interview schedule we provide descriptions of all five points of the Likert scale, meaning that every numeric answer alternative from 1 to 5 has a corresponding description of what the alternative means. This way we believe it will be easier for the respondents to answer the questions, and on the same time it increases our ability to interpret the results.

2.4.3 Conducting interviews

With having a better insight in the context used within the research we now stipulate the main phases of the interviewing itself and which aspects to take especially into account. First of all, it is very important for us as researchers to know the interview schedule inside out. The second important step within an interview is introducing the topic. In our interviews this is done by a short description in the beginning of the interview where we introduce ourselves as well as give a short background of the research (Bryman and Bell, 2003:136).

Another aspect that has to be taken into account during the interviewing process is rapport, meaning we need to build a relationship quickly to encourage the respondent to participate in the interview. We quickly realised that we needed to make sure that the respondents understood we were not selling anything or collecting money for charity. Once they realised we were collecting data for our studies we found the respondents were more predisposed to participating in our interview.

Another difficulty for us conducting this research is the fact that two of the members of the research team are non Swedish speaking. This makes it difficult to interview respondents as it might increase the occurrence of probing which in its turn could lead to a variation in the research due to error. However, conducting the interviews in several languages could also lead to a variation due to error as the questions will not be asked in the same and identical way which might lead to a difference in outcome of the research in Swedish or English spoken structured interviews. With both of these implications in mind we choose to conduct all interviews in English because it will lead to a lower level of variation due to error. Also the Swedish population has an excellent level of English literacy and we think that the amount of people who will turn down interviews because they do not understand English will be insignificant.

Finally, it is important to leave the interview with the common courtesies, like to show appreciation for the respondent's participation and time spent. It is however important not to go into discussion with the respondents because respondents might talk to each other which can lead to bias in the findings. For this we did not see the need to make up a pre decided wording but rather went with what seemed natural and appropriate.

2.4.4 Pre-test

To minimise variation in the structured interview and in order to improve understandability, we properly test the interview schedule. Bryman and Bell (2003:170) also state that a pre-test or pilot study is desirable within a structured interview for various reasons. In our specific case we believe a pre-test is very much desirable to investigate the language barrier, the use of business terminology and if the interview is understood by the interviewees. Prior to the structured interviews we conduct qualitative interviews outside ICA Malmborgs at Clemenstorget in Lund to gain a better insight in certain language aspects. We believe that certain English terminology would not be clearly understood by the Swedish respondents, thus we ask people how they would typify certain business concepts. These qualitative interviews showed that the Swedish grocery shoppers are well acquainted with the English terminology. Within the interview we asked the respondents to give their view upon the concepts of perception, private label, reliability and minced meat.

As a consequence of the qualitative interviews we decided to make some changes in the original draft of the interview schedule. We changed perception into view and private label into own brands giving extra support by having standard definitions which we could give

when needed to the respondents. None of the interviewees considered the reliability concept as problematic; therefore we decided not to change this within our structured interview. We are however aware that the everyday use of reliability may differ from the specific use of the word in marketing theory. Based on the pre-test we still find the use of the word will give us accurate measurements. Concerning minced meat, we decided that a Swedish translation into “köttfärs” would be sufficient and therefore we have added this to the explanations list within the structured interview.

With now having a clear insight in the wording and language aspect we restructured the interview and were ready to pre-test this on a small group. We decided to conduct our pre-test on 50 people randomly selected on Stortorget in Lund. During the pre-test we did not encounter any major problems since all 50 respondents were able to answer the questions with no explanation or by giving them the standard definitions we had available. However, we did find that people were not very willing to support our interview since they were sceptical about our purpose for the interview. With stating in the initial contact that we are interviewing them for our master thesis the response rate increased considerably. With these small changes in mind we were confident to get started with the rest of the interviews in a clear and structured way that we are convinced will lead to a suitable data set.

2.4.5 Respondents

Within Sweden ICA enjoys a brand recognition close to 100% of the population (Jonasson Blank, 2008) and therefore it is in our opinion possible to interview anyone who does grocery shopping. That means that children and young teenagers are not questioned because they are not very likely to buy minced meat or any large quantities of other groceries. In our opinion it is interesting to create a view of the perception of Swedish grocery shoppers and therefore we will not limit ourselves to only customers of ICA. Any person of the right age will be approached and we will not be looking exclusively for ICA customers. This means that our target group consists of adults and adolescents in Lund. Our sample will be a non-probability sample, meaning that not all people in the population will have the same possibility to be interviewed (Bryman and Bell, 2003:93). More specifically it will be a convenience sample in that even though we strive to ask every person who passes by to take part, this is not possible. There will inevitably be a degree of arbitrariness in who is asked and who is not (Bryman and Bell, 2003:105). We think that despite these issues and the ones presented later during the data discussion in chapter five, our sample provides us with a reliable representation of the

population and by selecting our respondents in this way we believe it will be possible for us to answer the research questions.

We had a large number of non-responses, in that many of the people we asked did not want to participate in our interviews. We did not count the number of non-responses, but a swift estimate would be that around 75 percent of the people we asked in the street declined to participate. We did not see any patterns in age or sex when it comes to who turned us down, and therefore we do not think the non-response will cause any reliability issues (Bryman and Bell, 2003:103). In the end we conducted 186 interviews of which 182 are valid. The demographic composition of the respondents is further discussed and described in chapter five.

2.4.6 Location

Within our structured interview we have just identified how our respondents were selected. Another important factor concerning the outcome of our research concerns the location of where the interviews are held. Easterby-Smith et al. (2002:91) argue that within research the location of the interviews is very important. We conduct all our interviews in Lund. Respondents might be influenced or have a higher level of pre-assumptions when they are on their way to shop or just did their grocery shopping. For this reason we choose to conduct our research not in front of an ICA store but on a central location of the city to obtain a better view of the perception of Swedish grocery shoppers as whole and not just ICA customers. Furthermore, we choose to conduct the research on Stortorget, which is a centrally located square where a lot of people pass by, and there is no ICA store present on the square. Hence, the location is suitable for the reasons as presented above. With interviews from this location we will decrease the variation due to error as well as increase the validity of the structured interviews.

2.5 Quality issues

Using a cross-sectional research design and a quantitative method of data collection raises important questions about the criteria for evaluating the quality of the study. First of all, the validity and reliability of our data collection must be discussed.

2.5.1 Reliability

It is vital that we do everything possible to achieve a high level of reliability, so that the measurements are a reliable representation of the researched situation (Bryman and Bell, 2003:76). There are three factors involved in reliability, and below we present them in relation to our research. However, as we see we are not able to test the statistical reliability of our thesis. Not being able to prove reliability does not imply that our research is unstable or invalid but simply that we cannot statistically demonstrate it (Bryman and Bell, 2007:176).

2.5.1.1 Stability

To achieve stability a measure should be stable over time. The reliability of a single item Likert scale, as used in our structured interview, is normally assured using a test-retest method (Bryman and Bell, 2007:162-163). However, since we research the effect of an incident that is connected to a very specific point of time this is not of major relevance in our research (Bryman and Bell, 2003:75). We are convinced that the effect of the minced meat incident stands in direct proportion to the amount of time that has passed after the incident.

2.5.1.2 Internal reliability

Internal reliability is present if there is a consistency between the respondent's indicators, which in our case are answers to the interview questions (Bryman and Bell, 2003:76). However, determining internal reliability is not possible since the Cronbach's alpha can only be used when one has a multiple item measurement scale, whereas in our case we apply a single item measurement scale (Bryman and Bell, 2007:163).

2.5.1.3 Inter-observer consistency

As we have mentioned there could arise problems due to the fact that we are three persons conducting interviews. To counter this we have prepared interview schedules to standardise the asking and recording of questions as well as our introduction to the respondents. This way we can achieve a high degree of inter-observer consistency (Bryman and Bell, 2003:77). The concept of inter-observer consistency is comparable to the concept of inter-interviewer variability that will be discussed later in this chapter.

2.5.2 Validity

2.5.2.1 Content validity

For the purpose of this research we analyse the content validity, also referred to as face validity, meaning that we have to establish that our measurement of quality perceptions reflect the content of the concept in question (Bryman and Bell, 2007:165). In our case we ascertain this validity through an extensive theory review, where we deduce the most important indicators for the measurement of quality perceptions. We further discuss the validity of our study in chapter five in connection with the data evaluation.

2.5.2.2 Internal validity

As our research investigates the relationships between private labels and the retailer brands and we assume causal interactions, internal validity is important for us as it tests if the causal effects between the two variables actually exist. Hence, we have to be confident that the independent variable, in our case the minced meat quality perception, really is in part accountable for the variation that has been found in the dependent variable, which in our case are the private label and the retailer quality perceptions. We will further discuss this validity in chapter five before analysing the data.

2.5.3 Generalisability

When it comes to our study as a whole we need other criteria for evaluation. According to Easterby-Smith et al (2002:53) the generalisability criteria for positivist research is “*to what extent does the study confirm or contradict existing findings in the same fields*”. This concept is explained further and slightly differently in Bryman and Bell (2003:82) where they write that the purpose of generalisation is to generalise the findings beyond the cases. This can only be done if external validity is achieved, meaning that the sample is representative (Bryman and Bell, 2007:42). As described in the respondents section we did try to generate a representative sample even though we did not use a probability sample. We are aware, however, that our relatively small sample size limits the generalisability of our results. So does the fact that we are using a convenience sample. Nevertheless, it is our goal to achieve a high degree of generalisability by analysing the case of ICA and our empirical data with the use of existing theory and thereby finding patterns that are relevant in other settings. (Bryman and Bell, 2003:487)

2.5.4 Variability

Due to the standardisation of the questions within a structured interview the variation of answers, if the interview is conducted properly, is due to true variation. However, when conducting a structured interview there is a risk that errors occur due to the interview context, meaning that errors occur within the outcome of the research. The aim within our research is to minimise the error because it will compromise the validity of the research. We identify two possible types of errors that can occur within the interview, namely the intra-interviewer variability and the inter-interviewer variability (Bryman and Bell, 2003:118). Within the intra-interviewer variability Bryman and Bell (2003:118) speak of the way the interviewer is not consistent in the way he asks/records his questions, whereas in the inter-interviewer variability there is more than one interviewer and they are not consistent with each other. Within our structured interviews we need to be aware of both the variability issues since we are more than one interviewer as well as we need to be conscious that we conduct the interview with all respondents in a consistent way. We try to limit the aspect of inter- and intra-interviewer variability by the use of closed questions. With the introduction of closed questions a limited amount of answers is presented to the interviewee, thereby limiting the influence of the interviewer on the interview. Another major advantage why within our research we use closed questions is due to the fact that closed questions greatly facilitate the ease of processing the data (Bryman and Bell, 2003:158). When using open questions one would need to code the outcome of the interview which could in its turn lead to variability due to error and not due to true variation.

2.5.5 Other quality issues

One of the disadvantages of the structured interview as presented above is that people are biased on the characteristics of the interviewers. We are aware that our personal characteristics could influence the results of the study. We however do believe that these influences will be minimal and therefore we are able to conduct a thorough interview.

Another problem within the structured interviews is the response sets. The idea of response sets is that people respond in a consistent way to a set of questions. Bryman and Bell (2003:136) identify the two most immanent response sets, namely acquiescence and social desirability. Acquiescence is that some people have the tendency to consistently agree or disagree with a set of questions. Social desirability means that respondents tend to answer the question not with their own perception or opinion but with an answer commonly accepted

within society. We have to be aware within our thesis of these response sets because ICA has been extensively present in the news and therefore the answers of the respondents are influenced by this.

2.6 Limitations

Our research is exposed to various limitations and we can differentiate two types. The first type of limitations is related to our data collection whereas the second type of limitations is related to the practical aspects of our research.

The limited time resources of ten weeks constitute the main restriction for our data collection. We do not have the possibility to conduct the research on the preferred large scale, which would lead to a higher level of generalisability of our results. A second problem we have to deal with is the fact that we do not have any comparable data from before the meat incident. This means that direct quality perceptions cannot be measured and instead we have to use the respondents' beliefs how the incident affected them. While this is still a valuable approach it does not capture the first hand perceptions. At the time of our data collection five months since the meat incident have passed. It is likely that our results represent a moderating version of the initial effects. Nonetheless, we believe that our results reflect a valid image of the situation and will help us solving the research questions. A further limitation for our data collection is the sample of respondents. As we conduct our structured interviews in Lund, students constitute the largest group in our sample despite our effort to approach different age groups. The sample composition does thus not completely represent the Swedish population. The generalisability of our results is therefore rather limited to younger well-educated people. Finally, the fact that we conduct our interviews in English immediately excludes some people from participating, particularly older people. However, these numbers are rather low but must still be taken into account.

Practical limitations of our research are primary the use of single indicators like service quality and the overall quality perception of private labels that we discuss in chapter three. By applying the various facets like the extrinsic cues or the complete RSQS (Retail Service Quality Scale) attributes a much broader picture could be given. We rely on these single indicators as representatives of the respective quality perception and restrict therefore wider applicability of our results as we do not know the detailed composition of the perception. While one goal of our research is the discussion of practical implications of our research, we have to be cautious due to the fact that our findings are very case specific. The transferability

of our results can therefore only be done if the situational settings resemble each other and the parameters are similar.

Finally, we would like to mention that we ignore any cultural differences. We are aware that there might be ethnic minorities who have different shopping behaviours and motives for purchasing private labels due to cultural and religious beliefs. This is a very interesting research but is far too extensive for us to include in this thesis.

"We are like dwarfs sitting on the shoulders of giants. We see more, and things that are more distant, than they did, not because our sight is superior or because we are taller than they, but because they raise us up, and by their great stature add to ours."

John of Salisbury (1120 – 1180), English writer

3 Theory

In this chapter we develop the theoretical constructs that form the relevant foundation for our research. We present the concepts of quality perceptions, store image and loyalty and relay them in a structured way in order to show the relationships between the used theories and our research questions. This provides a better understanding of our study.

3.1 Introduction

In the first chapter we have already established the link between private labels and the retailer brand. We have outlined the two major results of previous research, namely that high quality private labels can improve the quality perception of the retailer brand and that reciprocal influences between the private label and retailer brand exist. However, researchers identify a stronger influence from the retailer to the private label than vice versa. We have in methodology argued for our choice of perceived quality for measurement purposes by outlining the advantages of it in connection with store image. In this chapter we continue and expand this discussion. We have also elaborated on the influencing effects of quality perception on store image before. But what exactly is store image? A later subchapter sheds light on the concept of perceived quality as well as the link between store image and consumer perception. Finally, we devote ourselves to the meaning of loyalty in this construct. However, it is not part of our main focus but rather provides an additional insight to the context of our study. The concluding framework allows us to understand the content of our empirical data collection.

3.2 Defining perceptions

3.2.1 Perceived quality

As discussed earlier the usefulness of the concept of perceived quality for the purpose of our study lies in different aspects. Perceived quality can be interlinked with both key parts of our study, the private label and the retailer brand. Ailawadi and Keller (2004) mention perceived quality as an important driver of private label share and Pan and Zinkhan (2006) find that perceived quality is directly connected with the intention to support a retailer. Hence, perceived quality is an essential component of the retailer's success as well as the private labels' market position. Aaker (1996:17) argues that perceived quality is not only a brand association anymore but also a brand asset. He mentions the three following reasons:

- Perceived quality is the only brand association that influences financial performance.
- Perceived quality might be a principal strategic business driver.
- Perceived quality also influences other aspects that affect brand perception.

This underlines the usefulness of perceived quality as a concept. Nonetheless, so far we missed to present and define perceived quality in-depth and thus we will now investigate into this area.

Steenkamp (1990:311) concludes that all previous definitions of perceived quality are principally modifications of *“fitness for use, given the needs of the consumer”*. He criticises that these definitions do not take the comparative nature of perceived quality into account. Perceived quality might be influenced by the available alternative brands. However, for the purpose of our study the incorporation of an evaluation of alternatives is not vital. A commonly proposed definition of perceived quality can be read in Aaker and Biel (1993:144):

“Perceived quality can be defined as the consumer’s judgment about a product’s overall excellence or superiority.”

Anselmsson et al. (2007) further emphasise the subjective nature of perceived quality as a notion in the mind of consumers. This resembles Steenkamp’s (1990) opinion that unconscious processing of quality cues takes place. It also stresses the high level of abstraction that perceived quality possesses (Aaker and Biel, 1993; Keller, 1993). We think that the following words accurately sum up the concept of perceived quality:

“Perceived quality can be said to capture an attitude towards the brand”
(Anselmsson et al., 2007:403)

While the focus so far has been on product quality we believe that this view also applies to the retailer brand. In our opinion the evaluation of a retailer in general takes place in much the same way. A consumer assesses the valid alternatives present in the surrounding environment and bases his judgement on the superiority of one retailer over the other. And also once he decided on a retailer, he would base his judgement on certain cues. However, naturally these cues would differ from the product evaluation cues as we will see later in the theory chapter.

We have determined that we will focus on perceived quality as a single indicator of consumer perception. The limited resources are only one reason for this simplification. The fact that the concept of perceived quality provides us with a wide understanding of store image which

again is a reflection of the retailer brand is much more relevant. Furthermore, it is a crucial determinant for success. In order to better understand its importance of store image in connection with consumer perceptions the next subchapter will elucidate the link.

3.2.2 Store image

Store image is a crucial component to comprehend consumer perception. Hartman and Spiro (2005) state that the most recent conceptualisations of store image do not only consider perceptions about a specific store but also more generally the category of the retailer. This implies that the consumer will principally have a different store perception of a discounter than a department store. This integrated view of image provides a very suitable definition. In our opinion it brings along two major advantages. First of all, it offers a more holistic approach to the subject matter and secondly it acknowledges the connection between the private label and the retailer brand image. This goes in line with Semeijn et al. (2004) who state that the consumer attitude towards the private label can be predicted through the store image. The use of the image concept to gain a holistic impression of a brand has in particular been suggested by Poiesz (1989). He points out that in marketing literature *image* refers to the store or corporate image, which in our study is the retailer image.

Grewal et al. (1998) find in their survey that a store's perceived image is influenced by the store name and the quality of merchandise it carries. According to their findings the image is positively affected by the perceived quality of the brand. Hence, it is vital that the sold products go in line with the desirable store image. Collins-Dodd and Lindley (2003) investigate consumers' attitudes towards store images and private label perception. Their outcome supports the assumption that store image influences the evaluation of particular private labels. Therefore, they consider private labels to be an extension of the store image. However, as suggested by Collins-Dodd and Lindley (2003) it is not only the store image that can influence the private label but most likely the opposite causal direction also exists. This constructs one of the cornerstones of our thesis as we particularly investigate the effect of the private label on the retailer brand. This relationship has rather been neglected so far. We can conclude for the moment that previous research has shown that the retailer brand and the private labels not only influence each other but also affect the overall store image.

3.3 Dismantling consumer perceptions

After comprehending the value of the concepts of perceived quality and store image, we will now dig deeper into the area of consumer perceptions. As we see in this subchapter consumer quality perceptions of private labels and the consumer quality perceptions of the retailer differ significantly. Hence, we need to analyse them separately on relevant measurement cues. These will be used at a later point of our study for the collection of the empirical data.

3.3.1 Quality perception of private labels

In a first step we need to be aware what exactly determines the consumer perception of private label quality. Richardson et al. (1994) analyse this question based on extrinsic and intrinsic cue effects. Their experiment reveals that consumers' perception of private labels quality is rather based on non-physical product related attributes. Package design, brand name, price and level of advertising, thus extrinsic cues, are generally mentioned as important attributes (Dick et al., 1996, Richardson et al., 1994). Dodds et al. (1991) were the first to empirically test extrinsic cues and they consider in particular price, brand name and additionally store name to be related with buyers product evaluation and thus also influencing their quality perception. Intrinsic cues are in accordance with Richardson et al. (1994) not as relevant for consumer perceptions of quality. Additionally, they are also much harder to measure than extrinsic cues. Hence, we will now focus on the most important extrinsic cues and elaborate on those.

3.3.1.1 Price

A vast array of researchers has argued that the level of the perceived product quality is positively related to the level of the price (cf. Erickson and Johansson, 1985), meaning that higher price stands for higher quality. According to Sirohi et al. (1998), however, price plays a minor role for consumers when evaluating quality. These findings considering price as a cue for perceived quality are ambiguous and depict results that do not fully coincide. This can be further seen in other studies. While Teas and Agarwal (2000), for example, argue that consumers will continue to rely on price as a quality cue, Völckner and Hoffmann (2007) reveal in their time study a decreasing effect of the cue over time. It can be assumed that results most likely vary if price as a cue is analysed individually or in combination with other cues. In the latter case moderating effects of price as a quality cue are observed more frequently. After all, evidence implied already in the nineties that the use of price as a sign of

product quality is dependent on the situational circumstances and the evaluated product (Lichtenstein et al., 1993).

3.3.1.2 Store name

An additional extrinsic cue that is considered to be important for quality perception is store names. Wheatley and Chiu (1977) have already identified this cue as early as the seventies. However, Teas and Agarwal (2000) find inconsistent results when analysing the significance of store name as a quality cue for private labels. One of their experiments implies strong significance and another one no significance at all. A rather small effect of store name as a quality cue is also presented by Rao and Monroe (1989 in Grewal et al., 1998). Existing research results considering store name as a quality cue are rather incongruent.

3.3.1.3 Brand name

Research about brand names as a quality cue finds more conformity among their results. Dawar and Parker (1994) for example measure the relative importance of several cues. And according to them brand name is the most influential quality cue. Dick et al. (1996) also research brand name as a quality cue. They say that the absence of a famous brand name may indicate lower quality. DeIvecchio (2001) analyses consumer perception of private label quality over different product categories and discovers that quality perception differs depending if consumers use brand names as heuristics in a specific segment or not. He finds a positive correlation between the use of brand names as symbolic cues for quality perception and private labels.

3.3.1.4 Package design

Package design is identified as a further extrinsic cue. Olson and Jacoby (1972 in Underwood et al., 2001) are the first to refer to packaging design as an extrinsic cue. Other research focuses on the general characteristics of packaging but in the early eighties various researchers also link packaging design with other extrinsic cues to examine the influence of these extrinsic cues on the product quality perceptions (Bonner and Nelson, 1985; Rigaux-Bricmont, 1982; and Stokes 1985; all in Underwood et al., 2001).

3.3.1.5 Level of advertising

Milgrom and Roberts (1986) investigate advertising as a signal for quality and discover results that indicated such a relationship. Confirming conclusions have been reached by

Kirman and Wright (1989). They verify that under certain circumstances the perceived level of advertising expenses can influence the product quality predictions. However, their findings cannot be easily generalised due to the specific conditions of their experiments.

The analysis of the preceding extrinsic cues indicates their importance. However, our literature review also sketches out the vast array of opinions and specific inconsistencies. The measurement of these quality cues seems not to be fully appropriate in our case as they are not only potentially irrelevant but could also be misleading indicators when evaluating our empirical data. The guarantee of a correct use of these cues would require considerably more time resources than those available for our study purpose. Hence, we conclude that a rough simplification is therefore ineluctable. While it is important for us as the authors of this thesis to be aware of the extrinsic cues, we do not consider awareness among respondents to be vital for our purposes. Hence, we will only investigate into an overall quality perception of the singular private label product, minced meat in our case, and the overall private label in the structured interviews of our data collection.

3.3.2 Quality perception of retailers

Now that we are aware what individual product quality perception consists of, it is time to get a better understanding of the consumers' quality perception of a store and thus a retailer. Kelly and Stephenson (1967) identify eight dimensions of store image and thus retailer perception. They define the following attributes: general, physical, convenience, products, prices, personnel, advertising and opinion of friends. Primarily based on the work of Kelly and Stephenson, Lindquist (1975, in van der Heijden and Verhagen, 2004) consider nine factors of retailer perception. Dickson and Albaum (1977) consolidate the ideas of Lindquist and Kelly and Stephenson and ultimately derive the following dimensions for retail store image: prices, products, store layout and facilities, service and personnel, promotion and others. In a newer study, Chowdhury et al. (1998) investigate the measurement of store image, and thus retailer perception. They use store service, convenience, product quality, selection (variety), prices/value, and atmosphere as determining dimensions for store image. From all of these authors we can see that the primary dimensions for retailer perception are commonly shared and therefore we can identify the following dimensions as drivers for retailer perception: service quality, convenience, product quality, selection variety, price, store layout, and promotion.

We now focus on service quality as a main representative of retailer quality perception because we believe it is one of the strongest drivers. However, our discussion in this chapter reveals that service quality is present in various dimensions and we do not have to neglect other aspects like convenience, store layout and product quality when talking about service quality. Sirohi et al. (1998), for example, cover in their study the perception of overall merchandise quality. Their model of consumer perceptions finds a large and significant impact of service quality, thus another extrinsic cue, on the perception of merchandise quality.

Hu and Jasper (2006) study the impact of social cues on the store image. Their results are supportive as they discover a higher level of positive consumer perception and retailer image when high-personalised service was available, meaning that we can now establish service quality as an extrinsic and social cue that heavily influences consumers' quality perception of a retailer. In accordance with Boulding et al. (1993) we acknowledge that customers update their expectations and perceptions of service quality constantly, particularly when receiving new relevant information through sources like word-of mouth, company communication and/or other third-party information channels like the media. In our case the incising moment is the news containing information about the meat incident. The adaptability of service quality perceptions is convenient for our measurement of the overall quality perception of the retailer as it adapts quickly to new circumstances. Additionally, we believe that the evaluation of service quality takes a wide range of aspects into account. This means that even though the meat incident affects one particular product, the repackaging has been done by the personal and thus directly influences the service quality. We believe that service quality is a good representative when investigating consumers' perception of a retailer and thus we will use service quality as the single evaluation criteria for the measurement of the retailer quality perception. Naturally, this is also due to limited available resources that force us to this reduced measurement. However, it appears that service quality provides a good overall impression. A proposed definition of service quality by Bitner and Hubbert's (1994, in Taylor and Baker, 1994:165) at least seems to be consistent with this opinion. It states:

“The consumer's overall impression of the relative inferiority/superiority of the organization and its services.”

This view takes into account a holistic image of the quality perception of a retailer. Nevertheless, we have to keep in mind that service quality is a very diverse term. Grönroos (2002) postulates the division of service quality in technical and functional quality – or the division between what the consumer receives and how he receives it. Aaker's (1991, in

Bamert and Wehrli, 2005) dimensions of perceived service quality are actually very similar, where he differentiates between product quality and service quality. We have already enquired on product quality perception earlier on and analyse in the subsequent section the various dimensions of perceived service quality.

3.3.2.1 Service quality

After deciding on service quality as the single cue, we now proceed by analysing the key components to measure the perception of service quality. Parasuraman et al. (1988) were first to introduce a multiple-item scale for this reason. This scale, called SERVQUAL, consists of the following five measurement dimensions:

- 1) *Tangibles* include the physical environment and the appearance of the personnel.
- 2) *Reliability* is the ability to perform the service as promised.
- 3) *Responsiveness* depicts the willingness to help and if a service is provided promptly.
- 4) *Assurance* includes the employees' knowledge and courtesies.
- 5) *Empathy* shows the company's personal attention towards a customer.

These dimensions created grounding work for most succeeding research. The SERVQUAL scale has been under extensive scholarly scrutiny. Dabholkar et al. (1996 in Soyoung and Byoungho, 2002) use it as a starting point for their study. They argue that in the retail store environment quality perception of consumers cannot be measured sufficiently through the SERVQUAL scale. Instead they propose an adapted version, the retail service quality scale (RSQS), with physical aspects, reliability, personal interaction, problem solving and policy as more appropriate dimensions. The main differences are the last two dimensions. While problem solving speaks for itself, the policy dimension could be explained as encompassing convenience aspects like parking facilities and store hours.

However, the application of either scale is impossible for us as the describing items are too extensive and go beyond the scope of our research. A radical simplification is therefore fundamental in order to guarantee the feasibility of our structured interviews without compromising the results. First of all, we think that the RSQS dimensions are a more appropriate point of departure for our purpose since they were developed specifically for a retail setting. Nonetheless, we further refine the dimensions for our study to three predominant categories which unite in our opinion the most important issues. By doing this

we get a set of dimensions that are more manageable and more applicable when it comes to analysing our empirical data later on. We divide service quality into the three following segments:

- 1) *Environment* which covers the physical aspects of the store like store layout, equipment and appearance.
- 2) *Personal service* encompasses the personal attention, the store's willingness to help the customer, individual problem solving and convenience aspects.
- 3) *Reliability* is the store's ability to keep promises and do things right.

The *environment* category adopts the main idea of the physical aspects dimension under the RSQS. The *personal service* category is the integration of the policy, problem solving and personal interaction dimension according to the RSQS. This unification is based on the argument that the convenience aspects of a store do also form a part of the interaction with the customer and the ability to solve the customer's problems. As complete flawlessness cannot be expected it is even more important for a retailer to solve problems effectively to maintain good customer interaction. From the first approach of a store until the leaving, there is an interaction between store and consumer. Hence, we believe that this category adequately combines the three dimensions of the RSQS. Finally, the *reliability* category remains highly important as both the SERVQUAL and RSQS emphasise.

In our opinion these three dimensions are sufficient enough to enquire into the quality perception of the retailer. We believe that a subdivision of the dimensions into various items is not only impossible due to time resources but would also unnecessary complicate the data analysis.

3.4 Loyalty

So far we have discussed what quality perceptions are composed of and had a look at the dimensions within the private label and retailer quality perception. We have also shown the relevance of positive quality perceptions in relation to the retailer's image. However, we have missed out on a thorough discussion of the benefits of a positive retailer image.

One relevant implication that we have to keep in mind for the purpose of our study is that a strong brand can reduce the consumers' feeling of risk by providing a high quality image (Guerrero et al., 2000). This is particularly important in a market environment where

consumers put great weight on product safety, such as the case when shopping groceries. One useful definition of the concept of perceived risk is “*the consumer perceptions of the uncertainty and adverse consequences of buying a product*” (Dowling and Staelin, 1994:119). It is not far-fetched to assume that the risk perception played an important role during the ICA incident. Even though risk perception is not our main area of interest it is relevant to our study as it provides additional insights for our analysis. The reason for introducing risk perception at this point is to display the relevance of a strong brand as a reinforcing factor for a more persistent corporate brand. Silva and Alwi (2006) conducted a study about corporate branding of retailers. In their study they find an empirical relationship between the brand attributes and the corporate brand image in a retail setting. They expose the relationships’ influence on customer’s loyalty. According to Woodruff (1997) loyalty has emerged as a strategic imperative for most companies. That service quality positively affects customer loyalty can be seen in various studies (Boulding et al., 1993; Cronin and Taylor, 1992; de Ruyter et al., 1998; Zeithaml et al., 1996) and is of particular importance for us as we use service quality as a single indicator for quality perception. Oliver (1999:34) points out the multidimensionality of loyalty. He defines it as:

[...] a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.

This indicates that during the ICA meat incident a strong brand loyalty is crucial. We further discuss this after the analysis of the empirical data in chapter six. Binninger (2008) researches the connection between private label products and retail stores and discovers that an increase in private label satisfaction and brand loyalty influences store loyalty. Her results suggest that the attitude towards private label products has a moderating effect on the relationship between private label satisfaction and loyalty. Furthermore, Bloemer and Kasper (1995) discuss the reverse relationship between consumer satisfaction and brand loyalty. They discover a positive impact of manifest satisfaction on true brand loyalty. Manifest satisfaction refers to the comparison the consumer undertakes when evaluating his expectations and the performance of the brand (Bloemer and Kasper, 1995). A similar link is part of a research by Pappu and Quester (2006). The purpose of their study is to investigate if customer satisfaction leads to improved brand equity. Their research results show that this is in fact the case, but also that the impact of customer satisfaction on retailer loyalty is retail category specific. For

example they find differences in the customer satisfactions effect on retail loyalty between department stores and specialty stores (Pappu and Quester, 2006). Labeaga et al. (2007:353) conclude that *“loyalty is a consumer behaviour that varies across categories and across store brands”*. We realise the complexity of the system where image, satisfaction and loyalty are heavily connected. It is vital to keep this in mind for the entire length of our thesis.

3.5 Relaying to analysis

From our literature discussion and the insights into various concepts we can develop an illustration that depicts the interactions that are of interest for our study (figure 3.1). Starting from the singular private label we examine the influence on the overall private label quality perception as well as the retailer quality perception. The relationships we examine within our research are illustrated using dashed arrows whereas a solid line is used for relationships identified from the theory. The boxes include the representing values that are measured in order to establish the various quality perceptions as well as the question numbers of the interview schedule (Appendix A) belonging to the box at hand. These measurements and questions of the interview schedule are deduced from the previous discussion. Finally, the paragraph numbers indicate where the according theories and relationships are discussed in order to facilitate the browsing through the thesis.

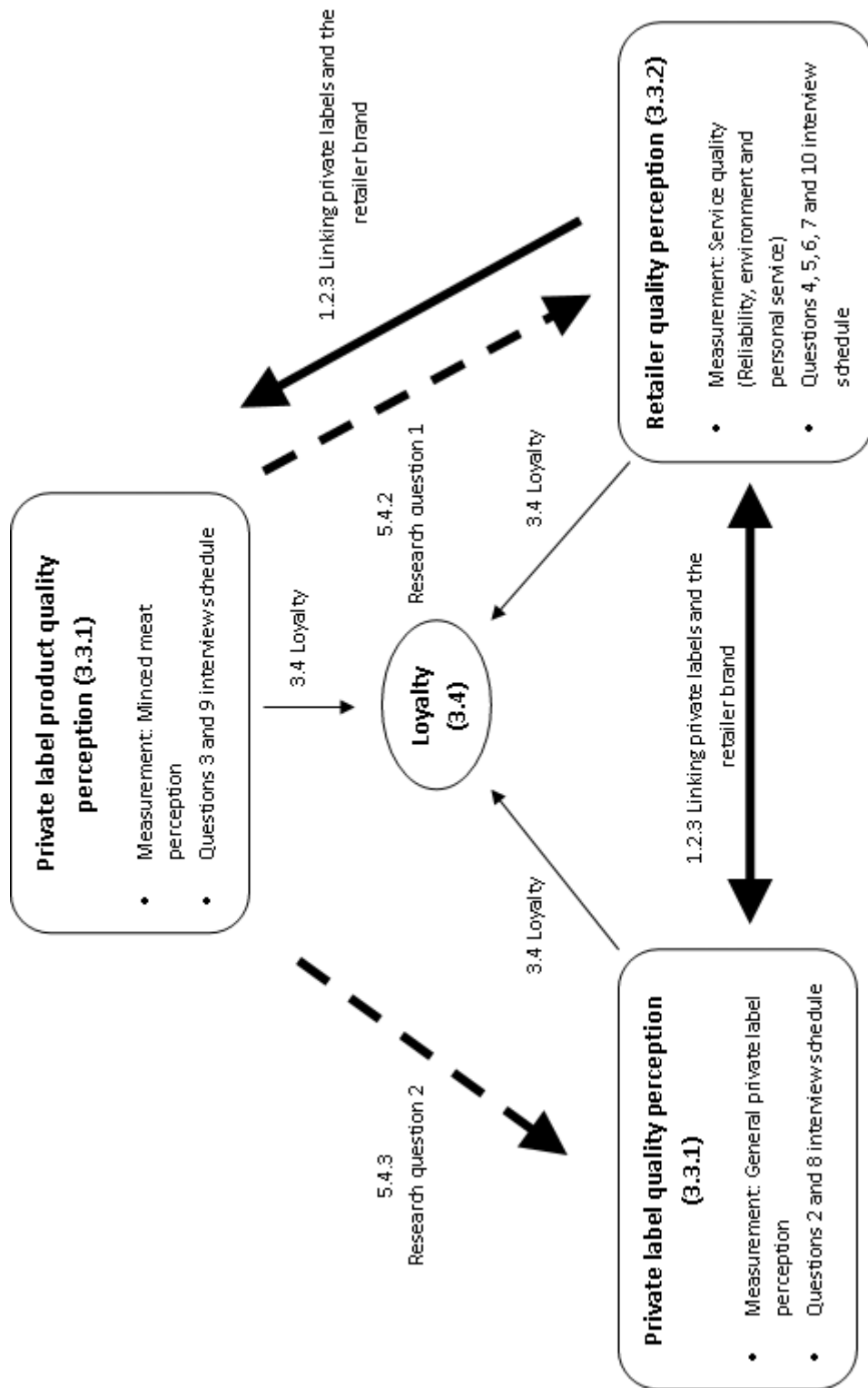


Figure 3.2: Relaying theory to analysis

"I have always thought the actions of men the best interpreters of their thoughts."

John Locke (1632 – 1704), English philosopher

4 Meet ICA

Within this chapter we introduce the Swedish retailer ICA. We present a detailed description of ICA as a company and its private labels. Furthermore, we provide information concerning the minced meat incident. We offer particularly insight into ICA's approach to deal with the implications of the meat incident.

4.1 Background information

As one of the leading retailers in the Nordic region, ICA states that their mission is making the customers' everyday life a little bit easier. ICA is conducting business in Norway, Sweden and the Baltic countries comprising around 2250 outlets with sales of 82 billion SEK in 2007 and over 20,000 employees (ICA annual report, 2008:1). Over the past four years ICA has shown a considerable growth, increasing their net sales from 73 billion SEK in 2004 to 82 billion SEK whereas the net income increased from 1.515 billion SEK in 2004 to 2.166 billion SEK in 2007 (ICA annual report, 2008:62). For years ICA has been the representative in Sweden for high quality grocery shopping ensuring product safety and quality reaching the strongest brand equity and the highest quality perception in Sweden (Jonasson Blank, 2008). With 62.5% of the total sales Sweden is the largest market for ICA followed by Norway and the Baltic countries (ICA annual report, 2008:1).

ICA's store owners owned ICA AB until they started selling shares to the Dutch retailer Royal Ahold. As of today Royal Ahold holds 60% of shares while Hakon Invest AB, majority owned by the membership organisation for Sweden's ICA retailers, holds the remaining 40% (ICA annual report, 2008). This special ownership structure is insofar interesting as the individual store owners enjoy large independence in the decision making process. However, most store owners, who also franchise the brand, have recognised the benefits of following the parent company's suggestions (Jonasson Blank, 2008). Within Sweden ICA has four store concepts depending on size, sales, product range and location. The four concepts are ICA Nära, ICA Supermarket's, ICA Kvantum and Maxi ICA Stormarknad. ICA Nära is the smaller store conveniently located whereas Maxi ICA Stormarknad is the hypermarket formula of ICA with a large range of products and easy access by car. The other two concepts are more regular conveniently located supermarkets where ICA Kvantum also has a wide selection in non-food products such as beauty, health and media ranges. (ICA website, 2008)

4.2 ICA and the private labels

ICA early understood the value of private labels to support the brand and achieve higher sales. In 2007 private labels accounted for 17.4% of ICA's sales in Sweden (ICA annual report, 2008:63). Ariella Rotstein, a brand manager at ICA, says:

“Private label products are one of our most important brand bearers, since they follow the customer all the way home. It is especially important therefore that we commit to products that reflect the values we want to project.” (ICA annual report, 2008:14)

We have discussed the connection between retailer image and loyalty previously in the theory chapter. Similarly ICA acknowledges that customer loyalty can be built through private labels (ICA annual report, 2008:10). However, private labels bring along many more benefits. The emerging dominance over national brand manufacturers is one of the more important ones. It has engaged researchers and practitioners alike for a long time. By introducing private labels retailers vertically integrate their business. The main intention of this strategy is to loosen dependence of manufacturers. In Ossiansson (2004:105) we can read:

“The principal benefit for retailers in developing their own brands is to gain more control of pricing policy by breaking down the manufacturers' monopoly”.

Being a sophisticated retailer, ICA identified its importance and further developed private labels. By now they have been introduced in an abundance of categories. Within the ICA stores one can find several private labels, namely:

- A-selection
- Deco design
- Euro shopper
- ICA
- Mywear
- Novaline
- Prima cookery
- Skona

(ICA website, 2008)

Prima cookery is a private label which offers cookery equipment whereas Euro shopper is a private label cooperation between retailers in 10 European countries. Skona on the other hand is an environmental friendly private label for cleaning equipment like detergents. Deco design, Mywear, Novaline and A-selection are all non-food private labels reaching from batteries to confection. Within our research we will only focus upon the ICA private label because it contains the most products and the private label is directly connected to the retailer brand by its name. The ICA private label is in our opinion of high quality and consists of food and non-food products. Besides the classic consumer goods they also tackle upcoming markets like the one for ecological food with “ICA I love eco” and the market for healthy food with “ICA Gott Liv”. Within the ICA private label there are various sub private labels like:

- ICA Asia
- ICA Gott liv
- ICA I love eco
- ICA Italia
- ICA Selection

(ICA website, 2008)

One of the other successful private labels of ICA is the banking activities at ICA Banken providing the customers with financial services. With the experience of the launch of the previous private labels ICA’s strategy is to expand the range in private labels and launch further products under the ICA private label.

“Its work with private label products has given ICA insight into what it costs to develop and produce various products, knowledge it can use in negotiations with suppliers and to hold down prices in stores.” (ICA annual report, 2008:10)

Besides the increasing independence ICA can also enforce its negotiation position towards national brand manufacturers. However, the increasing level of control brings along more responsibility. Such responsibility is fairly new for retailers in general as they did not have to care about individual products until now. As Dhar and Hoch (1997:208) point out:

“Unlike decisions retailers take about national brands, which in large measure are driven by the manufacturer's actions, the retailer plays a more determinant role in the success or failure of its own label.”

In cases of quality problems with national brands a retailer like ICA can put heavy pressure on the manufacturer for compensation and hold them responsible. But private label products are completely under the responsibility of the retailer and thus ICA has to stand up for any failures. This is insofar important as Hoch and Banerji (1993) as well as Corstjens and Corstjens (1995, in Steenkamp and Dekimpe, 1997) argue that private labels are more likely to fail in categories which require a high level of manufacturing sophistication. Hence, categories in which private labels are prone to experience higher quality variability. Even though the meat incident does not fall into this class it raises the question if ICA is able to handle all these new processes such as procurement, manufacturing and advertising. As the production does not reflect ICA's core competencies the growing complexity of the business can push them to the verge where the lack of first-hand knowledge can trigger harmful failure. This is not unproblematic as ICA gathers several product categories under the same private label and spill over effects can occur.

4.3 ICA and Corporate Social Responsibility

ICA sees itself as a company that people know and respect and therefore find themselves in a position where they have to take social responsibility. Because of this awareness the social responsibility is an important part of the day to day activities in the ICA environment. ICA calls its approach to ethics "ICA's good business" and has identified seven basic values where ICA can and should be involved (ICA website, 2008):

- driven by profitability and high ethical standards
- listen to customers and always proceed from their needs
- nurture the diversity and the development of our own staff
- maintain an open dialogue internally and with the surrounding world
- guarantee product safety and quality
- promote a healthy lifestyle
- contribute to environmental improvements and sustainable development initiatives

ICA has been active within the several aspects of the social responsibility for years. They have participated in several alliances and networks to create a better environment. Also ICA has undertaken actions to limit their influence on climate change like providing eco driving training for truck drivers and reducing energy consumption of the stores (ICA annual report, 2008:36). With the minced meat incident in mind the most important of corporate social

responsibility is the product safety and quality. ICA monitors all the several aspects of the supply chain for non-food, near-food and food items (ICA annual report, 2008:48). Suppliers have to meet high requirements and private labels of ICA are monitored closely all through the several stages of the supply chain. In spite of these quality provisions ICA could not prevent the minced meat incident.

4.4 The minced meat incident: Time line of events

On October 29, 2007 first contact between ICA management and reporters from Swedish television programme *Uppdrag granskning* was established, without the reporters revealing any information about the cause. *Uppdrag granskning* is an investigative television programme, and the name can be translated to “Mission: Investigation”. The programme has a reputation in Sweden for exposing misconducts and incongruity in corporations and government. As a consequence, and well aware of the nature of the television programme, ICA management analysed different scenarios striving to find out the reason for their investigation. Additionally, media preparations were implemented as a precaution. On November 30, 2007 in a final interview less than a week before the documentary, ICA is informed about the four stores repackaging meat. On December 5 the documentary was aired on Swedish national television. (Jonasson Blank, 2008) In the documentary it is revealed that minced meat is being repacked and given a new package date, that meat dropped on the floor is being picked up and sold and that meat that has passed its best before date is seasoned and grilled for sale in the stores. Of all these revelations the repacking of minced meat got by far the most attention. A few days after the airing of the television programme similar food safety irregularities were reported at ICA’s biggest competitors, Coop and Axfood. However, none of them experienced the same social scrutiny as ICA (Aftonbladet, 2008).

4.4.1 ICA’s reaction

As a consequence of the final interview, ICA prepared to respond through an open communication and implemented quality as well as marketing actions. Quality actions included audits, trainings and inspections whereas marketing actions consisted of a customer centre, in-store communication, personal letters to customers of the affected stores, an open web chat following the television documentary and suspension of all Christmas television commercials. There was also an emergency meeting in Stockholm on December 11 dealing with food safety and ethics, attended by more than 1000 of ICA’s 1400 independent store managers (Jonasson Blank, 2008).

Despite all measures taken by ICA management, more incorrect handling of minced meat was discovered. One example is in the ICA Samköp store in Uppsala that on December 18 was exposed repacking meat by food safety inspectors from Uppsala municipality, and the media quickly spread the news across Sweden. The store manager had taken part in the emergency meeting in Stockholm following the original television programme, which led ICA's quality manager Mats Ovegård to state "*it is beyond my understanding how anyone can do this*" (Adapted from Swedish, Uppdrag granskning website, 2008).

An intense discussion on food handling throughout the industry and within ICA has followed the minced meat incident and Executive Vice President of ICA AB Jonasson Blank said in reference to the actions taken by ICA:

"Our brand has obviously been hurt by what happened, and we hope that these measures will help to restore customer confidence." (ICA Annual report, 2008:48)

The long term consequences for ICA are still uncertain since effects on brand equity are hard to forecast. Negative media coverage is almost guaranteed to persist and increase in intensity since several store managers are still awaiting prosecution.

“Men like the opinions to which they have become accustomed from youth; this prevents them from finding the truth, for they cling to the opinions of habit.”

Moses Maimonides (1135 – 1204), Egyptian physician and philosopher

5 Results and analysis

This chapter combines the presentation of the collected empirical data and the analysis. At first we discuss the data composition and its validity and reliability. We then move on to the analysis of our sample which consists of two main parts. The first section is purely descriptive. Here we provide an insight into our respondents' quality perception of ICA in general, its private label and its minced meat as of today. We also present empirical evidence for the existence of a connection between the private label and the retailer brand. The second part focuses on the answering of the research questions. Here we investigate the relationships between the minced meat, the retailer brand and the private label in context of the meat incident.

5.1 Empirical data

5.1.1 Data preparation

The data has been collected in Lund in April 2008 through a structured interview approach with three sets of questions covering the respondents' current quality perceptions, the believed influence of the meat incident on their quality perceptions and demographical questions. During the data collection we recognised two prevailing problems that remained undetected during the pre-test and that forced us to exclude a minor number of cases from the analysis. One issue arose with vegetarians (n=8) who could not answer the questions about their minced meat perception. As they could still manifest their perceptions about ICA in general and about their private labels their answers are still relevant. The second problem on the other hand would considerably manipulate our data if we included it in the analysis. A small group of respondents (n=4) was not aware of the minced meat incident and could not answer the second part of our questionnaire where we specifically ask about their impression of influences the meat incident had caused on their perceptions. Hence, we had to stop the interview half way through. We tried to end all interviews with the collection of demographical data. However, not all participants were willing to provide the relevant data (n=4). Additionally, we have to say that one respondent was vegetarian and not aware of the meat incident. Hence, from the original sample (n=186) we have to subtract the four respondents who were not aware of the meat incident. From the remaining valid sample (n=182) seven respondents referred to themselves as vegetarians. As these missing values only compromise a small amount of the overall information we will include them in the valid

sample. Furthermore, it is also a reflection of the population. It is likely that our overall sample consists of further vegetarians that did still answer the question about the meat perception. In order to get an impression of the respondent group we will now have a look at the demographics.

5.1.2 Sample description

Originally, we aimed at gathering a data sample that reflects both sexes equally and that spreads over the different age groups. However, the uniqueness of the social environment in Lund influences our sample composition. As we conducted our interviews in a town consisting of a considerable student population the average respondent in our sample is rather young (30 years). Although we targeted respondents from all different age groups the frequencies of respondents in their twenties is considerably higher than those in older age groups. An analysis of the median value (25 years) displays the over-representation of students in our sample in a clearer manner (Table 5.1). A difference between mean and median is a statistical sign that our distribution is not symmetric (Malhotra, 2004).

N	Valid	179
	Missing	3
	Skewness	1.679
	Std. Error of Skewness	.182
	Kurtosis	1.995
	Std. Error of Kurtosis	.361

Table 5.1: Skewness and kurtosis for age distribution of data sample

The shape of our distribution can be analysed through skewness and kurtosis. In a skewed distribution the deviations to the positive side are unequal from the deviations to the negative side, implying that one tail of the distribution is heavier than the other (Malhotra, 2004). For the age compositions in our sample we find a clearly positive value for skewness (1.68), saying that the distribution is left heavy (Table 5.1 and Figure 5.1). We have already mentioned before this is not surprising as we conducted our interviews in a student town. As our sample spans from the age of 16 up to 76, the mean value is strongly influenced by the older population, whereas this is not the case for the median. The overrepresentation of students should also be seen when measuring the kurtosis. We find a positive value (1.99) that supports the assumption that we cannot see normality in our distribution. It expresses that our distribution is more peaked than a normal distribution (Malhotra, 2004). Despite the fact that our sample is not normally distributed over the age, we believe that this will not significantly

influence our results. The sample is in our opinion sufficient enough for the purpose of our study and we believe that the results from our analysis can be generalised to a certain extent.

Figure 5.1 displays the age distribution of our respondents and visualises that our distribution is left heavy. As mentioned before we were trying to give respect to the gender equality for the selection of interviewees. However, the female respondent groups is slightly bigger in our sample with around 52% (n=95). It can be interpreted that they are to some extent more willing to participate in interviews than males (Table 5.2).

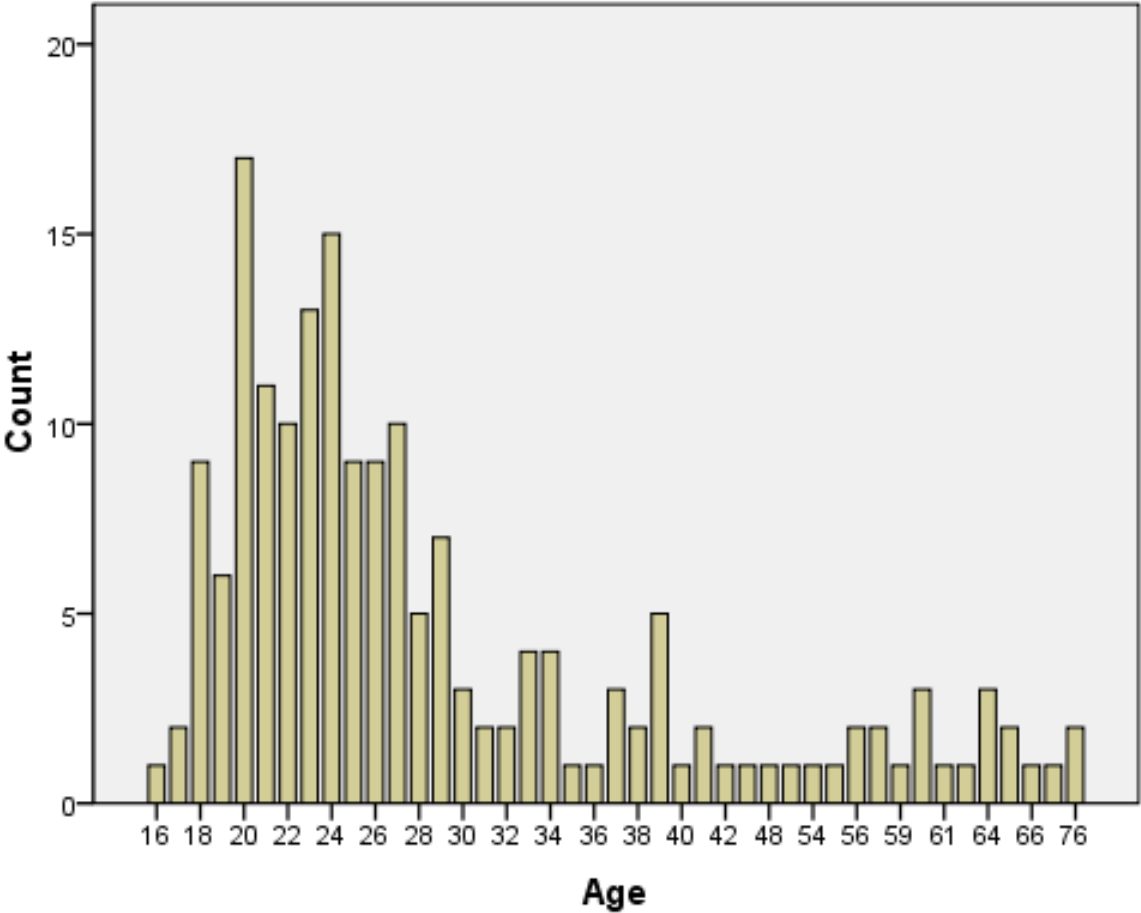


Figure 5.1: Age distribution of data sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	86	47.3	47.5	47.5
	Female	95	52.2	52.5	100.0
	Total	181	99.5	100.0	
Missing	System	1	.5		
Total		182	100.0		

Table 5.2: Gender composition of data sample

5.1.3 Validity and reliability

In chapter two we have already discussed implications of validity and reliability as part of the methodological considerations. Even though reliability and validity are two different concepts, we have to keep in mind that validity presumes reliability (Bryman and Bell, 2007:168).

We have seen that we are not able to measure reliability due to various reasons as explained in chapter two. Bryman and Bell (2007:176) argue that many researchers do not provide reliability and validity measurements due to time and cost constraints. However, we believe that our data is reproducible and thus reliable as we maximised the inter-observer consistency through structured interviews with closed questions and pre-defined explanations of ambiguous expression. Bryman and Bell (2007:168) state that usually only minimal steps are applied to ensure validity and reliability of the research. As we are not able to measure reliability we focus for our purpose on the content validity of our study.

Our interview schedule has been developed in accordance with the theoretical foundation formed in chapter three. We have identified the key concepts that are of relevance for our study and derived indicators that allow us to measure quality perceptions in a simplified manner. The use of these well-established concepts and measurement indicator create in our opinion the necessary content validity for our study.

Service quality as our main indicator for retailer quality perception, for example, has been extensively discussed by previous researchers (Sirohi et al., 1998; Grönroos, 2002; Aaker, 1991 in Bamert and Wehrli, 2005) and is therefore in our opinion a valid representative for retailer quality perception. Also the determination of the segments environment, personal service and reliability as our main dimension of service quality is in accordance with well acknowledged previous research like the SERVQUAL scale (Parasuraman et al., 1988) and the RSQS (Dabholkar et al., 1996 in Soyoung and Byoungcho, 2002). Using all theories mentioned above as well as a clear description of ICA we have designed a suitable interview

schedule for the analysis of our research questions that we believe to provide assurance of validity in our study.

5.2 Quality perceptions at present

5.2.1 Perception of ICA's overall quality

With the first set of questions we want to get an overall impression of our respondents' perception of ICA. This is done through five questions that allow us to create a picture of the perception of ICA. The first question intends to capture how our respondents rate the overall quality of ICA as a store without referring to a particular outlet. The respondents have, as we expected, a very positive impression of ICA's quality (Table 5.3). From all respondents (n=182) none gives ICA the minimal rating. The average response of 3.89 on a scale to 5 reveals a rather high quality perception of ICA. We can also see that the three evaluated sub-dimensions of the service quality, as defined in chapter three, reach results corresponding with overall quality perception. By confirming the relevance of these sub-dimensions we agree with previous research that has incorporated store environment, personal service and reliability as segments in their scales for measuring service quality (Parasuraman et al., 1988; Dabholkar et al., 1996 in Soyoung and Byounggho, 2002). Store environment, for example, scores second best after the overall quality perception. It can be argued for this result that a majority of the participants in our interviews primary associate the quality of a store according to its appearance. Hence, the visual memorisation of the store layout, which is part of the store environment, strongly influences their perceptions. Considering though that the corresponding results for personal service and reliability are also within the proximity of the overall quality perception, we can conclude that our respondents generally have a rather positive impression of ICA. Therefore, our results of the service quality sub-dimensions and the overall quality perception implicate that service quality perception is a valid representation of the overall quality perception. This is in accordance with findings by several researchers (Chowdhury et al., 1998; Dickson and Albaum, 1977; Kelly and Stephenson, 1967).

If we assess the cumulative frequencies for high and very high quality impressions of these sub-dimensions we can find partial confirmation for these results (Table 5.4). In cumulated percentage it means that 81.3% (n=148) have a high or very high opinion about the quality of ICA. This is in our opinion a remarkable value considering the fact that we have not limited our interviews to ICA's customer. However, a clear statement regarding the influence of the

negative event on the respondents' quality perception cannot be made at this stage as we do not have comparable data from before the incident.

What do you think of ICA's	N	Minimum	Maximum	Mean
Overall quality	182	2.00	5.00	3.89
Personal service	182	1.00	5.00	3.48
Store environment	182	2.00	5.00	3.79
Reliability	182	1.00	5.00	3.47
Notes: 5=Very high; 1=Very low				

Table 5.3: Mean values for respondents' perception of retailer quality attributes

What do you think of ICA's	N	Very high in percent	High in percent	Cumulative Percent
Overall quality	182	8.8	72.5	81.3
Personal service	182	5.5	46.1	51.6
Store environment	182	14.3	53.8	68.1
Reliability	182	9.9	40.6	50.5

Table 5.4: Cumulative percentages of respondents rating *high* or *very high* on retailer quality attributes

The reason why the cumulative percentages only provide partial confirmation becomes obvious when having a look at the three dimensions of retailer quality perception: personal service, store environment and reliability. We see that they do not fully correspond with the overall quality perception. Personal service, for example, only reaches 51.6% (n=94) of high or very high responses, but on the other hand only 8.2% (n=15) have a negative quality perception of ICA's personal service. Similar results can be seen when evaluating the reliability question where 50.5% (n=92) have a positive perception, whereas 10.4% (n=19) consider the reliability to be low or very low. The results for store environment are slightly better as 68.1% (n=124) of the respondents consider it to be of high or very high quality. Only 2.7% (n=5), on the other hand, have a negative quality perception of the store environment (Appendix B.I. provides complete tables with figures). The lower mean values of the reliability and personal service could be interpreted as bearing information about the meat incident. If we keep in mind that the store personnel played a considerable role during the meat incident, as it was them repackaging the meat, a lower value seems reasonable. Furthermore, it seems obvious that the reliability has been affected during this period.

However, we cannot say this for sure at the moment but will further examine influences of the meat incident at a later point in this chapter. Furthermore, the low figures might be swayed by the fact that we questioned our participants on these dimensions after asking them about their view of minced meat, which helped them to remember the incident. Many other factors could have affected these results too. So far we can only assume and not ensure that both above-mentioned dimensions indicate that the meat incident left a mark in the mind of our respondents and influenced parts of the quality perception of ICA as a retailer, whereas the overall brand was strong enough to get through the incident without much harm. At a later stage of our analysis we come back to this question and evaluate the magnitude of the incident on the ICA brand in order to answer the research questions.

At this point we have to address the problem of indecisive respondents as they compose a remarkable share. The reason for the large number of people feeling indifferent about ICA can be manifold. The fact that a grocery retailer like ICA sells almost only low involvement goods might contribute to a rather indifferent opinion of the respondent towards the supplier. Grocery shopping is for many people a habit, something that has to be done, and not a treat. Therefore, many people might be uninterested in the evaluation of these criteria and feel an indifference towards the retailer.

As we have seen it is possible to assess the respondents' impression of the personal service, the store environment and the reliability of ICA through our data. We have already determined in the theory chapter that these three dimensions are our main drivers for service quality which in itself is our single representative of retailer quality. Hence, we expect from our data that the mean values for these three dimensions are in proximity of the overall ICA quality perception. By only looking at the mean values in our sample we find results that indicate the validity of our dimensions. All mean value differences are smaller than 0.5 points on the 5-point Likert scale and thus point out similarities (Table 5.3).

One way to further support the assumption of a relationship between the overall quality and the three sub-dimensions is to analyse the correlations. The responses to our interview questions are normally distributed (see Appendix B.I.) and therefore we choose Pearson's correlation coefficient as opposed to Kendal's tau or Spearman's rho, which are used for non-parametric testing methods (Malhotra, 2004). The following table contains detailed information about the correlations between the overall quality perception and the individual dimensions (Table 5.5). Analysing them allows us to establish that all of the three dimensions, store environment, personal service and reliability, are significantly correlated with the overall

quality perception. The existence of these correlations supports our choice of dimensions. While reliability ($r=0.32$) and store environment ($r=0.28$) are significantly correlated at the 0.01 level, personal service ($r=0.15$) is only significantly correlated at the 0.05 level. These correlation coefficients imply that an increase in reliability, personal service or store environment perception is most likely to be observed simultaneously with an increase in overall quality perception. Accordingly, the reverse relationship is also the case, meaning that the decrease of one variable most likely brings along the decrease of the other variable. These correlations are further confirmation for use of service quality perception as a single indicator of quality perceptions and are in accordance with the measurement scales for service quality by Parasuraman et al. (1988) and Dabholkar et al. (1996, in Soyoung and Byounggho, 2002).

		What do you think of the quality of Ica's personal service?	What do you think of the quality of Ica's store environment?	What do you think of Ica's reliability?
What do you think of the overall quality of Ica as a store?	Pearson Correlation	.15*	.28**	.32**
	Sig. (2-tailed)	.049	.000	.000
	N	182	182	182

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 5.5: Correlations between ICA's overall quality perception and the three sub-dimensions

5.2.2 Perception of ICA's private label and minced meat quality

In addition to the overall quality perceptions of ICA we now analyse the data for ICA's private label quality perception. Besides the private label quality perception in total special attention will be given the quality perception of the minced meat private label product as a further dimension. In comparison to the average overall quality perception of ICA (3.89) we have calculated a slightly smaller mean value (3.44) for the quality perception of the private label (Table 5.6). Although the results reflect a positive feeling of our respondents towards the private label, the outcome is closer to the group with indifferent opinions than those with a high quality perception. Nonetheless, the proximity of the mean values supports the view of a link between high quality retailers and their private labels and is in accordance with previous studies that find similar results (Collins-Dodd and Lindley, 2003; Corstjens and Lal, 2000; Martenson, 2007; Richardson et al., 1996). Our data suggests that the existence of such a connection is probable and the lower value for the private label quality perception can be interpreted as an indicator that the influence is stronger from the retailer brand to the private label than vice versa. However, we have to be aware of the fact that this data is only

supportive and not determining. Only at a later point we will be able to discuss our research questions and investigate the relationships between the private label and the retailer brand in context of the meat incident.

The examination of the average minced meat quality perception is not very surprising. We find the lowest value from our data implying that our respondents still have the meat incident in mind. The average score of 3.12 (with n=175, due to vegetarians) supports the fact that the private label meat quality perception of ICA has been affected. The value lies noticeably lower than all other calculated quality perception values. However, considering the meat incident a score of 3.12 is still respectable as it implicates an indifferent and not a negative opinion about the meat quality. (Table 5.6)

	N	Minimum	Maximum	Mean
Private label	182	1.00	5.00	3.44
Minced meat	175	1.00	5.00	3.12
Notes: 5=Very high; 1=Very low				

Table 5.6: Mean values for respondents' perception of ICA's private label and minced meat quality

As mentioned before we have to keep in mind that the mean on its own is not particularly expressive due to the lack of comparable data before the meat incident. Only when looking at the means of the overall quality, the private label quality and the mince meat quality perception, one can assume that the decreasing figures over these three measurements bear information from the meat incident. Another explanation would be that the retailer brand in itself is considerable stronger than the private label. Hence, in order to further scrutinise the data we analyse the cumulative percentages of the private label and minced meat quality perception. This will provide us with an additional perspective.

We find that 49.5% (n=90) have a high or very high quality perception of the ICA private label (Table 5.7). This is in line with the moderating results we found when analysing the mean values (3.44). We see that the share of respondents with a very high quality perception is only 2.7%. For a long time private label products were cheap, low-quality alternatives to strong national brands. Only in the last few years they developed in quality and became serious competitors of national brands (Hoch, 1996). The remnants of the days where private label products were of low quality could be responsible for that ICA's private label only

reaches 2.7% of very high quality perceptions. A large share of consumers might still see private label products as second tier.

For the percentages of minced meat we find a similar low figure of respondents considering the quality to be very high (Table 5.7). The aggregated percentage of high and very high quality perception, however, depicts a considerably lower figure than for the overall private label. Only 30.9% voted for a high or very high quality perception and the vast difference in contrast to the private label is a further sign that the minced meat quality perception has been shaped by the incident in December 2007.

	N	Very high in percent	High in percent	Cumulative Percent
Private label	182	2.7	46.8	49.5
Minced meat	182	2.3	28.6	30.9

Table 5.7: Cumulative percentages of respondents rating *high* or *very high* on private label and minced meat quality

5.2.3 Testing the link between the retailer brand and the private label

We have already identified a few precursors for the existence of a link between the retailer brand and the private label. By exploring the correlations between the minced meat and the overall ICA quality as well as between the private label and the ICA quality we now intend to further validate the relationship between retailer brand and private label. We measure the correlations between the afore-mentioned variables in order to realise this goal.

	What do you think of the overall quality of Ica as a store?
What do you think of the quality of Ica's own brands?	Pearson Correlation
	Sig. (2-tailed)
	N
	.37**
	.000
	182

** . Correlation is significant at the 0.01 level (2-tailed).

Table 5.8: Correlation between ICA's overall quality and ICA's private label

As we can see a normal distribution of our results, we use again Pearson's correlation coefficient (Malhotra, 2004). The scrutiny of the correlations reveals encouraging results for our endeavour. The correlation between the overall quality perception and the perception of the private label quality ($r=0.37$) is significant at the 0.01 level and provides supportive

evidence (Table 5.8). An increase/decrease in private label quality perception is therefore likely to be observed together with an increase/decrease in retailer quality perception.

The assumption of the retailer brand having influencing effects on the private label has formerly been introduced by other researchers. Particularly Martenson (2007) discussed this relationship but similar effects are also examined in Richardson et al. (1996). As a consequence we can conclude that the deduced results from our data suggest that a connection between the retailer brand and the private label exists. Establishing this link is a vital part of our research as the non-existence of such a relationship would make the continuation of our study obsolete.

We argued earlier that further links exist between an individual private label product and the overall private label or the retailer brand, respectively. In our case this means that we have to correlate the quality perception of the minced meat with the ICA private label quality perception in a first step and with the overall retailer quality perception in a second step. This will allow us to validate the existence of such a relationship. Our results support again the opinion that such a connection exists. We find that there is a significant correlation ($r=0.29$) at the 0.01 level between ICA's private label and its minced meat (Table 5.9). We also notice a significant correlation ($r=0.37$) between the retailer brand and ICA's minced meat (Table 5.9).

		What do you think of the overall quality of Ica as a store?	What do you think of the quality of Ica's own brands?
What do you think of the quality of Ica's minced meat?	Pearson Correlation	.37**	.29**
	Sig. (2-tailed)	.000	.000
	N	175	175

** . Correlation is significant at the 0.01 level (2-tailed).

Table 5.9: Correlation between ICA's minced meat and ICA's private label and the overall quality

These links support the assumption that certain variables might influence each other. We have to be aware that correlations do only support the preliminary assumption of an existing link between the aforesaid dimensions. They do not provide evidence for causal relationships from one variable on the other. These can only be measured through an experimental research design (Malhotra, 2004). This is the main distinction from the research conducted by Richardson et al. (1996) who perform an experimental study. Their research reveals influences from the store quality perception to the private label quality perception. However,

it is important to notice that our findings are not contradicting their results. In order to find additional support for the existence of the link we will at a later point run a regression analysis that allows us to better understand the relationship.

5.3 The meat incidents' influence on quality perceptions

5.3.1 Change in perception following the meat incident

At the beginning of this project we discussed various possible outcomes of our research question. While it might seem farfetched at first, we also thought about the possibility of positive influences of the minced meat incident on respondents' perceptions. The logic behind this lay in the assumption that some people might consider an efficient and effective problem handling as a sign of competence and reliability and thus an opportunity for ICA to reinforce their position and gain trust among consumers. However, a more probable expectation was the negative effect of the meat incident on various facets of the ICA brand which determined our research focus and finally was incorporated in the research questions. As a consequence we measure with the second set of questions in our interview how the respondents consider the event to have impacted their view of the overall ICA quality, the private label quality and the minced meat quality. Additionally, we are also particularly interested in the reliability component. Reliability is an important measurement dimension of service quality and a strong representative of the retailer's image, thus directly influencing the retailer brand. Or as an ICA Executive Vice President, Ingrid Jonasson Blank (2008), said: *"The only way to recover the brand is to show reliability, again and again."*

From our empirical data we cannot extrapolate an overall positive effect from the meat incident on the quality of the tested criteria. Yet some individual respondents, approximately 5% - 9%, answered depending on the measured criteria that the meat incident positively affected their view. An insignificant minority even replied that the meat incident had very positive influences on their view of ICA's reliability (n=2) and the private label (n=1) quality perception in general. No such extremes can be found for the overall quality perception or the minced meat quality perception. Besides the chance that some might think ICA proved itself during this incisive event, we also have to be aware that ICA is a major employer in Sweden and many people are in a certain way personally involved in an ICA store. This could certainly influence their opinions about ICA.

Nevertheless, our data implies that the prevailing view among the respondents is rather the opposite. Most interviewees acknowledge a negative influence of the meat incident on their quality perceptions of ICA. Moreover, this result represents our main expectations and indicates that significant influences could exist. We will analyse those that at a later stage. For the moment we adhere that a large share of respondents (43.4%, n=79) thinks that the meat incident negatively or very negatively affected their perception of ICA's overall quality, while even 61% (n=111) think it had negative or very negative influences on their perception of ICA's minced meat. On the other hand only 24.2% (n=44) see such an effect on ICA's private label in general. (Table 5.10)

	N	Very negatively in percent	Negatively in percent	Cumulative Percent
Overall quality	182	8.8	34.6	43.4
Private label	182	4.9	19.3	24.2
Minced meat	182	25.3	35.7	61.0
Reliability	182	8.2	42.9	51.1

Table 5.10: Cumulative percentages of respondents saying that the minced meat incident has negatively or very negatively influenced their quality perceptions

Logically, we can also see the results expressed in the mean values (Table 5.11). Minced meat scored the lowest (2.18) on the scale, which equals the strongest perceived negative influence on the respondents view when considering the four measured elements. The respondents believed that their quality perception of the private label has been influenced the least (2.78), whereas influence on the overall quality perception and reliability perception is in between these boundaries. However, at a first glance the consequences of the meat incident seem to be rather small. We anticipated especially stronger influences for the reliability question. For the moment this result can, in our opinion, be traced back to the fact that during the data collection in April already a time period of five months has passed since the incident occurred and hence the awareness and thus the perceptions of its influence have faded in the meantime. Nonetheless, the gradual augmentation of the mean value from minced meat along overall quality to private label perception can be interpreted as a sign that the magnitude of the influences are unequal and depend on the relationships.

	N	Minimum	Maximum	Mean
Overall quality	182	1.00	4.00	2.56
Private label	182	1.00	5.00	2.78
Minced meat	182	1.00	4.00	2.18
Reliability	182	1.00	5.00	2.49
Notes: 5=Very positively; 1=Very negatively				

Table 5.11 Mean values of believed influences of meat incident on respondents' quality perceptions

Up until now we have only described the data of our structured interviews to provide an introduction and overview into the more complex data analysis. In a next step we study the relationships between various variables and search for significances by examining correlations and running regression analyses, which allow us to answer our research questions.

5.4 Answering the research questions

5.4.1 Considerations for analysing the relationships

At first, this section is devoted to the analysis of the relationships between the minced meat quality perception and the retailer brand perception after the meat incident. In a second step we also evaluate the effects of the minced meat on the overall private label as a consequence of the meat incident. Hence, in this part we look for statistical evidence to answer our research questions. We start with the relationship where we hold higher expectations of observing spill over effects, the relationship between the retailer brand and the minced meat.

We have already used correlations abundantly throughout our analysis without clearly specifying its meaning. Correlation is a relationship between two statistical variables. It measures the direction and strength of association between two variables by indicating how the variation in one variable is related to the variation in another variable (Malhotra, 2004). However, it does not say if one variable has a causal effect on the other or not. As mentioned earlier causal relationships can only be measure in labs through experimental design. Malhotra (2004:204) further discusses the concept of causality and says:

“Moreover, we can never prove causality (i.e., demonstrate it conclusively); we can only infer a cause-and-effect relationship.”

Bryman and Bell (2007:169) also see an ambiguity in finding the direction of causal influences as the data for both variables has been collected simultaneously. In our research we further apply a linear regression to clarify the relationship between two variables. This does not help us to find causality but we can nonetheless use this statistical tool to quantify the relationship and thus further validate the results found in the correlation coefficients.

Hence, we have to define the dependent and the independent variable, which is difficult as we cannot say that the independent variable precedes the dependent one. Therefore, Bryman and Bell (2007:169) say that in cross-sectional designs the inference of one variable causing influence on the other is subject to common sense or theoretical ideas. The idea that minced meat can influence the overall private label or the retailer brand has been thoroughly discussed in chapter one and theoretical evidence in chapter three provides additional support. Thus, we believe that the combination of the two measurements, correlation and regression, is in our opinion satisfactory enough to provide a broad image of the relationships between the minced meat and the retailer brand as well as between the minced meat and the overall private label. Consequently, we will now investigate the two different relationships.

5.4.2 The relationship between minced meat and the retailer brand

As we have already discussed throughout the paper, we believe that the retailer brand has been negatively influenced as a consequence of the meat incident in December 2007. Therefore, we search now for a correlation between the two afore-mentioned dimensions. However, before we can measure any influences from this singular private label product on the retailer brand, we first have to assess if there is a significant difference between the impacts of the meat incident on the ICA overall quality perception, as a representation of the retailer brand, and the minced meat perception. In order to find this out we compare the responses from our data sample.

As the simple comparison of the means is statistically not perfectly accurate, we have to use a method for comparing means that incorporates the use of mean's dispersion. The paired samples t-test is such a method. Even though a normal distribution is assumed, the t-test is robust to variances from normality. (Malhotra, 2004) We set up the following hypotheses in order to test the means:

H_0 : The mean of the effect of the minced meat incident on the respondents minced meat quality perception is not different from the mean of the effect on the respondents' overall quality perception of ICA.

H₁: The mean of the effect of the minced meat incident on the respondents minced meat quality perception is different from the mean of the effect on the respondents' overall quality perception of ICA.

		Paired Differences							
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					Lower	Upper			
Pair 1	ICA's minced meat – ICA's overall quality	-.37912	.76107	.05641	-.49044	-.26781	-6.720	181	.000

Table 5.12: Output for believed influence of incident on ICA's minced meat and ICA's overall quality

The output of the t-test (Table 5.12) reveals that there is a significant difference in the pair's means, as indicated by the significance value which is considerably below 0.05. From this analysis we can conclude:

- The mean of the variable *Effect of incident on overall quality perception* is significantly different from that of the *Effect on minced meat quality perception*. Therefore, we have to reject H₀. The negative mean (-0.38) is signifying that the overall quality perception of ICA is affected less negatively by the meat incident than the minced meat quality perception.

We have now shown the difference in means and thus fulfilled the condition to continue our analysis. Consequently, we will now investigate the magnitude of the relationships between the minced meat quality perception and retailer quality perception. This will answer our first research question.

The calculation of Pearson's correlation coefficient shows us a significant correlation (r=0.58) at the 0.01 level between the meat incidents' effect on ICA's minced meat quality perception and ICA's overall quality perception (Table 5.13). This positive correlation indicates that the two measured variables tend to increase or decrease together. In our case it means that when the quality perception of the minced meat is negatively influenced, the consumer also considers the quality perception of the overall ICA quality to be negatively influenced. Naturally, our variables are not perfectly correlated. This is not at all uncommon as perfect correlation exists only in very rare cases. However, the coefficient is rather high. Our results imply that other factors also influence the quality perception of each of these variables. The

overall quality perception is less affected by the meat incident than the meat itself, which we expected.

		How did the meat incident affect your view of the quality of Ica's minced meat?
How did the meat incident affect your view of the overall quality of Ica?	Pearson Correlation	.58**
	Sig. (2-tailed)	.000
	N	182

** . Correlation is significant at the 0.01 level (2-tailed).

Table 5.13: Correlation between effects of meat incident on respondents' quality perceptions

We have also assumed this effect earlier when comparing the means of the influence on the minced meat perception (2.18) and on the overall quality perception (2.56), where the lower mean for minced meat implicated that the influence is probably stronger from the singular private label product to the retailer brand than vice versa. To further validate this result an additional statistical tool is used. A linear regression analysis was run using the meat incidents' impact on overall quality perception as an outcome variable, and the incidents' impact on minced meat perception as a sole predictor (Appendix C.I. provides complete tables). After quantifying the relationship through the correlation, we now intend to explain the outcome variable through the predictor. This model can theoretically be described through the following equation:

$$Y = a + bX + e$$

Y is the outcome variable, the impact on overall quality perception, whereas X is the independent variable, the impact on the minced meat perception. The interception point is represented by a, whereas b defines the slope and e is the error term associated with the observation. However, the following model is used for the observations and is a simplified version of the theoretical model.

$$Y' = a + bX$$

Y is now approximated through Y' because we cannot directly estimate the error (e). This is a line of best fit. Our ANOVA reveals that our model is significant at the 0.01 level. Hence, we can continue with the analysis by testing the significance of the coefficients. Again we find significance at the 0.01 level and can therefore now set up the final equation:

$$Y' = 1.44 + 0.51X$$

If the predictor (X) is set a zero, a would be the value for Y'. However, in our case this is an unrealistic case as the Likert scale from 1 to 5 was given. The equation quantifies how much Y is increasing or decreasing per unit of increase or decrease in X. Overall, the impact on minced meat quality perception significantly accounts for 33.5% of the variance in the impact on overall quality perception ($F(1,180) = 90.5, p < 0.01$). The regression equation indicates that, on average, an additional point on the Likert scale for impact on minced meat perception increases the impact on overall quality perception by 0.51 points on the Likert scale ($t(180) = 9.5, p < 0.01$). Figure 5.2 illustrates the linear relationship.

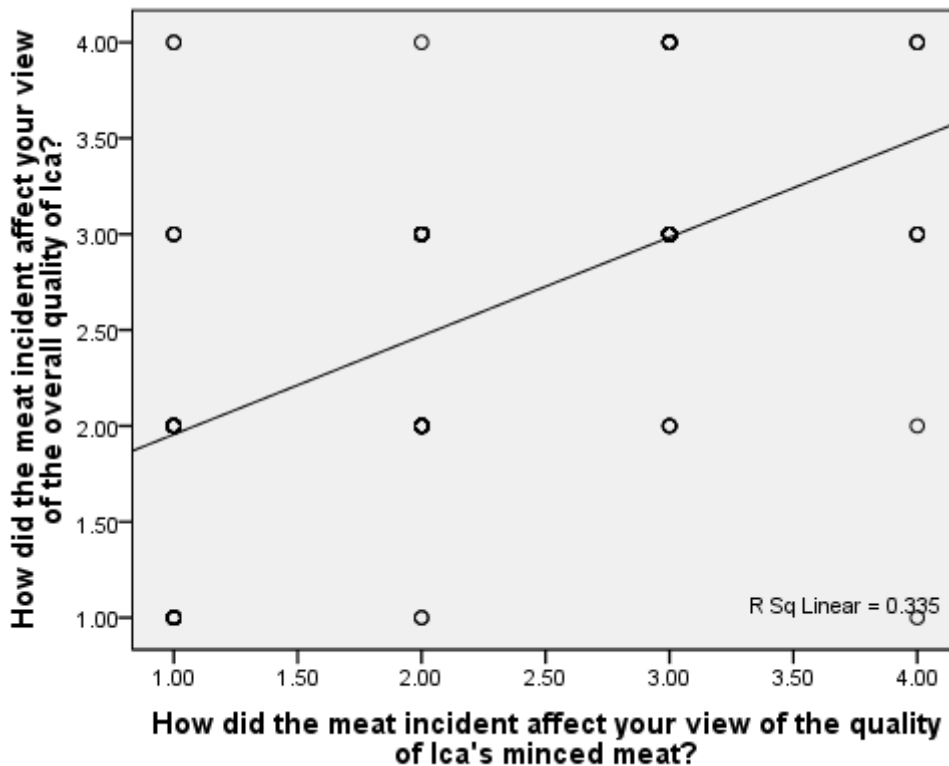


Figure 5.2: Linear relationship between minced meat quality and overall quality of ICA

Therefore, we can conclude for the first research question that a singular private label can significantly influence the retailer brand as a consequence of a negative event. In Martenson (2007) as well as in Collins-Dodd and Lindley (2003) we can read that a reciprocal relationship between private labels and retailer brands can be assumed. However, our research provides empirical support for this assumption. Our analysis of the ICA private label minced meat shows a respectable correlation between the retailer quality perception of ICA and the minced meat quality perception following the minced meat incident. Additionally, the

regression analysis quantifies the influence of the impact on minced meat quality perception on the impact of the retailer quality perception. In contrast to Corstjens and Lal (2000) our findings take the negative side of a private label product into account. This has been rather neglected so far. Furthermore, we provide an insight how a private label product influences the retailer brand, whereas other researchers like Richardson et al. (1996) discuss the reverse relationship. In a next step we will now analyse the second research question and see if we find similar influences.

5.4.3 The relationship between minced meat and the private label

The second research question deals with the relationship between the minced meat quality perception and the overall private label quality perception. We want to test our data on evidence that a singular private label product can actually influence the quality perception of the entire private label. To comply with this task we will measure the correlation between the influences of the meat incident on the two variables. However, similar to the section before, we first evaluate if a significant difference between the means exist. Again we will use the paired samples t-test as the simple comparison of the means is not perfectly accurate and we have to incorporate the use of mean’s dispersion. We test the following hypotheses:

H₀: The mean of the effect of the minced meat incident on the respondents minced meat quality perception is not different from the mean of the effect on the respondents’ private label quality perception.

H₁: The mean of the effect of the minced meat incident on the respondents minced meat quality perception is different from the mean of the effect on the respondents’ private label quality perception.

		Paired Differences							
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					Lower	Upper			
Pair 1	ICA’s minced meat – ICA’s private label	-.59890	.77145	.05718	-.71173	-.48607	-10.473	181	.000

Table 5.14: Output for believed influence of incident on ICA’s minced meat and ICA’s private label quality

The output of the t-test (Table 5.14) affirms that there is a significant difference between the means. The significance value lies considerably below 0.05. We can conclude:

- The mean of the variable Effect of incident on private *label quality perception* is significantly different from that of *Effect on minced meat quality perception*. Therefore, we have to reject H₀. The negative mean (-0.59) is signifying that the private label quality perception is affected less negatively by the meat incident than the minced meat quality perception.

We are now ready to move on and measure the strength of the relationship between the minced meat and the overall private label. We do so by calculating the correlation which helps us to answer the second research question.

Since the answers are normally distributed we will use again Pearson's correlation coefficient. At the 0.01 level we find a significant correlation ($r=0.52$) between the meat incidents' effect on respondents' quality perception of minced meat and the overall private label quality perception (Table 5.15). While this correlation implicates a slightly weaker relationship than between minced meat and retailer brand, the relationship is still rather strong. Hence, we can say that an increase/decrease in one variable most likely brings along an increase/decrease in the other variable. In practical terms it means that when the quality perception of the minced meat is negatively influenced, the consumer also considers the quality perception of the private label in general to be negatively influenced.

		How did the meat incident affect your view of the quality of Ica's minced meat?
How did the meat incident affect your view of the quality of Ica's own brands?	Pearson Correlation	.52**
	Sig. (2-tailed)	.000
	N	182

** . Correlation is significant at the 0.01 level (2-tailed).

Table 5.15: Correlation between effects of meat incident on respondents' quality perceptions

This result is in our opinion a bit surprising. While we thought that the meat incident affected the overall quality perception, we did not expect such a strong relationship to the impact on private label in itself. However, our data again suggests that further variables influence the private label quality perception. Nonetheless, by comparing the means we can assume that the influence in this particular negative event was stronger from the minced meat to the private label than vice versa. The minced meat perception was considerably stronger influenced (2.18) than the private label perception (2.78) as the lower value expresses.

We will again further validate our results by running a regression analysis. The meat incidents' impact on private label quality perception is the outcome variable (Y), and the incidents' impact on minced meat perception the sole predictor (X) of it (Appendix C.II. provides complete tables). As already described earlier we use the following equation for the approximation of Y:

$$Y' = a + bX$$

Y' is the approximated outcome variable, the impact on private label quality perception, whereas X is the independent variable, the impact on the minced meat perception. The interception point is again represented by a and the slope by b. We find again significance for our model and our coefficients at the 0.01 level. The following equation can therefore be derived:

$$Y' = 1.92 + 0.39X$$

Similar to the first regression analysis the predictor (X) cannot equal zero due to our pre-defined Likert scale. The equation quantifies how much Y is increasing or decreasing per unit of increase or decrease in X. The impact on minced meat quality perception significantly accounts for 27.2% of the variance in the impact on private label quality perception ($F(1,180) = 67.3, p < 0.01$). The regression equation indicates that, on average, an additional point on the Likert scale for impact on minced meat perception increases the impact on private label quality perception by 0.39 points on the Likert scale ($t(180) = 8.2, p < 0.01$). In figure 5.3 we can see a graphical illustration of the linear relationship between minced meat and the overall private label.

Following above calculations we can infer for the second research question that a singular private label, minced meat in our case, can exert significant influence on the private label when exposed by a negative event. Both the correlation coefficient and the regression analysis provide evidence for the existence of this connection. We have seen before that various researchers touched upon the relationship between private labels and retailer brands (Collins-Dodd and Lindley, 2003; Corstjens and Lal, 2000; Martenson, 2007; Richardson et al. 1996). However, the relationship between a private label product and the private label has rather been neglected so far and our results provide a grounding insight. We contribute with our empirical findings to the understanding of the relationship in consideration of negative quality perceptions. The implications of these results will be discussed in-depth in chapter six.

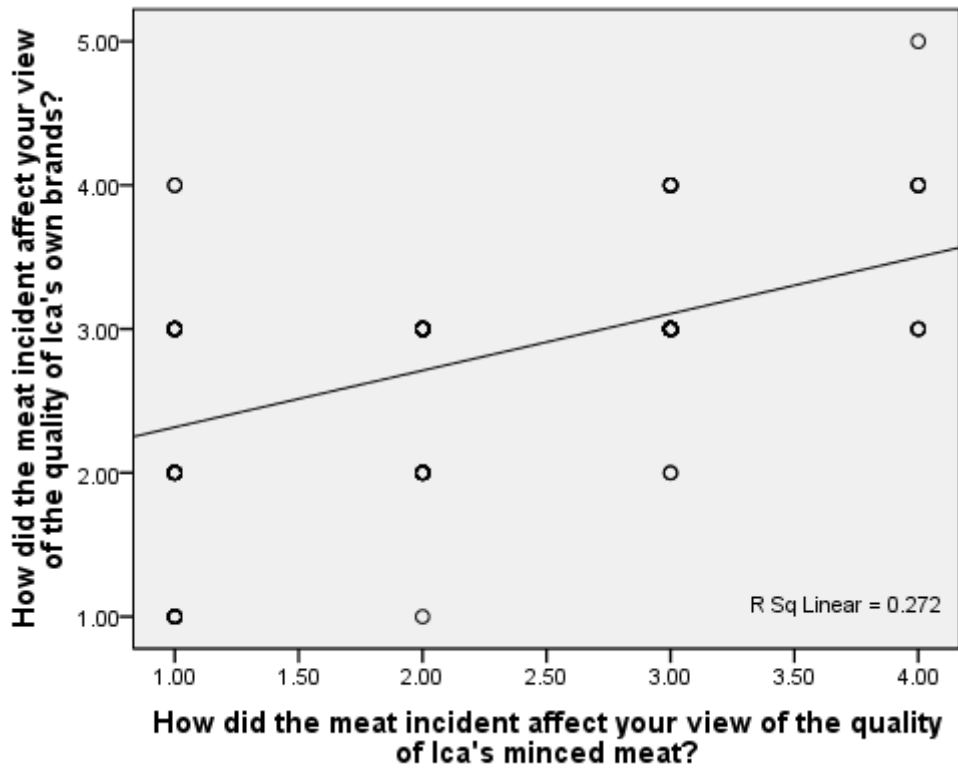


Figure 5.3: Linear relationship between minced meat quality and overall private label quality

“Keep away from people who try to belittle your ambitions. Small people always do that, but the really great make you feel that you, too, can become great.”

Mark Twain (1835 – 1910), American writer

6 Conclusions

In this chapter we discuss the results presented in the analysis and reconnect them to our research questions. We elaborate on implications of the results and finally present some suggestions for further research.

6.1 Discussion of contributions

Before we move on to discuss our research results we go back and iterate the findings from our literature review. This is important since these findings are the foundation on which our research is built. Our literature review showed that:

- High quality perception of private labels can lead to higher quality perception of retailer.
- Reciprocal influences between store image and private label exist: The influence seems to be stronger from the retailer brand to the private label than vice versa.

Based on these findings we decided to research the relationship between a singular private label product and the retailer brand as well as the influence of the singular private label product on the entire assortment of private labels carried by the retailer. Our particular interest lay on how these relationships were influenced by a particular negative event. This led us to the following two research questions:

- To what extent is the consumer perception of the retailer brand related to the negative perception of a specific private label product?
- To what extent is the consumer perception of the overall private label related to the negative perception of a specific private label product?

From the findings presented throughout the analysis chapter we can summarise that we found evidence that allow us answer both research questions. We have established relationships between the minced meat and the retailer brand as well as the minced meat and private label in context of the minced meat incident. These relationships were determined by conducting several statistical procedures. A correlation analysis between the meat incidents' effect on ICA's minced meat quality perception and ICA's overall quality perception affirmed the existence of this association. We were able to determine that there is a significant correlation

($r=0.58$), meaning that when the quality perception of the minced meat and thus a singular private label product is negatively influenced, the consumer also considers the quality perception of the overall ICA quality and thus the retailer brand to be negatively influenced. The regression analysis showed that on a Likert scale a one-point change for minced meat leads to a change of 0.51 points for the retailer brand. Furthermore, we found that minced meat quality perception significantly accounts for 33.5% of the variance in the impact on retailer brand quality perception. These results were in accordance with our expectations.

However, rather surprisingly we also find such a relationship between the minced meat and the overall private label. The correlation coefficient ($r=0.52$) supports this evidence, meaning that when the quality perception of the minced meat is negatively influenced, the consumer also considers the quality perception of the private label in general to be negatively influenced. The regression analysis reveals that on a Likert scale a one-point change for the impact of the incident on minced meat leads to a change of 0.39 points for the impact on private label quality perception. The regression model shows that impact on minced meat quality perception accounts for 27.2% of the variance in the impact on private label quality perception.

From the results presented above we conclude that a singular private label can not only influence the retailer brand (research question one) but also the overall private label (research question two).

In the introductory chapter we stated that we hoped to contribute to the understanding of the relationship between a singular private label product, overall private labels and the corporate brands of retailers. Our contribution consists first in empirically measuring that these relationships actually exist and second in quantifying the extent of the relationships. In contrast to, for example, Corstjens and Lal (2000) our findings are based on a negative event concerning a private label product. This approach to research has been rather neglected before.

6.2 Implications

We will now discuss the implications of our research in connection to some of the areas presented in the literature review and theory chapter.

6.3.1 Store image and private labels

One area where our research has interesting implications is in the connection between private labels and store image. As we mentioned in the theory chapter Collins-Dodd and Lindley (2003) investigate consumers' perception of store image and private labels. Their results show that store image influences the evaluation of particular private labels. Therefore, they consider private labels to be an extension of the store image. We have shown that the opposite is also the case and suggest that store image can be seen in part as a result of the perceived quality of private labels. This means that it is imperative for retailers to consider the effect on store image when developing their private label products and making decisions concerning product quality. As we have shown in the theory chapter these decisions can be regarding factors as diverse as price, store name, brand name, package design and level of advertising. These are factors that have a direct impact on store image, but we believe they also affect store image by a two-step process in which they first affect the consumer's quality perception of private label products and this in turn affects the store image. It is important to point out again that it is not the actual quality but the customer's perception of quality that is important. In the words of Aaker (1996:20): *"Creating a quality product or service, however, is only a partial victory; perceptions must be created as well."*

6.3.2 Risk

Risk is a central concept when it comes to consumers' grocery shopping behaviour, since food safety and health issues are always present in the public debate. In the research of Guerrero et al. (2000) we see that strong brands can reduce the consumers' feeling of risk by providing a high quality image. We think this is an important factor behind the limited negative effect of the minced meat incident on ICA. Even though we have shown that a singular private label can affect the retailer brand, the ICA private label is strongly connected to the retailer brand and therefore the risk reducing effect of the strong ICA brand limited the negative impact of the minced meat incident. This case still highlights the importance for retailers to be aware of the power of a singular private label.

6.3.3 Loyalty

Loyalty is a useful and interesting concept for expanding the results of our research. Binninger (2008) researched the relationship between private label products and retail stores and found that an increase in private label satisfaction has a positive influence on store

loyalty. There are a number of other researchers who have found that retailer quality positively affects customer loyalty (Boulding et al., 1993; Cronin and Taylor, 1992; de Ruyter et al., 1998; Zeithaml et al., 1996) In related research but with a different approach Corstjens and Lal (2000) argue that a low quality private label cannot be used as an instrument for differentiation to create store loyalty. This is interesting to look at based on our research results and we argue that private label quality perception, if lowered by a negative incident, can decrease store loyalty. One implication of this could be that ICA customers after the minced meat incident became less loyal to ICA, and therefore decided to try doing their grocery shopping at one of ICA's competitors. Further consideration has to be given the fact that it is easier to destroy loyalty than to build it. It can be assumed that the meat incident and the negative quality perceptions stronger influence the loyalty than an event that positively affects the quality perceptions of the private label product.

6.3.4 Power shift

As we established in the literature review in chapter one, manufacturers are about to lose one of their remaining competitive advantages, the perceived superior quality of their products in the customer's mind (Steenkamp and Dekimpe, 1997). Due to the comparative nature of perceived quality, products are always judged and evaluated in relation to the other available brands. That means that retailers must compare their private label products to the manufacturer brands when it comes to perceived quality but also for example in their way of taking responsibility for their products. This in turn forces retailers to be in control of all processes connected to the private label in order to reduce risk. When it comes to private labels there is no independent manufacturer to blame for mistakes or fraudulent behaviour and so any negative event concerning a singular private label product will inevitably affect the retailer brand in a negative way. Retailers are still rather new to this area while the manufacturers have been dealing with product recalls and faulty products for a long time. Aaker (1996:20) writes that "*it is critical to protect a brand from gaining a reputation for shoddy quality from which recovery is difficult and sometimes impossible.*" This is something many retailers might be forced to learn the hard way. The fact that each singular private label product, in case of a negative incident, can have a negative influence on the retailer brand shows the importance of dealing carefully with decisions concerning the private labels.

It is also vital for retailers to consider whether or not to market all private labels under the same brand name and if this brand name should be the same as the name of the retailer. The

risk involved in having a singular private label product negatively affecting the retail brand must be weighed against the marketing advantages of having the same name for the retailer and the private label.

6.4 Suggestions for further research

We have in this thesis analysed the relationship between a singular private label product and the retailer brand and the private label. We have done this from a quantitative approach in order to clarify the dimensions of the relationships. Due to the limited financial and time resources available to us there are a few things that could be done more thoroughly to confirm our results. Further research could include a larger and more representative sample, for a higher degree of generalisability. The high student population of Lund limits the generalisations we can make on a national level. Another interesting expansion within our area of research would be to include more dimensions of service quality, for example the entire SERVQUAL or RSQS items. There is also a need for empirical testing of the RSQS scale, since that framework has not yet been extensively tested.

As mentioned in the theory chapter Pappu and Quester's (2006) research shows that the impact of customer satisfaction on retailer loyalty is retail category specific. For example they find differences in the customer satisfactions effect on retail loyalty between department stores and specialty stores. It would have been interesting to adapt this research to our area and examine if and how quality perception is related to different store formats within ICA or a comparable retailer.

By looking at our area of research from a qualitative approach it would be possible to answer questions of why and how the relationships we have identified exists. Qualitative research could provide a deeper understanding of the relationships between a private label product and the retailer brand and other private labels, and also an understanding of the influence of these relationships on customer attitudes and behaviour.

We have conducted our research from a consumer perspective, looking for patterns and changes in consumer perception of service quality. There are several interesting questions within this research area that could be researched from a corporate crisis management perspective. Related to service quality is the question of how the employees have functioned as part-time marketers during and after the minced meat incident and what effects this had on service recovery. It would also be interesting to look into how in-store marketing was affected

when meat, something that used to be associated with appeal and freshness, was instead thought of as old and possibly unhealthy. Finally, this research area could be researched from a brand management perspective, looking into what extent there is a willingness to support the brand in a time of trouble when trust has been damaged.

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Appendix A: Interview schedule

We are conducting a study on ICA for our Master thesis and would appreciate your help. Please indicate the number that best reflects your opinion.

What do you think of: Very low Low Either or High Very high

1. The overall quality of ICA as a store?	1	2	3	4	5
2. The quality of ICA´s own brands?	1	2	3	4	5
3. The quality of ICA´s minced meat?	1	2	3	4	5
4. The quality of ICA´s personal service?	1	2	3	4	5
5. The quality of ICA´s store environment?	1	2	3	4	5
6. ICA´s reliability?	1	2	3	4	5

Now we have some questions about the minced meat incident in December:

How did the incident affect your view: Very negatively Negatively Either or Positively Very positively

7. Of the overall quality of ICA?	1	2	3	4	5
8. Of the quality of ICA´s own brands?	1	2	3	4	5
9. Of the quality of ICA´s minced meat?	1	2	3	4	5
10. Of ICA´s reliability?	1	2	3	4	5

Final questions

11. Age?					
12. Sex?	Female		Male		

Thank you very much and have a nice day!

Explanations of:

Minced meat: "Köttfärs" in Swedish.

Own brand: The products sold with the ICA logo on the package.

Reliability: The store´s ability to keep promises.

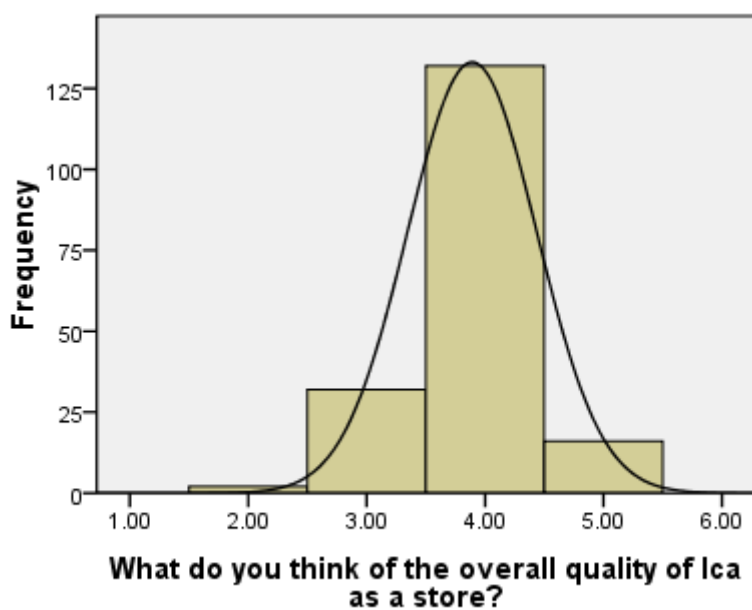
Appendix B: Data

B.I. Distribution of interview answers for first set of questions

Scale: 5=Very high; 1=Very low

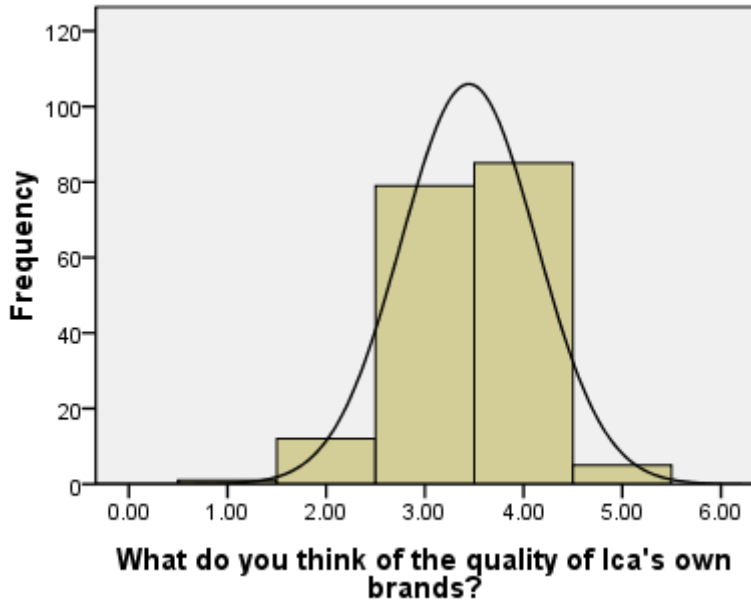
Question 1: What do you think of the overall quality of ICA as a store?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very high	16	8.8	8.8	8.8
High	132	72.5	72.5	81.3
Either or	32	17.6	17.6	98.9
Low	2	1.1	1.1	100.0
Total	182	100.0	100.0	



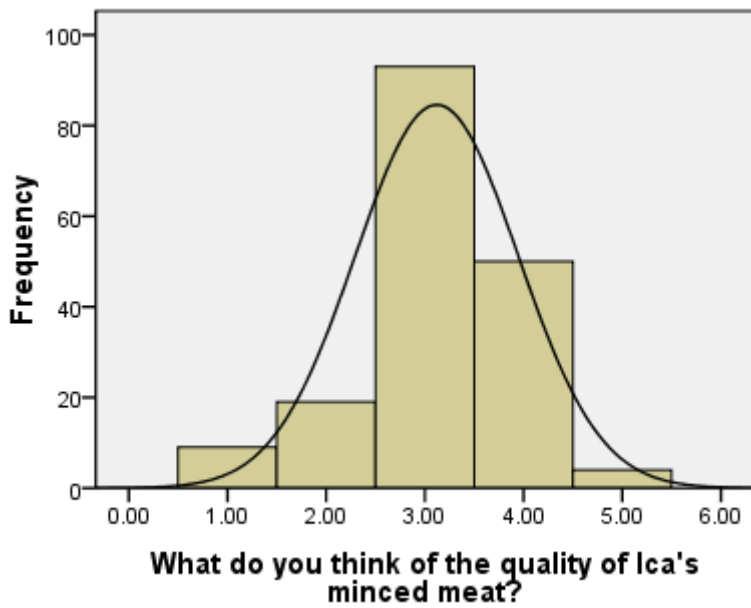
Question 2: What do you think of the quality of ICA's own brands?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very high	5	2.7	2.7	2.7
High	85	46.7	46.7	49.5
Either or	79	43.4	43.4	92.9
Low	12	6.6	6.6	99.5
Very low	1	.5	.5	100.0
Total	182	100.0	100.0	



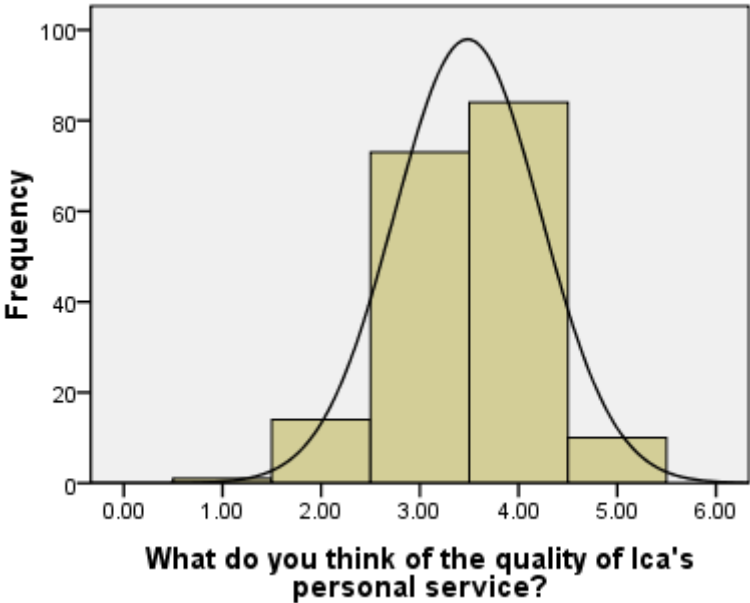
Question 3: What do you think of the quality of ICA's minced meat?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very high	4	2.2	2.3	2.3
	High	50	27.5	28.6	30.9
	Either or	93	51.1	53.1	84.0
	Low	19	10.4	10.9	94.9
	Very low	9	4.9	5.1	100.0
	Total	175	96.2	100.0	
Missing	System	7	3.8		
Total		182	100.0		



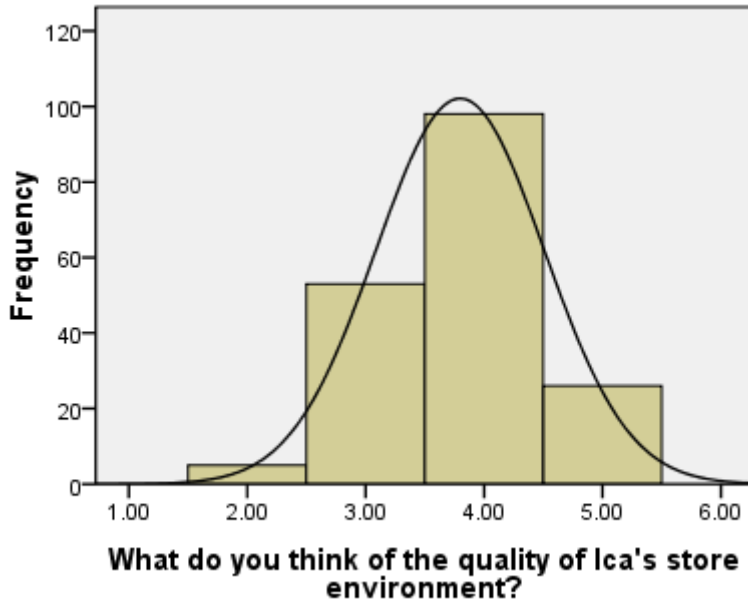
Question 4: What do you think of the quality of ICA's personal service?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very high	10	5.5	5.5	5.5
	High	84	46.2	46.2	51.6
	Either or	73	40.1	40.1	91.8
	Low	14	7.7	7.7	99.5
	Very low	1	.5	.5	100.0
	Total	182	100.0	100.0	



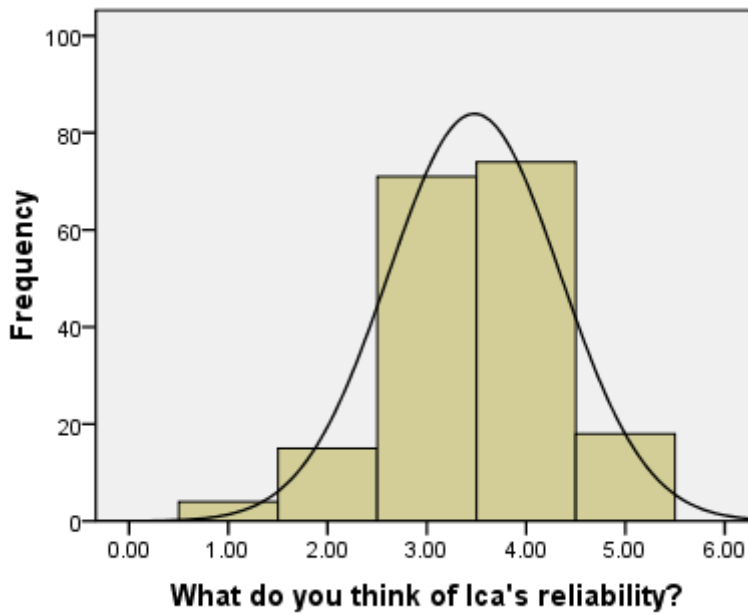
Question 5: What do you think of the quality of ICA's store environment?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very high	26	14.3	14.3	14.3
	High	98	53.8	53.8	68.1
	Either or	53	29.1	29.1	97.3
	Low	5	2.7	2.7	100.0
	Total	182	100.0	100.0	



Question 6: What do you think of ICA's reliability?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very high	18	9.9	9.9	9.9
	High	74	40.7	40.7	50.5
	Either or	71	39.0	39.0	89.6
	Low	15	8.2	8.2	97.8
	Very low	4	2.2	2.2	100.0
	Total	182	100.0	100.0	

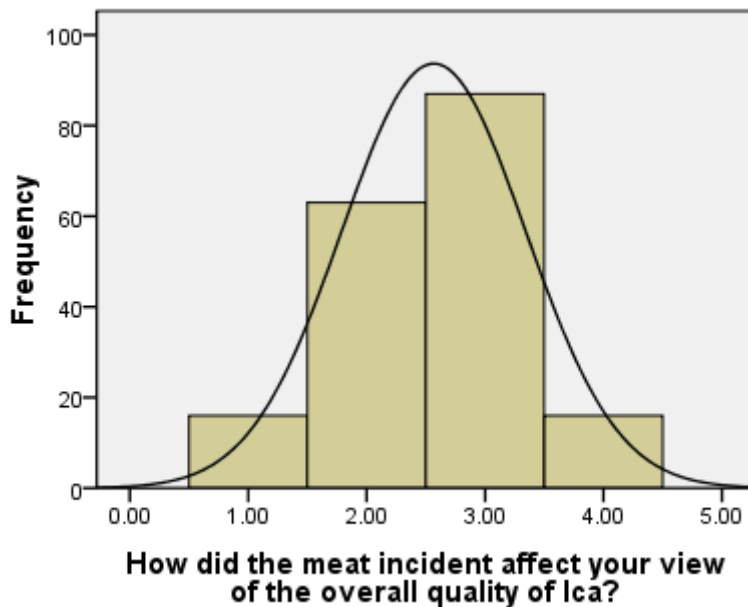


B.II. Distribution of interview answers for second set of questions

Scale: 5=Very positively; 1=Very negatively

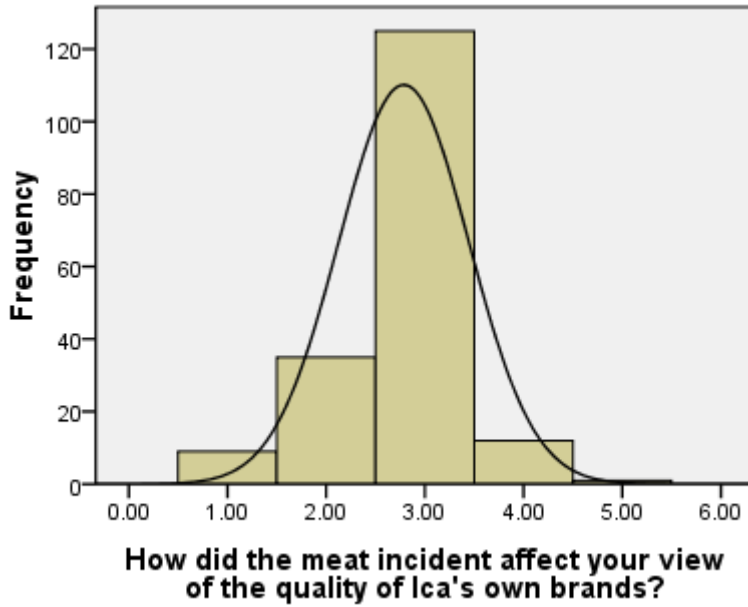
Question 7: How did the meat incident affect your view of the overall quality of ICA?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very negatively	16	8.8	8.8	8.8
Negatively	63	34.6	34.6	43.4
Either or	87	47.8	47.8	91.2
Positively	16	8.8	8.8	100.0
Total	182	100.0	100.0	



Question 8: How did the meat incident affect your view of the quality of ICA's own brands?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very negatively	9	4.9	4.9	4.9
Negatively	35	19.2	19.2	24.2
Either or	125	68.7	68.7	92.9
Positively	12	6.6	6.6	99.5
Very positively	1	.5	.5	100.0
Total	182	100.0	100.0	



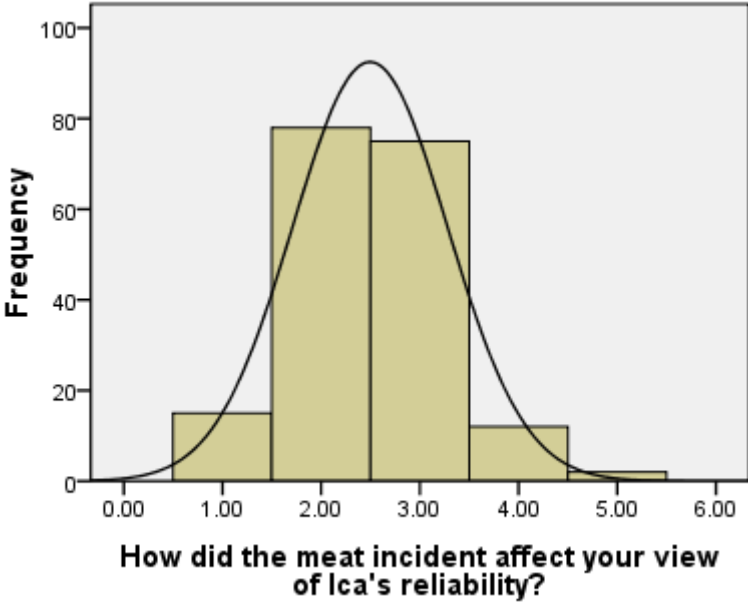
Question 9: How did the meat incident affect your view of the quality of ICA's minced meat?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very negatively	46	25.3	25.3	25.3
	Negatively	65	35.7	35.7	61.0
	Either or	62	34.1	34.1	95.1
	Positively	9	4.9	4.9	100.0
	Total	182	100.0	100.0	



Question 10: How did the meat incident affect your view of ICA’s reliability?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very negatively	15	8.2	8.2	8.2
	Negatively	78	42.9	42.9	51.1
	Either or	75	41.2	41.2	92.3
	Positively	12	6.6	6.6	98.9
	Very positively	2	1.1	1.1	100.0
	Total	182	100.0	100.0	



Appendix C: Regression analysis

C.I. Regression between minced meat and overall retailer quality

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.578 ^a	.335	.331	.63393	.335	90.512	1	180	.000

a. Predictors: (Constant), How did the meat incident affect your view of the quality of Ica's minced meat?

b. Dependent Variable: How did the meat incident affect your view of the overall quality of Ica?

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.373	1	36.373	90.512	.000 ^a
	Residual	72.335	180	.402		
	Total	108.709	181			

a. Predictors: (Constant), How did the meat incident affect your view of the quality of Ica's minced meat?

b. Dependent Variable: How did the meat incident affect your view of the overall quality of Ica?

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.442	.127		11.339	.000
	How did the meat incident affect your view of the quality of Ica's minced meat?	.514	.054	.578	9.514	.000

a. Dependent Variable: How did the meat incident affect your view of the overall quality of Ica?

C.II. Regression between minced meat and private label quality

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.522 ^a	.272	.268	.56388	.272	67.332	1	180	.000

a. Predictors: (Constant), How did the meat incident affect your view of the quality of Ica's minced meat?

b. Dependent Variable: How did the meat incident affect your view of the quality of Ica's own brands?

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.409	1	21.409	67.332	.000 ^a
	Residual	57.234	180	.318		
	Total	78.643	181			

a. Predictors: (Constant), How did the meat incident affect your view of the quality of Ica's minced meat?

b. Dependent Variable: How did the meat incident affect your view of the quality of Ica's own brands?

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.923	.113		17.004	.000
	How did the meat incident affect your view of the quality of Ica's minced meat?	.394	.048	.522	8.206	.000

a. Dependent Variable: How did the meat incident affect your view of the quality of Ica's own brands?