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# Other-named private label brands

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- *How consumers perceive them and how they influence store image.*

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## ABSTRACT

<b>Title:</b>	Other-named private label brands – how consumers perceive them and how they influence store image.
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<b>Key Words:</b>	Private label brand, Store image, Retail, Extrinsic cues, Brand familiarity
<b>Thesis Purpose:</b>	The purpose of this thesis is to understand how consumers perceive the introductions of other-named private brands and how adding such products affect store image.
<b>Methodology:</b>	A case study has been used together with semi-structured interviews have been done in order to understand consumer perceptions, using qualitative analysis.
<b>Theoretical perception:</b>	The main theories that the study are based upon are theories concerning store image, attitudes towards private label brands and cue utilization.
<b>Empirical data:</b>	The empirical data consists of 15 semi-structured interviews with Swedish consumers.
<b>Conclusions:</b>	Other-named PLB:s are by consumers perceived as low quality products as they lack the brand familiarity the store name would provide. This means retail stores with a favorable store image would gain by including the store name on the private label brand's logo, because Furthermore, introducing private label brands has an indirect effect on store image, mediated though the store assortment.

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## 1. Introduction

One of the primary reasons behind branding is that it gives people guidance in their consumption, it acts as a form of quality assurance and it is obvious that any product without a brand attached to it will not have any real market appeal (Kumar & Steenkamp, 2007). Consumers are really devoted to their favorite brands as which we for example could see in 2008 when Swedish retailer City Gross and Coop decided to exclude Skånemejerier from the shelves after making a deal with Arla. Many consumers were upset and started to complain and boycott these stores, which forced the retailers to bring back Skånemejerier to the shelves<sup>12</sup>.

These brands however, do not always need to be directly related to the company making the product (i.e. national brand or manufacturer brand). They can also be the brands of the retailer carrying the product (i.e. private label brand, store brands, retail brands, own brands or house brands) (Jin & Suh, 2005; Collins-Dodd and Lindley, 2003). This type of brand (from now on referred to as PLB) has become exponentially more common and successful the last decade (Ailawadi and Keller, 2004; Ailawadi, Pauwels and Steenkamp, 2008; Kumar and Steenkamp, 2007). Private label brands are taking larger market shares (Ngobo, 2010) and in the US, setting new records when it comes to product introductions. This development is proceeding at a time when the overall introduction of new food and beverage products has been declining drastically, with the biggest annual percent reduction in the last 16 years (Amber Waves, 2010). Retailers are therefore continually making efforts to find ways to differentiate and optimize its private label brands, for example by developing new lines that appeal to different customer segments, such as “Coop Prima”, focusing on delicacies and “ICA I love eco”, differentiating themselves as ecological.

The efforts retailers put in making their PLB appealing to more consumers is undoubtedly rewarded. The advantages associated with offering PLB:s are many, but most prominent is that a retailer can use PLB to get better margins, decrease the shelf space for manufacturer brands, get increased bargain power and better terms from manufacturers (Jin and Suh, 2005; Garretson, Fisher and Burton, 2002). The retailer also uses PLB to differentiate itself from other retailers (Collins-Dodd and Lindley, 2003) and gain loyal customers (Collins-Dodd and Lindley, 2003; Richardson, Jain and Dick, 1996; Ailawadi et al. 2008). Due to the many advantages it is therefore not surprising why retailers are pushing their PLB:s.

In 2009, PLB accounted for 15% of the total sales of food products and 11% of non-alcoholic beverages in the Swedish market. Compared to 2004 there is a significant increase in the sales

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<sup>1</sup><http://www.skanskan.se/article/20090910/NYHETER/367024446/-/hon-vann-den-skanska-mjolkstriden>

<sup>2</sup><http://www.sydsvenskan.se/omkretsen/article419209/Coop-Skane-backar-om-mjolken.html>

of PLB, with as much as a 400% for certain product categories (e.g. dairy products) (Statistiska Centralbyrån, 2011). However, compared to other countries in Europe, a 15% share is quite modest. As early as 1994, Switzerland and England's sales of PLB accounted for as much as 40% of total sales (Laaksonen and Reynolds, 1994) and up to as much 65% in 2004 (Ossianson, 2004). Retail chains in Sweden have not been able to penetrate the market with their own brands to the same extent and have also been late to adopt the trends that arise in other Western markets when it comes to PLB:s (Anselmsson & Johansson, 2005). This is especially true when it comes to the grocery market, where e.g. the manufacturers in Sweden have had a large amount of influence and control (Ossianson, 2004). Even though private labels brands are gaining valuable market shares, it is still lagging behind its counterparts in UK and USA. This is to a great extent a result of the different market structures of the two countries. The Swedish grocery market has not yet reached the same level of maturity, and retail chains are not centrally governed the way they are in the UK (Ossianson, 2004). It is also only natural for smaller markets to adopt and be influenced by trends and shifts in business patterns from other bigger markets.

Despite the broad acceptance and recognition of private label products in the market, research on PLB:s have predominately been performed in the U.K. and U.S. (see e.g. Burt, 2000), and left international markets untouched (Jin & Suh, 2005; Gómez and Fernández, 2009). We would in this thesis therefore like to investigate the Swedish retail market to better understand Swedish consumers' perception of PLB:s.

## 1.2 Problem discussion

Previous research has examined and tried to understand consumers' attitudes towards private label brands in general. Richardson et al. (1996) studied PLB purchase proneness; Goldsmith, Flynn, Goldsmith and Stacey (2010) compared attitudes towards PLB:s and MB:s (manufacturer brand); Jin and Suh (2005) looked at PLB attitude and purchase intention; Garretson et al. (2002) created a model to look at the antecedents of attitudes towards PLB:s to explain similarities and differences similarities and differences in national brand promotion; Gómez and Fernández (2009) looked into consumer-level factors that influence PLB purchase proneness; De Wulf, Odekerken-Schröder and Van Ossel (2005), studied consumer perceptions of PLB:s versus MB:s.

These studies however, have been done under the premise that retailers give their own name to their private label brands (own-named PLB:s). Although this is a common strategy (e.g. Carrefour, Tesco, ICA), there are cases where retailers do not put their own name on the products (other-named PLB:s), which is a strategic decision from their side. Both strategies can be viable depending on the company and its place and situation on the market and there are many examples when a company would prefer to not be associated with the private label brand. With that being said, we think the current research is heavily inclined and focused

towards trying to understand consumers' attitudes and relation to own-named PLB:s. We think it is important to study consumers in another context, to look at their reasoning when it comes to the launch of other-named PLB:s, i.e. how do consumers go about evaluating PLB products that they are not familiar with? What makes the consumers more or less inclined to purchase these products? What kind of risks are tied to a new PLB in the eyes of the consumers? How does the launch of this type of product affect the consumers image of the store itself?

Ngobo (2010) looked at how PLB:s bearing the retailer's name and PLB:s without having the retailer's name displayed could affect store loyalty. Apart from Ngobo (2010) we have not been able to find any executed research that studies consumer' perceptions of private label brands in this context. However, this study is different from ours in mainly two ways, first Ngobo's study (2010) was framed with the premise that it is possible to divide the customers into two categories, PLB buyers and MB buyers. This is a distinction we have not made, as it is not all the clear whether such a division is even relevant, as some researchers have not been able to identify a special type of PLB consumer (Gordon 1994 in Anselmsson & Johansson, 2005; Ailawadi and Keller, 2004; Goldsmith et al. 2010). Secondly and more importantly, the aim of that study was to examine the effects on loyalty, depending on what PLB strategy the retailer has used to increase PLB in the product range. More specifically PLB market with the retailer's name vs. PLB:s lacking the retailer's name. Our research does not have the intention of examining store loyalty and is unlike Ngobo's (2010) study, looking at the launch of a PLB that does not disclose the store name on the label, and furthermore, is not an already established brand.

Using the same brand name across a wide range of categories in the store, might strengthen familiarity and recollection of the store brand, but might also mean that consumers might not find it credible that the retailer can provide a high quality product across a wide array of product categories (Ailawadi and Keller, 2004). Research conducted on PLB:s and store image has as far as we could find, predominately been focused on store image's influence on PLB (Collins-Dodd and Lindley, 2003; Bao, Bao and Sheng, 2011; Vahie & Paswan, 2006, Wu et al. 2011; Semeijn, et al., 2004) and left the other direction of the relationship (PLB's influence on the store image) unexamined.

Furthermore, consumers' perception of private label brands, that are not under the store name, are likely to influence the store's image in a different way, than if the store used its own name on the products.

Therefore, we find it of great interest, both from a practical (i.e. retail strategy) view and a theoretical standpoint, to examine the consumers' perception of the launch of an other-branded retail brand and how a launch of such a private label brand influences the consumers' perception of the retailer as a whole. As retailers continuously extend and develop their range of private label brands, this study furthers the understanding of the effects of store brands on

store image. We believe this knowledge to be of importance to retailers, in order to optimize their strategies of successfully launching and developing private label brands.

### 1.3 Purpose

The purpose of this thesis is to understand how consumers perceive the introductions of other-named private label brands and how adding such products affect store image.

### 1.4 Research question

How do consumers perceive the introduction of an other-named private label brand?  
How does the introduction of other-named private label brands affect store image?

### 1.5 Outline of the thesis

In order to answer the research questions, the next six chapters will be devoted to perception of other-named PLB:s and its effect on perceived store image. The next chapter will discuss what other researchers have studied in order to give a overview of the subject and to elaborate on our research problem. Chapter three will introduce the reader to the theories that have been used as a basis for our empirical work and analysis. Chapter four will present the methodological considerations made in this thesis. Chapter five will discuss the empirical findings and analysis that has been found. Chapter six will discuss the conclusions that have been made, as well as theoretical and practical implications. Chapter seven will provide recommendation for future research that can add to this field of study. The last chapter of the thesis will list our references that have been used when writing this thesis. After this the appendices will follow.

### 1.6 Abbreviations and definitions

*PLB-* PLB:s are brands that are “owned, controlled, and sold exclusively by retailers” (Erdem, Zhao and Valenzuela, 2004, p. 2). Throughout this thesis we used the term PLB as an abbreviation for Private label brand. However, we will also use other words for private label brands, such as store brand, retail brand or own brand (Jin and Suh, 2005).



- MB-* The opposite of private label brands are manufacturer brands, which are "Products sold under a manufacturers' name or trademark which are not exclusively sold or supplied to any single retail organisation" (Morris, 1979, p. 60). In this thesis we will use the shortening MB, when mentioning manufacturer brand.
- Own-named PLB-* Is the name of a private label brand that is named after the store, or clearly has the store name displayed on the package in such a way that it is clear to the customer that it is the store's own brand, such as ICA's, Willy's or Coop X-tra.
- Other-named PLB-* Is the name of a private label brand that does not include the store name on the package, such as Euroshopper, Garant and Favorit.

## 2. Literature Review

*In this chapter, research within the area of private label brands will be brought up to introduce the reader to the subject and the research already covered on the topic in current literature in order to show to the reader the relevance of our study. Since our purpose is twofold we will first present research done on consumer attitudes towards private label brands and eventually move on research on the relationship between private label brands and store image.*

Richardson et al.'s. (1996) study is an often cited article when it comes to research on PLB:s. Their focus was PLB proneness, and a quantitative study focused on six scales (intolerance for ambiguity, familiarity, extrinsic cue reliance, perceived quality variation, perceived risk and perceived value for money) were used to study the subject. The result of the study showed that familiarity with the PLB was the most important predictor of PLB purchase proneness. Consumers that were familiar with the PLB were more likely to perceive them as high quality, less risky and of better value. Inexperienced consumers in this instance were more prone of viewing PLB:s as risky and of lower quality. Furthermore, the study showed that consumers lacking familiarity with PLB:s made them more depending on extrinsic cues, such as packaging, price and brand name, for making inferences about the quality of the product (Richardson et al. 1996). Their study aimed at explaining the overall attitude and proneness towards private label brands.

Our aim, is however not to examine the circumstances under which consumers will or will not purchase retail brands. Rather, it is focused on understanding what consumers think and how they perceive a private label brand being launched in a store. Unlike Richardson et al. (1996), who worked under the assumption that consumers knew about the retail brand, we have not taken this factor for granted. Instead we are looking at other-named private label brands, i.e. without the store name attached to the brand, where the familiarity of the brand will probably not have the same impact for consumers.

While Richardson et al. (1996) emphasized the importance of familiarity to explain PLB proneness other researchers have predominately focused on quality and price as to relate to PLB:s (e.g. Jin and Suh, 2005; Batra and Sinha, 2000; Sinha and Batra, 1999; Garretson et al. 2002). It is perhaps not surprising to see why focus is more on price and quality, as the more prominent actors and most researched giants in Europe, such as Tesco, Sainsbury, Safeway and Marks & Spencer in the U.K, Migros in Switzerland and the French Carrefour do not have a problem with familiarity as their PLB:s' packages are all promoting the stores' names, for example, Tesco Value, Tesco, Tesco Finest. This is not surprisingly as the brand name is recognized as being an important cue for consumers when judging quality (Bäckström, 2005; Dawar and Parker, 1994, Richardson et al. 1996; Ngobo, 2010). The previous research mentioned, has pointed out the significance and impact the brand name has on purchase of private label brands, through for example quality and price. However, these studies are exceedingly based on own-named retail brands, whereas this study focus on other-named

retail brands. This distinction is significant as it directly affects consumers utilization of cues when evaluating private label brands..

Research on PLB has predominately been performed in the U.K. and U.S. (see e.g. Burt, 2000) and left international markets untouched (Jin & Suh, 2005; Gómez and Fernández, 2009). However, Ngobo (2010) conducted a longitudinal study (four years) on French consumers and how store loyalty is affected by an expansion of PLB:s in a store's product assortment. One of three variables studied was PLB strategy and hence the use of own named PLB:s vs. other.named PLB:s. The tendency among consumers were that when the store increased the number of own named PLB, consumers were more prone of switching stores than was the case where a store increased their share of other-named PLB:s.

That there exists a relationship between store image and PLB is well established. As previously mentioned, the research focus when it comes to examining the relationship between store image and private label brand has predominantly been on the significance and impact of the store image on the PLB (Semeijn, Van Riel and Ambrosini, 2004; Collins-Dodd & Lindley, 2003; Wu, Yeh and Hsiao, 2011; Vahie & Paswan 2006; Bao et al. 2011) . Collins-Dodd & Lindley (2003), conducted research on this topic and concluded that store image does influence how consumers feel about the PLB. According to the authors, this supports the idea that consumers perceive retail brands as a form of brand extension, which make store brands an important tool when it comes to store differentiation. The study also concluded that the consumers' attitude to store brands in general had a great impact on how they evaluated specific store brands. Furthermore, the possibility of the retail brand influencing store image is discussed but not examined, it is assumed however that stores that carry only their own brand (e.g. Marks and Spencer) or newly open retail chains are more likely to see a greater impact.

A study by Semeijn et al. from 2004 studied this side of the relationship as well. The authors concluded that store image is an important predictor when consumers evaluate store brands, the more the customer values the retail store the more positive her attitude towards the store brand is.

However, the opposite direction of the relationship between PLB and store image, that has recently been discussed is sparse, that is, how a newly introduced other branded PLB will affect store image. It is clear that such a link exists (Anselmsson & Johansson, 2005) but how the relationship works has not been established in current literature.

### **3. Theoretical framework**

*This chapter will serve as a basis for the analysis of our empirical work. It will start with a definition of perception and then cover the development of private label brands. In order to understand how consumers evaluate other-named PLB:s, attribution- and cue utilization theory has been used in this study and will therefore be presented. Lastly the chapter will bring up the concept of store image.*

#### **3.1 Perception**

Before we start the next chapter, we feel it is important to attach some words to the core of what we are researching in this thesis, perception.

Perception can be defined as a process in which people select, sort and interpret outside stimuli into a coherent picture of the world around us. Two people can be exposed to the same kind of stimuli in the same situations, but end up with totally different perceptions afterwards. This is because the way we select, sort and interpret stimuli is grounded and governed by our needs, expectations, values, which are quite unique to each individual (Schiffmann and Kanuk, 2009).

#### **3.2 The development of private label brands**

The development of retail brands over time has according to Laaksonen and Reynolds (1994) gone through what they define as four generations. The UK has been the leader in this development for a long time and has moved from generics, low priced copies, me-too copies, and value added to a tendency of now focusing on corporate branded products. Not all retail brands follow this development, but there is a clear trend in the UK that this is the norm rather than the exception (Laaksonen and Reynolds, 1994).

The first generation is unbranded generics, which is used to increase retailers' margins and provide a price alternative, as these products are priced 20% below manufacturer brand leaders. The second generation is own labeled and is of slightly higher quality than the first generation, but still competing first and foremost on price with the goal of restricting and limiting the market power and influence of the manufacturers. The third generation, also called "me-too" products, are focused on taking market shares from leading manufacturer brands as they are similar in design, packaging and priced just below the leading manufacturer's price. The fourth generation is focused on delivering value to the customers by rivaling or even surpassing the quality of its MB counterparts. These products are meant to be unique and innovative and not to be perceived by customers as copies. Such products offer value in different ways (e.g. ecological and "healthy" products) with the same or higher price than MB:s (Laaksonen and Reynolds, 1994). It is a big change in direction as the last

three generations have focused on competing mainly on price, while the fourth generation of PLB:s is competing and differentiating by being marketed as value-adding products.

It is only within the last couple of years that Swedish retailers have been actively embracing the fourth generation of PLB:s (Anselmsson & Johansson, 2005), while large parts of Europe and the US have already reached a new stage in product development. Retailers in the UK have been developing the fourth generation of store brands since the early 90's (Hughes, 1996). This development was triggered by customer confidence and a credit driven retail boom (Burt, 2000). Thus, quality became important for consumers which spurred a development of service oriented businesses, such as dry-cleaning, coffee shops, service desks, and bag-packing, to mention a few. This also had an influence on the stores, which started to invest more resources in quality and store image and retain value-adding products in-store (Burt, 2000).

### 3.3 Attribution theory

“Attribution theory addresses the issue how people infer, from limited available evidence, unobservable attributes or dispositions about objects and organisms in their environment”

- *Burnkrant, 1975, p. 465*

Attribution theory can be used for explaining behavior in many situations, among others how consumers make purchasing decisions based on limited experience and information of the products.

That means, when a consumer has no previous knowledge about a product, for example from a previous purchase, the consumer uses other cues to evaluate the product which the consumer has learnt to use for making inferences about a product (Vahie and Paswan, 2006; Burnkrant, 1975). According to Vahie and Paswan (2006) the consumer can use the retail store, which owns the product as a cue, to make inferences about the product. Other potential cues could be the assortment of products or brands kept by the store (Vahie and Paswan, 2006) and also the price (Valenzi and Andrews, 1971; Kapferer, 2008). Burnkrant (1975) also claim that the more consistent the cues that are associated with the product, the more effective attribution.

### 3.4 Private label brands

How consumers form evaluations about PLB:s will be dealt with in the next section. A number of consumer level factors have been used to explain PLB, which are the following: - attitude (Guerrero, Colomer, Guàrdia, Xicola and Clotet, 2000; Garretson et al. 2002), - purchase (Jin and Suh, 2005; Batra and Sinah, 2000) and -purchase proneness (Richardson et al. 1996; Gómez and Fernández, 2009), among others price-quality perceptions, familiarity

with store brand, price consciousness, value consciousness, reliance on extrinsic cues, tolerance for ambiguity, perceived risk and the difference consumers perceive to exist between PLB and MB. In order to answer the research questions of this thesis we have decided to use the most frequent occurring factors, which are price, quality, brand familiarity, extrinsic cues and perceived risk (see e.g. Richardson et al. 1996; Collins-Dodd and Lindley, 2003; Zeithaml, 1988; Lichtenstein, Ridgway and Netemeyer, 1993; Jin and Suh, 2005; Batra and Sinha, 2000; Mieres, Martín and Gutiérrez, 2006).

### **3.4.1 Cue utilization theory and extrinsic cues**

Cue utilization theory says that products are evaluated by their extrinsic and intrinsic cues (Collins-Dodd and Lindley, 2003) to explain product quality. The intrinsic cues are for example the products' texture and style, i.e. tactile factors that are part of the physical product, which cannot be altered without changing the product itself. The extrinsic cues are to a certain extent part of the product, but mainly stem from the intangible aspects related to the product itself, e.g. price, packaging, brand name and store name (Collins-Dodd and Lindley, 2003). Out of these cues governing the consumers' PLB purchase decision, it is the external cues that have a greater effect. In particular the product's brand name, price and packaging (Bäckman, 2005; Dawar and Parker, 1994, Allison and Uhl 1964 in Vahie & Paswan, 2006; Richardson et al. 1996).

However, retailers are not compelled to include their store name on the PLB. Not including their store name on the PLB can make it hard for consumers to realize if the product they are taking off the shelf is a PLB or MB. This can be a strategic choice from the retailers point of view, e.g. if an insufficient reputation of the store would hinder the sales of the product, or if a low level of value of the PLB could affect the store image negatively (Kapferer, 2008).

As low-priced PLB:s often are associated with a poor packaging design consumers could interpret this as being of lower quality (Richardson et al. 1996; Richardson, Dick and Jain, 1994).

The brand name plays an important role in the minds of consumers. It acts as a source of the following: identification of the products and its functions; reference for the consumer; quality guarantee and risk reducer; and personality identification, to guide the consumer in a social setting (Guerro et. al., 2000).

PLB:s that are named after the store can be seen as brand extensions of the store and act as an umbrella where all products are displayed under the same store name (Collins-Dodd and Lindley, 2003). Thus brand extension is a strategy for taking advantage of a brand name and recognition (by using an existing brand name) for products in another product category. The extended brand name reduces the perceived risk of trying a new and unfamiliar product as consumers can use the brand name as a guarantee (Aaker and Keller, 1990).

By disclosing the manufacturer on the product label, Fugate, (1979, in Richardson et al. 1996) and Purohit and Srivastava (2001) found that it had a positive effect on consumers' quality perceptions of PLB:s. This positive effect was stronger if the manufacturers name was clearly visible on the package and if the name was well known to the consumers.

### 3.4.2 Price

Price is an important and frequent cue in the marketplace as it is present every time consumers are fronted with a purchase. For every purchase consumers must give up a certain amount of money, representing a monetary sacrifice in change of a product or service (Zeithaml, 1988; Bao et al. 2011).

Price can divide into three categories: objective price, perceived non-monetary price, and sacrifice. The objective price is the actual price printed on the price tag. The perceived price is the price as consumers encode it to be. For many consumers, the objective price is not the same as perceived price. For example, a liter of yogurt costs 17,90 SEK. Some consumers would notice the exact price, 17,90 SEK (objective price), and some will simply recognize and recall the price as cheap or expensive (perceived price) (Zeithaml, 1988). The last parameter of price, sacrifice, is not only considering the monetary sacrifice, but also includes time-, search-, and psychic costs (Becker, 1965, in Zeithaml, 1988).

Price can have both positive and negative effect on consumers. Negative in the sense that it means spending money, and positive as a higher price can signal a better quality product (Bao et al. 2011). Thus, a higher price does not necessarily mean a more negatively purchase probability, as a lower price can inflict risk towards those consumers who can be mitigated by purchasing a more expensive brand (DeIveccio, 2001).

This price-quality consciousness will be dealt with next. Consumers are in general most focused on the negative side of price, or focused on paying as little as possible for products, which more or less can be classified as price conscious shoppers and Lichtenstein et al. (1993, p. 235) define this as "the degree to which the consumer focuses exclusively on paying low prices". This definition suggests that there is a trade-off between price and other benefits, such as quality or other attractive attributes like the design. Thus the price conscious shopper is more willing to give up quality to pay a lower price. Some people are simply more price conscious than others due to for example, their upbringing, which could have led to a focus on saving money (Sinha and Batra, 1999).

Not only does there exist a difference between shoppers and their price elasticity, but also between product categories, which could be explained by some categories are by the consumerperceived as more risky than others. This could be explained by the belief, that in some product categories the price-quality trade off does not vary across brands if e.g. better quality is not gained by paying a higher price and thus the difference in price does not justify the higher price paid (Sinha and Batra, 1999).

### 3.4.3 Quality

Zeithaml (1988) defines quality as superiority or excellence of a product. Perceived quality can thus be defined as “the consumer's judgment about a product's overall excellence or superiority” (Zeithaml, 1988, p. 3). There are some authors that claim that there are two kinds of quality, objective quality and perceived quality (e.g. Jacoby and Olson, 1985 in Zeithaml, 1988). The difficulty then lies in finding out how to measure quality, that is, what reference measurement to measure against. Therefore perceived quality is the consumers’ subjective meaning. Burt (2000), have come to the conclusion that when consumers evaluate the quality of PLB:s they are using the perceived quality of other brands as a point of reference.

Related to quality is value consciousness, which by (Lichtenstein et al. 1993, p. 235) is defined as a concern for price paid relative to quality received. Hence, quality is not an absolute form, but it is rather the value in the form of quality/utility for money, which matters the most (Bao et al. (2011). If for example a soft spread is described as, creamy, containing natural ingredients or as extra smooth for example, it could be evaluated as a better option and more value for money than another soft spread of equal price, but without the describing attributes (Richardson et al. 1996). Furthermore, quality has turned out to be more important for PLB buyers than price (Bao et al. 2011). Therefore, in order to attract more buyers, quality should be emphasized more than price (Bao et al. 2011). Thus, consumers will perceive a brand that offers good quality, in an accepted price range, as good value (Baltas, 1997; Bao et al. 2011).

It is often said that price and quality are two interrelated concepts. Whenever quality is mentioned, the price parameter is always present and thus they are hard to separate when discussing PLB:s (Jin and Suh, 2005).

### 3.4.4 Brand familiarity

Baker, Hutchinson, Moore, and Nedungadi (1986, p. 637) define brand familiarity as “an unidimensional construct that is directly related to the amount of time that has been spent processing information about the brand, regardless of the type or content of the processing that was involved”.

Familiarity therefore means information about a brand that is available to the consumer. More, familiarity also represents brand knowledge gained through trial of the brand and also information gained through marketing activities, such as advertisement (Baltas, 1997). Thus, better familiarity could be gained by exposure of the brand, which then raises the ability to recognize and recall the brand at a later state (Keller, 1993). When consumers know what performance to expect from the brand, they are more likely to purchase the brand (Alba and Hutchinson, 1987; Mieres et al. 2006).



Familiarity is an important factor for the consumers in choosing a particular PLB product, as it can reduce the consumers perceived risk for an otherwise risky PLB (Baltas, 1997; Richardson et al., 1996; Batra and Sinah, 2000; Gómez and Fernández, 2009; Mieres et al. 2006), as the gathered knowledge of the products performance can act as inferences based on the intrinsic cues (Mieres et al. 2006). Thus, consumers not familiar with the PLB are more likely to use extrinsic cues for evaluating the product, which stereotypically means low price and unappealing packaging for PLB:s (Richardson et al. 1996).

### **3.4.5 Perceived risk associated with buying private label brands**

How consumers perceive risk is an important factor in their perception of a product and in extension their private label buying decision (Erdem et al. 2004; Mieres et al. 2006), which is why risk need to be taken into account when studying perception of PLB:s. Batra and Sinha (2000, p.178) define risk in this context as “greater consequences of making a mistake in a purchase”. Obviously there is a certain risk attached to the purchase of PLB that must be taken into consideration (Richardson et al. 1996; Batra and Sinah, 2000; Gómez and Fernández, 2009; DelVecchio, 2001; Mieres et al. 2006).

According to Gómez and Fernández (2009) and DelVecchio (2001) risk can be disclosed in three ways: functional risk, psychological/social risk and financial risk (Gómez and Fernández, 2009; DelVecchio, 2001). Functional risk is associated with the performance of the product (Gómez and Fernández, 2009; DelVecchio, 2001) and typically revolves around the quality of the product and whether it is performing accordingly (DelVecchio, 2001). DelVecchio (2001) also claim that the level of functional risk is related to consumers perception of the manufacturing of the PLB:s. To manufacture a product, certain skills and expertise are needed. MB:s most often have a long history of manufacturing and knowledge of a certain product category which makes them experts in a category. Consumers perceive on the other hand that the PLB:s knowledge in the same category is subsequent and lacking the necessary acumen and thus perceive PLB:s with more skepticism.

More, in large product categories with many different brands competing there is often a sharp quality variation between the brands. The perceived quality variation cause consumers to feel uncertain and attach more risk of buying PLB:s as PLB:s generally is perceived to be of lower quality (Gómez and Fernández 2009; Richardson et al. 1996; Mieres et al. 2006). Furthermore, when consumers perceived greater quality variation, they evaluated it as getting less value-for-money (Richardson et al. 1996).

The matter of perceived social risk associated with buying PLB:s is related to the symbolic aspect of brands (DelVecchio, 2001). The general idea is that brands represent a person’s own beliefs and are evaluated by others in the same way. Thus purchasing MB:s signal status and own ability to choose products. Research has shown that consumers are more prone of buying MB:s than PLB as they are perceived of being of better quality, having better image and generally seen as more accepted brands (Livesey and Lennon, 1978 in Batra and Sinha, 2000;

Richardson et al. 1996). Social risk is not present in all situations and is better represented when the usage of the products is going to be publicly visible and used in a social setting. What consumer feel, is that they can be negatively evaluated or ridicule and public embarrassed if buying the wrong brand (Gómez and Fernández, 2009). Financial risk can be explained as “the potential for a loss of monetary resources due to substandard performance and subsequent product re-pair/replacement” (DelVecchio, 2001 p. 242).

The lower price of PLB:s can reduce the financial risk of purchasing the product as less money is given up. However, if consumers perceive the functional or social risk is raised due to the lower price and quality perception, the financial risk may be to big. There is always a trade-off between the functional, social and financial risk (DelVecchio, 2001).

Batra and Sinha (2000) also claim that if product trial is needed to make judgments about the PLB, contrasting using available information, such as extensive information on the label, to evaluate the product, the greater the perceived risk consumers attach to the PLB.

Richardson et al. (1996) also proposes that a lack of extrinsic cues such as advertisement and well-known brand name normally associated with PLB can make the consumer feel more uncertain about buying PLB.

### 3.3 Store Image

Several conceptualizations of store image have been proposed in previous research. These conceptualizations have changed over time, which indicates the difficulty encountered in defining the construct (Hartman and Spiro, 2005). One of the earlier definitions of store image was given by Martineau (1958). He posited that store image is defined in the shopper’s mind, partly by the functional qualities and partly by an aura of psychological attributes. Retail image is generally described as a combination of a store’s functional qualities and the psychological attributes consumers link to these. While the exact attributes have varied over the years, the well-known categorizations of image attributes have consisted of some combination of functional and psychological attributes (Porter and Claycomb, 1997). For example, some of the more common attributes identified by researchers have been associated with: selection, quality of merchandise; customer services and sales personnel; and the physical conditions and atmosphere of the store (Lindquist, 1974-1975; Martineau, 1958; Zimmer and Golden, 1988). Store image develops from consumers’ objective and subjective perceptions learned over time.

Some conceptions of store image have taken into account the interactions among attribute perceptions (Lindquist, 1974). In this respect, a store image is not only an aggregation of the various perceptions of attributes but also a function of the interactions and synergies between these attributes (Hartman and Spiro, 2005).

Collins-Dodd and Lindley (2003) stress the importance of fit when it comes to the store image and the PLB, as the consistency of the both would affect the consumer in their evaluation.

Thus, a store known for its assortment of low-priced products would do better introducing a low-priced PLB instead of a premium PLB, just as a high-end retailer would be better off introducing a premium PLB.

## 4. Methodology

*In this chapter, the methodological choices made for this thesis will be considered and explained. Topics that will be covered are; scientific approach, research design, interview technique and methodological considerations.*

### 4.1 Scientific approach

According to Bryman & Bell (2007) there are two ways to go about considering the relationship between theory and research, inductive and deductive. By using a deductive approach, already existing knowledge and theory are used to explain a certain phenomenon. This often takes the form of creating hypotheses, which are then tested, and either being confirmed or rejected. By using a deductive approach, no new theory is being developed. With the second approach, inductive, the outcome of the study lies as a basis for developing theory. Bryman and Bell (2007) proposes a third approach, the iterative approach, which is neither purely inductive nor deductive. Although our research is based on current theories, which are used to put our research findings in perspective and better understand when and how these findings are applicable, our research question is ultimately meant to produce new theory. Its purpose is not to establish or test if the current theoretical framework in the area holds true. Adopting an iterative approach will facilitate the research when additional data or revising of data is needed.

### 4.2 Epistemological and ontological orientation

Easterby-Smith, Thorpe and Jackson (2008) and Bryman and Bell (2007) proposes two main fields of philosophical orientation, epistemology and ontology. The reason for introducing them here is because they serve as a platform from which we see our world.

Epistemology refers to what is considered an acceptable level of knowledge in a subject (Svensson, 2011-01-14). Next, the two approaches to epistemology, positivism and interpretivism are considered. According to positivism, knowledge about a subject can be explained by the laws of natural science (Bryman and Bell, 2007). Thus in order for knowledge to be relevant it must be confirmed by existing laws, i.e. knowledge can only be constituted as knowledge if confirmed by the senses and that research carried out to observe phenomena which provides the basis for such knowledge must be objective (i.e. free of one's own values). The essence of this epistemological position is gathering knowledge by collecting data, to be able to test hypotheses, which are generated from existing theory. A positivistic orientation to the research is therefore naturally often associated with a deductive approach to theory (Bryman and Bell, 2007).

Interpretivism on the other hand stems from social science. This means that in order to make sense of knowledge one must turn to the interaction between people and their subjective meanings because this is where knowledge is created (Bryman and Bell, 2007). In this thesis the interest lies in the interpretivistic scope since we want to get deeper understanding of consumers' perception and reasoning, because the consumers' individual mindsets and underlying values are likely to differ, due to prior experiences.

The notion we have about what constitutes the nature of reality is according to Easterby-Smith et al. (2008) what defines the term ontology. The main divider within ontology is whether social entities can be viewed as objective entities that exist independent from social actors (objectivism) or whether they are social creations constructed through interactions and viewpoints of social actors (constructivism) (Bryman & Bell, 2007). It is the latter perspective that will underlie the research presented in this paper

### **4.3 Qualitative vs. Quantitative data collection**

There are two options when it comes to data collection, quantitative and qualitative (Bryman and Bell, 2007; Easterby-Smith et al. 2008). Quantitative research strategy involves measuring and quantifying data, while qualitative research strategy is about words and focuses on things you cannot really measure, e.g. emotions, thoughts and behavior. Bryman & Bell (2007) mean that these two strategies involve different research-, epistemological- and ontological approaches. There is however also the possibility to choose both of them and to incorporate them in to the study. When choosing the method we have looked at our purpose and come to the conclusion that a qualitative data collection method is the one that is in line with our purpose. This is also supported by Svensson, (2011-01-14) since he claims that if you are interested in; how, what, or in what ways, the qualitative data collection should be used. The opposite, quantitative data collection should be used if: how many, how far, or how long is the main concern of the research. Furthermore, by using a quantitative approach it would not make it possible to get deeper knowledge and understanding of how consumers think and reason, as such fixed format questionnaires designed for computer based statistical analyzing do not let the researcher get under the skin of the consumers (Rook, 1985). The qualitative research strategy is also aligned with the previously chosen research considerations and approaches, i.e. ontological orientation, epistemological orientation and overall orientation to the role of theory in relation to research (Bryman & Bell, 2007). It leads to us having the tools to better understand peoples' thoughts, attitudes and meanings (with the help of the current theoretical framework within the field) and generate new theories that might benefit researchers and practitioners alike.

To sum up, the scientific approaches, the philosophical orientations and the question of quantitative versus qualitative methods are all connected (Bryman and Bell, 2007). In this thesis we have chosen an iterative approach to the data and an interpretivistic view of knowledge, that is, knowledge is created through the interaction of people, and lastly, we have

taken a constructionist view regarding how social phenomenon are composed and used a qualitative method for our data collection.

#### 4.4 Research design

In order to fully appreciate how consumers perceive a newly introduced other-named PLB in a store that has never before kept PLB:s in their range of products and furthermore how this introduction can influence the store image, a case study will be used together with qualitative interviews. A case study is an intense, thick and detailed research design of a setting (Bryman and Bell, 2007). In our study the case is about the retail chain Citygross and how consumers perceive their newly introduced PLB, Favorit. We have decided to draw our sample from two different stores, Citygross in Lund and Citygross in Hyllinge. We will not attempt generalize the findings in a broader sense as it would be difficult as all cases that are studied are unique and carry with them certain characteristics that might not be found in other settings (Bryman and Bell, 2007). Emphasis will be put on the unique context in which the research is carried out, as it is self-evident that findings in a study like this do not represent and are not applicable to all other cases. There is nothing supporting a broader application of the findings made through the research, but we find it worth mentioning and highlighting common traits, because these may hold true in the context of the population of which the sample studied was taken from (Bryman & Bell, 2007).

To be sure to get a good sample we have recruited 10 interviewees that shop at either City Gross in Hyllinge or Lund at least two times a month. This might seem as a low criterion for being including in the sample, but considering that people go to City Gross to buy bulk we consider two times a month as sufficient to be familiar with the store and the assortment. We also believe that if we interviewed only store loyal customers, our data could turned out to skew the research as store loyal customers are more likely to be more positive inclined towards the stores PLB than others might, due to the attribution to the stores overall quality (Ailawadi et al. 2008).

To recruit the respondents we chose a snowball convenience sampling method (Bryman & Bell, 2007). The two of us started by sending out emails to 30 of our friends and relatives (that is 15 in the area surrounding Lund and 15 in the Helsingborg region) to see who were relevant to the research topic. In the email we also asked our friends to forward the email in order to get more relevant respondents (still with the same requirement, that in order for them to participate, they must shop at City Gross between two times a month). The email also contained information about how the interviews were going to be performed. We also informed the respondents that their participation is anonymous and that their names will not appear in the thesis. For further information about the setup of the email, we refer to the copy of the email in appendix 2. We set up interviews with the persons that were eligible and willing to participate during week 19, a total of 10 people. We think that the study would not

gain from adding more respondents, as we do not claim to have chosen a representative sample, nor do we claim to find generalizations that transcend the specific context the research was set in. These 10 respondents had a gender distribution and an age span that allowed us to pick up any discrepancies in attitude based on age and sex. According to Jacobsen (2002) there is an upper limit of 20 respondents when it comes to qualitative interviews, as any more than that would make the data collection and analytical process too time consuming. These are the reasons why we felt that 10 respondents would be an appropriate sample.

The sample consisted of 4 men and 6 women between the age of 26 and 62. A more detailed list of the respondents sex, age and occupation, will be found in appendix 3. Of those 10, 8 were people from the first round of emails.

However, after conducting the 10 interviews, we felt that even though we had continuously updated the interview questions used in the interview guide, the process could benefit from a new round of interviews with a revised interview guide. We therefore contacted the respondents from the previous round of interviews and asked them to if they could get us in touch with people they thought would fill the requirements that we had already set out at the start of the interview process. As the decision to add more interviews was to have them act as an addition to the data already collected, we felt that 5 people would be sufficient to get valuable answers and minimize the risk of ending up with no additional insights. The process of interviewing these consumers was carried out the same way as the earlier round of interviews but with a revised interview guide for all 5 of the additional respondents. The second sample consisted of 2 men and 3 women between the age of 27-68.

## 4.5 Case

The object of our study is a retail store named City Gross. City Gross is owned by Bergendahls and is a large grocery store with a wide assortment of manufacturer brands and large section of fresh Swedish meat. Furthermore, selected stores also carry products in bulk sizes, foremost for restaurant businesses, but also for the individual consumers that wish to buy bulk.

City Gross has had an intense expansion the last 5 years with approximately four new stores being opened every year, which means more than a duplication in the number of stores during this period<sup>3</sup>.

Today there are 32 stores in Sweden, from Trelleborg in south to Sundsvall in north. More, there does not seem to be a slowdown in the pace of startups the next few years. In 2010, City Gross showed their best result ever, with a net result of 8,6 billion SEK.<sup>4</sup>

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<sup>3</sup> <http://www.citygross.se/Om-City-Gross/Historia/>



However, CEO of City Gross, Peter Lund, expresses that at City Gross “we think differently and do not want to devote ourselves to the game follow-the-leader”<sup>5</sup>, however, in April last year City Gross launched their first PLB, named “Favorit”. The slogan behind Favorit is that “quality should not cost more”, with the retailer focusing on delivering good quality at good prices<sup>6</sup>.

The label of the products varies depending on product category. The logo that appears in the dairy section is different from that of the rest of the Favorit products which is similar to City Gross blue and yellow logo (see below).



Fig. 1. (Logo used in the dairy section)



Fig. 2. (Logo used for all product categories except dairies)

Today there are approximately 230 Favorit branded products on the shelves of Citygross. Unlike other retailers, City Gross has chosen to keep the manufacturer’s name on the product,

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<sup>4</sup> <http://www.icanyheter.se/Nyheter/Inrikes/Citygross-basta-ar-Satsa/>

<sup>5</sup> <http://www.icanyheter.se/Nyheter/Inrikes/Peter-Lund-i-exklusiv-intervju-Vi-vill-utveckla-Matsverige/>

<sup>6</sup> <http://www.citygross.se/Om-City-Gross/House-brands/>



to be able to supply products unique to the store. According to buying director Mikael Otterberg, Favorit will act as a quality assurance for the product:

“With this model we hope to combine well known brands with store chain exclusive products”<sup>7</sup>

## 4.6 Interview technique

The interviews have been held face-to-face in the home of the participants. The best way of performing the interviews has been to use semi-structured interviews which are interviews that are neither completely structured nor unstructured, but rather in between the two (Bryman and Bell, 2007). This means that we have used our interview guide (explained in detail below) as a frame of questions, but these questions can be changed, altered or left out during the interview depending on the direction the interview takes. This structure is both flexible and will also lessen the possibility of forgetting to draw on an important part. Using semi-structured interviews will also help us in analyzing the data, as there will be some comparability, between the interviewees (Bryman and Bell, 2007). The reason for why a semi-structured interview is preferred to an unstructured interview is also that it not allows the participants to digress from the subject as an unstructured interview potentially could. However, the participant will not be interrupted if talking about less relevant topics, we will rather use this to get the participants back to the subject of interest.

In order to get more out of the questions asked by the interviewer we have used a technique called "laddering". This technique implies that instead of being satisfied when the respondents answer the question posed, we have as far as possible asked follow up questions, typically starting with "why". The way in which these types of questions have been posed have been expressed in different ways, depending on the answers given and also to not let the respondents run out of answers, e.g. by repeating themselves. In this way we have been able to move from factual or descriptive answers and make the respondents abstract to a higher level. By making the respondents to abstract we have been able to gradually reveal the reasons behind why they think in a certain way, by getting closer to their value base. In this way we have gotten extended answer to our questions and thus gained deeper understanding of the topic of interest (Easterby-Smith et al. 2008). This is an example of laddering, taken from one of our interviews:

*Question:* Have you ever purchased Favorit?

*Answer:* No

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<sup>7</sup><http://www.kristianstadsbladet.se/hassleholm/article793714/Bergendahls-faringr-ny-favorit.html>

*Question:* Why not?

*Answer:* Well, if the brand I normally purchase is available, then I will go for that.

*Question:* Can you give an example of a situation like that?

*Answer:* If I was standing in front of the shelves with spices and there were Santa Maria to choose from, I would without hesitation chose Santa Maria before Favorit or any other brand.

*Question:* How is that?

*Answer:* I want the original.

*Question:* Can you elaborate on that?

## **4.7 Interview guide**

To help us in keeping the interviewee on track, an interview guide, that is, a list of subjects or questions to be covered, was prepared (which can be found in appendix 5). The interview guide that was created and used in our study follows the guidelines set out in by Bryman & Bell (2007), which were developed for qualitative interviews. By crystalizing a couple of categories, which can be traced back to the purpose of the thesis, we formulated a draft of interview questions. We then used these questions in two pilot interviews to ensure they were all relevant to our research. This made it possible for us to revise some parts of the interview guide prior to the other interviews. The interview guide was altered after the first pilot interview as new information and important aspects evolved. This has been an ongoing process however, although in smaller scale, as we continuously updated and tried to improve our approach before each new interview.

In order to be able to focus on listening and formulate follow-up questions during the interviews, the interviews have been recorded and were afterwards transcribed. Caution was made during the interviews to use appropriate language that the participants easily could understand. Easy wording was used and academic terms were avoided as to make it easier for the participants to understand the questions and to make them feel more comfortable. Leading questions has been avoided as much as possible as it most likely leads to answers tailored to what we are looking for (Anselmsson, 2011-02-04).

## **4.8 Performing the interviews**

When interviewing the respondents we together visited the homes of the respondents. The reason for both of us attending was to increase the internal validity of the study.

The way in which the interviews were conducted were as follows:

Normally after arriving to the respondents' respective accommodation/housing we shortly began the interviews, usually in the respondents' kitchen. Before starting, we asked if the respondent had any questions and also informed the respondents that the interview would be recorded for the purpose of later being transcribed. We also told the respondents that their

names would not appear in the thesis. The interviews took approximately 45 minutes and the questions in the interview guide (see appendix 4) served as a basis. Both of us were interchangeably asking the questions set up in the interview guide as well as formulating follow-up questions. Besides asking questions, in the end of the interview we showed a sample of Favorit products (see appendix 5) and used them when discussing Favorit.

When finishing the transcription we emailed a copy of the transcribed interviews to the respective respondents for their approval, to increase the internal validity of the study.

## **4.9 Data analysis**

We have in our research used a common framework for analyzing qualitative data, described in Bryman & Bell (2007), which consists of four basic tools:

**Theoretical sampling** - The part of the framework where we collected and examined data to better find out what data was needed and where we could find it which was an ongoing process in order to further develop our theories that began to arise.

**Categorization** – This part of our analysis consisted of us breaking down the collected data into fragments which are then labeled depending on how we construe that data. Categorizing means that we compiled the data in a way that divided it into smaller parts that we saw as important to our study, i.e. that had theoretical significance. In our study this was for example concepts such as brand familiarity, quality perception and store image. These categorizations were based on the theoretical framework that served as foundation for our analysis but were constantly re-evaluated based on the empirical data.

**Theoretical saturation** – When we felt that collecting and reviewing more data would not give us any further understanding of the concepts we had developed, we did not continue the data collecting process.

**Constant comparison** – This meant a continuous evaluation of the different concepts that had been developed, in order to secure their relevance and connection to our collected data.

We have continuously reviewed our interview material and organized the data in a way that helped us separate it into different categories. We continued to develop the categories that we felt were relevant and significant to our study and provided the basis for generating theory.

## **4.10 Research criteria**

When it comes to the study's reliability, validity and objectivity we feel that it is better to use research criteria that are better suited for qualitative data collection, because much like

Bryman & Bell (2007), we feel that the questioned asked and discussed to determine validity and reliability are very much geared towards quantitative research. Instead, we will follow the framework proposed by Lincoln and Guba (1985), who use the concept of trustworthiness. They divide trustworthiness into four aspects:

- Credibility (i.e. how believable are the findings?) - paralleling internal validity

In order to maintain a certain level of credibility for the study we have used respondent validation through out the research process, this lets us confirm that we had understood and interpreted the respondents correctly. We have done this by giving them access to transcripts/notes and recordings of the interviews conducted as well as our analysis, even though the latter part might not be validated by the respondents because they might lack the necessary background and knowledge to fully comprehend the inferences drawn from their statements and answers (Bryman & Bell, 2007). Both of the authors have been present at the interviews and transcribed the recorded interviews afterwards, which also strengthens the dependability.

- Transferability (i.e. do the finding apply to other contexts?) - paralleling external validity

As we have stated earlier, the finding of this study are only applicable within the context in which we conducted our research and therefore lack a higher degree of transferability. However, we hope the study has indeed achieved a level of “thick description” (Geertz, 1973 in Bryman & Bell, 2007) that can provide a basis for others to make a judgment about in what other contexts the findings are applicable.

- Dependability (i.e. are the findings likely to apply at other times?) - paralleling reliability

We have saved all data that we have compiled and used as well as motivating and clarifying the choices made in the process of writing this thesis, in order for independent readers to review it dependability.

- Confirmability (i.e. has the researcher allowed his/her own values to have an impact to a high degree?) - paralleling objectivity

We are aware that it is very hard if not impossible to avoid some personal values influencing the research, but being vigilant and aware of the fact has hopefully made the study objective to a higher degree.

#### 4.11 Methodological considerations & limitations

Since the interviews were held in Sweden, Swedish was the language used, as we believed this would make the respondents more comfortable answering questions, as they know how to express themselves. The drawback with this is that the transcribed text will afterwards be translated into English, which could cause some distortion of the data (Bryman and Bell, 2007). However, we have been very thorough when translating the texts.

Another consideration that needs to be taken into account is that when we interviewed our respondents, they expressed and explained why they felt in a certain way. However, it is very difficult to say whether or not their thoughts and stories actually represent their intended behavior (Chambers and Smith 1991, in Guerrero et al. 2000).

Another point to consider in regards to our study relates to our criteria of hiring our respondents. We have used a convenience snowball sampling technique to hire respondents that were shopping at City Gross at least two times a month. We believe that this would be enough for the respondents to be familiar to City Gross as a store and more specifically the store assortment. However, by instead using PLB purchase as a criterion, our sample could have gained more substance and better understanding from our respondents' PLB experiences. However, we still believe that our sample has given us enough empirical data for our analysis.

## 5. Empirical findings & Analysis

*In the following chapter, our empirical findings and analysis is presented. The empirical findings and analysis aims to give an understanding of how consumers perceive the introduction of an other-named PLB and how this introduction affect store image. The topics to be covered are: Brand Familiarity, Price and Quality, Disclosure of Manufacturer's name, Risk, Implications of having other-named private label brands and Store Image. Empirics and analysis are interwoven to better show how the consumers reason. Throughout this section, we will refer to the people we have interviewed as "the consumers" or "the respondents".*

### 5.1 Brand Familiarity

The responses to the question, whether the consumers knew if the retail chain (City Gross) had any private label brands of its own or not, were striking. The respondents were unsure and based their doubting answers on two logics. The respondents on the one hand did not know Citygross had any own brands, because they had not noticed them in the store. On the other hand, the respondents thought that Citygross indeed had own brands because "all other retail chains have them". Thus, when faced with a retail store where consumers cannot discern store brands from manufacturer brands, it appears that consumers sometimes take for granted that the store does have private label brands in their product range - even when that is in fact not the case. This is an indication of how ingrained the concept of store brands has become in the minds of the consumers, because private label brands are now so prevalent in retail stores and consumers might not even reflect upon their presence.

Furthermore, we could see from the consumers we interviewed that there is an apparent recollection of the Favorit brand, which can be attributed to the heavy in-store promotion being made by the retailer. However, the respondents did not feel that the display and in-store promotion was intruding or overbearing for them. This is in stark contrast to what conventionally applies to private label brands, where research (Alm, 2005; Ngobo, 2010) has shown that it is common for customers of retail stores to be negatively inclined when it comes to the promotion and display of private label brands in the stores. This implies that the negative reactions to the promotion and display strategies being applied by the retailers, is contingent on the consumers actually being aware of that fact that the products are under the store brand. When the same strategies are used, but when the consumers have no knowledge about the type of brand (i.e. retail brand), they do not react negatively. We can therefore conclude that the feelings towards the display and in-store promotion, seem to be only linked with the consumers feelings towards private label brands and not the amount or way the PLB are being promoted.

## 5.2 Price & Quality

There were consumers, amongst our interviews, who claimed that they would not have bought the product at all, if they had known that it was a private label brand. One of the arguments was that retail brands are indicative of a low quality product:

“You cannot really trust them. If they have their own brand, they have to change the ingredients in some form to be able to sustain low prices, which is why they are of lower quality.”

- *Male, 62*

“But granted, I am skeptical when it comes to stores’ own brands, because I know how they manage to keep prices down and that they use ingredients of lesser quality.”

- *Female, 54*

“You are a bit skeptical as a consumer, how can it possibly be the same quality and be offered at a lower price? They must have tampered with something.”

- *Male, 53*

This is very much in line with what previous research in the area of private label brands and consumer purchase decisions have found. Consumers generally perceive and equate retail brands with lower quality compared to manufacturer brands (De Wulf et al. 2005; Wu et al. 2011; Richardson et al. 1994), although this can differ widely depending on product category (Anselmsson, Marañon & Johansson, 2005), and also depending on the age of the consumer, which from our study point in the direction of that the older consumers are more skeptical towards the quality of PLB:s.

It was clear that the respondents perceived the quality of the retail brands (labeled with the store name) in relation to other brands in the same price range, but of a lesser-known brand. The way the consumers discussed quality of private label brands seemed to be based on how they stood in relation to other brands, which have been shown is the way consumers evaluate quality (Ngobo, 2010). It is evident from our interviews that the consumers’ quality perception is grounded in comparisons between brands.

“There is a higher probability that products under the store’s own brand is of higher quality compared to other unknown brands of the same price”. - *Male(b), 26*

“It feels like they (City Gross) must be more responsible than other unknown brands” - *Female, 29*

The consumers that were unsure about the ingredients and overall quality of the PLB, associated it with other products that had an established renowned brand behind them. On the other hand the consumers thought the quality was comparatively high in relation to products in the same price range.

The latter was overwhelmingly the more prevalent point of view. Despite the efforts of the retailer (City Gross) to associate its own brands with quality<sup>8</sup> it is evident that a majority of the consumers in our empiric findings did not categorize them as such. This can in part be explained by the lower price, as DelVecchio (2001) concluded; consumers often see the low price of a private label brand as indicative of low quality. We would argue that this correlation between price and perceived quality (low price- low quality) is stronger when a store chooses not to use its own name for its private label brand because consumers rely relatively more on the price as a cue for evaluating quality in the absence of a brand cue.

As stated before, the younger respondents were more prone of buying PLB:s as they were more price sensitive. The older respondents of our sample expressed they were happy by keeping their regular favourite brands and did not spend much time looking for alternatives even though they knew it could pay off in the end.

“I always purchase my normal brands, it would feel wrong if I got home with another brand. I would feel like a traitor, abandoning my favourite brand in order to buy a cheaper alternative. Although, I am sure that the quality difference is not that large after all”

*-Female, 63*

“Sometimes I get tempted of buying the lower priced products, but I always end up buying the brands I normal buy. That is silly, is it not? [...] I do that because I know that the products will live up to the expectations, even though I realize that the products are probably produced at the same place as my brands”

*- Male, 50*

Previous research has shown that the brand is the most important cue when it comes to quality (Bäckström, 2005; Dawar and Parker, 1994, Richardson et al. 1996; Ngobo, 2010). Removing that aspect of quality evaluation makes the price cue essential for the consumers. If a retailer wants to launch an other-named private label brand and hope to compete on quality with manufacturer brands, they will have to position their own products within the same price range. Although, in order to utilize price as a tool to heighten quality perception, retailers

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<sup>8</sup>“Quality should not cost more” -<http://www.citygross.se/Om-City-Gross/House-brands/>



have to raise the prices of their retail brands which will lead to reduced sales (Bao et al. 2011).

Quality perception is nevertheless crucial for retailers because it determines both consumer purchase proneness and market share of private label brands (Richardson et al. 1996).

Even if the retailer was to brand the products with the store name, it would be hard to change the consumers' quality perception enough for it to be able to compete with manufacturer brands in this area. Consumers tend to categorize private label brands differently from manufacturer brands (Bäckström, 2005). Having an own-named private label brand would therefore give you the "label" of retail brand, which puts your products in a category that is generally considered of lower quality relative to most established manufacturer brands. It is somewhat telling of the development of private label brands in Sweden and indicates that the consumer mentality concerning retail brands is still very much fixed on the third generation of PLB:s. Whereas in countries such as the US, the UK and other bigger markets, the evolution of retail brands is further ahead and consumers might have embraced the image of these brands as quality products which do not only compete with manufacturer brands on quality but also on product development.

Goldsmith et al. (2010) further discussed how retailers might be able to more efficiently market their store brands, if they stop promoting their brands exclusively on the basis of price and draw more attention to the competitive quality of the products. He pointed out that blind taste tests often reveal that consumers are unable to identify their preferred brands and that store brands are often preferred when consumers are not privy to the identity of the brand. While it might be valid that a shift in focus would be successful, it would be problematic to apply his reasoning to other-named private label brands, as the following quotes exemplify:

“Even if the quality is high, it would be hard to find out as it requires me to try the products a few times and that would take some time. Without any advertising that tells you that it is the store's own brand, you have to buy it a couple of times, otherwise you won't have any idea of the quality”

- *Male, 26b*

“To know if a product is of good quality you have to try it first. If it does not live up to expectations, well then you don't have to spend more time speculating in that”

- *Female, 29*

As mentioned earlier, research has shown that the brand is the most important cue for evaluating quality, with that in mind consumers and based on empirical findings, consumers will to a further extent have to rely on trying the products themselves before making a judgment about the quality. Even if the quality is then perceived to be of the same level as

manufacturer brands (as Goldsmith et al. 2010 mention often is the case) it is a risk for the consumer to take in order to find out, as they miss cues that are otherwise vital for estimating quality. From a longer perspective it might be beneficial however, to promote these other-named private label brands as to strengthen the consumers' brand familiarity with the products. This would alleviate the problem of having consumers relying on testing the private label brands as they could base their evaluation of product quality on the now stronger brand name.

### **5.3 Disclosure of Manufacturer's name**

Purohit and Srivastava (2001) stated that the manufacturer's name is the most important cue for consumers when assessing product quality. Therefore, the manufacturer's name can be used as an important extrinsic cue in improving quality perceptions of private label brands. However, this was not something we found enough empiric evidence for in our study. The consumers that had bought the private label brand all stated they never have checked who had produced the products, even though the brand was completely unknown to them. In this case, the retail brand, Favorit, is actually produced by already established manufacturers, that have been on their respective markets for a long time. One way to deal with this challenge would be by increasing the visibility towards the consumers and making use of the manufacturer's name e.g. on the front of the packaging where it is impossible for consumers to miss it. If that would be the case, it would be easier measuring the effect.

### **5.4 Risk**

Risk permeates every aspect of buying PLB:s. It is present whether discussing familiarity, extrinsic cues, quality or price. Below the focus is on the functional, financial and social risk.

Previous research has also shown that there is a certain amount of skepticism towards private label brands (Mieres et al. 2006; Ngobo, 2010; Richardson et al. 1996; DelVecchio, 2001). The scepticism stems from the relationship between functional and financial risk. When the financial risk is low, as when the cost of acquiring a PLB is low, the functional risk would increase because of the probability of a low priced product malfunctions is higher, or because of unsatisfying product performance. This could in the end lead to a higher financial expense due to replacement of the product. In other words, some of our respondents could not understand how a product that was lower price could be of better quality, which has also been recognized by Wu et al. (2011) and Kapferer (2008). However, in our study we also found that some of the consumers actually held a different stance towards private label brands when discussing the introduction of store brands:

“They work as a seal of quality, you know what you are going to get and there is no need to take a chance on lesser known brand that costs about the same.”

- *Male, 26b*

“I think it is positive that they have added it (PLB), as they offer the same quality to a lower price. There are exceptions [...] but generally I am happy with the products.”

- *Male, 53*

As a result of prior experiences with private label brands, consumers feel the opposite way about retail brands. Where they act as a type of insurance when it comes to quality, consumers believe the retailer must uphold a certain standard on its own products, for risk of harming the store image. These consumers are naturally more prone to buy private label brands as both the functional and financial risks are lower. By having other-named retail brands, it is more likely to raise the functional risk for the consumers and by that negatively affecting their purchase intentions.

When it comes to the last parameter of risk, social risk, our sample discern from theory. Our respondents did, in contrary to DelVecchio (2001) arguments, not feel that purchasing PLB:s and consuming or showing them in public would have any effect of their purchasing decision. This could be due to the more widely acceptance of low-priced products in Sweden<sup>9</sup>.

However, it was clear that the packaging of PLB:s was a major concern when choosing among different brands.

“ [...] Furthermore, I think the packagings are unappealing to watch, too simple and boring. But if they had fooled me and made the packagings deluxe, then I think I had bought them. With the present packagings I don't get inspired at all, it more or less feel that you should eat to get full, not because you enjoys to food.”

- *Female, 54*

“[...] the eyes should have theirs too.”

- *Female, 63*

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<sup>9</sup><http://www.icanyheter.se/Opinion/Ledare/Svart-pa-vitt-Hard-discount--har-kommit-for-att-stanna/>

“ [...] I don't like the packagings of PLB. Generally they are very simple and boring and I do not feel it is appealing having such a product on the table, it ruins the overall impression of the food we are going to enjoy. [...] it feels kind of wrong.”

- *Female, 45*

The reason being that it spoiled the whole impression of the dinner. In this case, social risk was not displayed through that low quality and price would mirror the consumers' personality. It was because of that the dull and boring packages would stick out from the otherwise perfect dinner setup. Thus leaving an impression of the respondents as serving less appealing food. Thus, it was not from the brand as such but rather the packaging that caused the disliking. Thus, whether or not the retailer chooses to put the store name on the logo did not have any effect of the perceived social risk.

## 5.5 Implications of having other-named private label brands

The majority of our respondents thought it would be better to add the store brand on to the label of the retail brand.

“They have no brand, totally meaningless. I do not really understand why they don't make it clear to consumers that it is their own brand. Because without the store name, the brand value is zero. But the quality of the products are good, and so is the price, so overall, far from bad. [...] If I had known it was City Gross' it would definitely have made me more likely to try it out in the first place, when it comes to a totally unknown brand I am skeptical, but as I have confidence in the store, it is where I shop after all. There is a certain amount of trust you already start out with if it is their own brand.”

- *Male, 26b*

This is a good example of how consumers make inferences about a product. It is clear that the brand name is important for consumers to feel familiar with the product if prior trial has not been made. What also can be drawn from the above example is that there is risk attached to buying an unfamiliar brand, which is in line with Richardson et al's. (1996) findings. However, due to the fact that the store brands in the case of City Gross are not labeled with the retail chain's logo or name, the consumers are left with just the extrinsic cue price to go on for making inferences about the product. By not labeling the retail brand with the store's name, it forfeits all the benefits that the brand communicates. The lack of reference guidance thus leaves the other-named PLB seen as more risky in the eyes of the consumers. If the

consumers had known it was City Gross' own brand, they could have used the store's name and their attitude towards the store and made attributions accordingly.

Even though research and also our study point in the direction that there is more functional and financial risk attached to buying PLB:s due to unsatisfying and uneven quality, two of the consumers thought that it was less risky buying owned named PLB:s (PLB:s that showed a clear link to the store) because of the fact that they generally use other brands in the same price range as a yardstick. The brand name of the retail chain leads to less uncertainty in their eyes, when choosing between these similarly priced products. Another reason mentioned was that if the store would name their products accordingly the store takes full responsibility for the products, both when it comes to the quality but also as a possible complaint would be easier to direct than another brand.

The lack of familiarity with the brand Favorit was mentioned by all of the respondents as being one of the main reasons for not buying them. This finding is similar to Richardson et al's. (1996), who proposed that familiarity is the best predictor of PLB purchase proneness. However, two of the respondents perceived the lack of store name on the label as a very conscious and strategically choice from the retailer and it gave the impression that the retailer did not want to recognize the products as their own PLB.

“Why don't City Gross do any commercial or ads for their PLB? And why don't they make it easier for the consumers to know it is actually their own store brand? ICA on the other side, they really do a lot of commercials. They are really proud of their brands; Look what we have done - awesome! In a way that is a lot better than what City Gross is doing, when they in this way do not want to make a commitment to their brand....strange [...] perhaps this is a sign of lack of quality?” - *Female, 41*

“[...] On the other hand you have ICA's Euroshopper, you can't tell from the packaging that it is ICA's own brand, but it is, and somehow I don't think ICA want the consumers to know that.” - *Female, 29*

The lack of the brand name inevitable causes consumers to reflect over the brand when they know that it is in fact the retailer's own brand. On the one side, they have a strong image of the store and on the other side, they are left with a PLB that the store does not want connect the store brand with the products . Our study point in the direction that if the store name were included on the label, the consumers would better trust the PLB and hence have a more positive attitude towards the store. From the discussions above it we could see it as being

rewarding for the retailer to include the store name on the label due to the familiarity and risk reduction function it serves.

## 5.6 Store image

As mentioned earlier by Collins-Dodd and Lindley (2003) there should be a fit between the PLB and the store image to affect consumers' evaluations in a positive way. The connection between the store image and the low-priced PLB (Favorit), as well as a certain level of quality in both ends was recollected. The importance of fit between the store and its PLB:s is because it makes it easier for consumers to link the attitudes from the store image to the PLB and the other way around (Collins-Dodd and Lindley, 2003). When not having the store name on the logo, this excludes the possibility of establishing such a link.

The connection between store image and perception of PLB has already been acknowledged in previous research (Collins-Dodd and Lindley, 2003; DelVecchio, 2001; Vahie and Paswan, 2006, Bao et al. 2011; Semeijn et al. 2004) and has consistently been confirmed throughout our interviews:

“[...] I like City Gross, their meat is always superb, fresh and Swedish. I think they score many points from that and that affects other products as well of course” - *Female, 31*

“[...] I have confidence in the store, after all it is there I go grocery shopping. There is a certain trust associated to the products and if I had known that it (Favorit) was City Gross own brand I think I would have tried the brand at an earlier stage.”  
- *Male, 26b*

“Now when I know that Favorit is City Gross' own brand I find it easier to accept. City Gross has a better image than for example ICA has, but this is in large part because I know how skilled and professional the owners of City Gross are.”  
- *Male, 62*

In the study the majority of the respondents had earlier on expressed less positive comments regarding PLB:s. However, after we let the respondents know (the ones that did not already know) that the retailer had in fact launched their first PLB the respondents did not react negatively. Rather it seemed to result in a more favorable view of the store itself. This notion is interesting as it is different from Collins-Dodd and Lindley's (2003) findings. They found that consumers' general attitude towards PLB:s had a large impact on how specific PLB:s were perceived which our findings do not support. The reason for the difference could lie in that the respondents in our study had a lot of faith and trust in the retail store. We therefore

reason that if a store is highly considered by its shoppers it could make consumers oversee unwanted incidents/changes or look at it with other eyes.

“I think it shows that they (City Gross) are on the beat and that they are creative and are updated and willing to participate in the development of the market. I don’t see that as negative anyway. I understand that they have done it, it would be stupid if they hadn’t.”

- *Female, 30*

“Well, I interpret it as being slightly more professional. [...] I mean, if they are developing their own concept, I think that is a good sign of their willingness to stay in the market and to be competitive.”

- *Female, 29*

This goes back to the impact of store assortment on store image (Oppewal and Koelemeijer, 2005; Ailawadi and Keller, 2004). If one takes the view of the store image as the sum of different aspects surrounding the store itself it is no surprise that store assortment is an important part of the image, as by adding new products you are changing the assortment and indirectly affecting the store image. Of course, not all changes made to a retailers product range have any noticeable impact. Private label brands is a category of products/brands which comes with a certain categorization (Bäckström, 2005) so by introducing them in a store you are bound to have a more noticeable impact on store image. Anselmsson & Johansson (2005) pointed out that this has become a common strategy among retailers, i.e. using private label brands in order to impact their store image. However, as we could see in our research, it is important to consider the differences in adding new retail brands, to the already existing line of PLB:s and introducing a private label brand for the first time. By launching a store brand you are essentially introducing a new concept to the store, which has an indirect impact the store image in mainly two ways. The first is expressed by the development of the retailers product range (as exemplified by the earlier quotations). The second way it impacts store image is through the availability of new types of products:

“Had I known that it was the stores own brand I would not have bought it for sure, because I feel sorry for the companies that are very niche, e.g. local producers. Their whole existence is dependent on if they can sell this niche product or not, and then these private label brands that have been manufactured in Germany barges in and push them aside. I think that is wrong, bulldozing over everything. [...] It is not fair towards us consumers either, because it forces us into situations where we are tricked into buying them.”

- *Male, 62*

“In the long run I think it is detrimental for smaller companies and bad for competition. I am quite fond of some of the smaller manufacturers

who get the raw end of the deal even though their products for example taste better. There will not be any room for them in the store because the retail brand takes their space.”

- *Female, 29*

Of the consumers who felt that launching the retail brand would hurt the image of the store in their eyes, i.e. detrimental to the store image, there was essentially one line of reasoning. It was one that focused on the consequences of adding a private label brand to the range of products, i.e. what the respondents felt was sacrificed in terms of other products (MB:s) in order to launch the retail brand. More specifically, among a few of the consumers, there was an expressed feeling that the store had favored larger companies and many of the local and/or smaller companies had been forced aside as a result. This resulted in a rather disapproving attitude towards the retail chain as a whole, however, for most of the consumers it is clear these concerns were not impacting their evaluation of the store in the present. Rather, what the launch of a private label brand would mean in the future:

“It is positive in the sense that the store get a wider assortment and different price levels that appeals to all consumers. However, if it becomes too predominant and makes the store remove other brands (MB:s), then I think it is negative for me as a customer.”

-*Female, 28*

“As long as they are competing with the other brands and expands the range of assortment, then it is good, but when this means that they have to exclude others (MB:s) then I think it is bad.”

- *Female, 30*

“In the long run I think it reduces competition, and competition is good for keeping low prices, product development and so on. That could lead to a market were only the biggest producers can keep up the competition with the PLB:s. This means that the variation in the assortment of products, drastically will decline and it will make it very hard for newcomers to establish themselves.”

- *Female, 29*

“As long as it is good quality I think it is a very good idea, that is, if they (City Gross) can do it at lower prices [...] but it also depends on how this is going to develop in the future, how the products are going to change and also the quality. It is always best in the beginning, but who knows if this is the case after a while, and if the same thing happens to City Gross as has happened to ICA, then I get irritated, since I have no trust in them the way they are featuring their own brands.”



From the quotations above we can see an indication that when the consumers know about the PLB being the retailer's they get worried for the future of MB:s. This implies that when the ratio PLB:s/MB:s increases beyond a certain level, consumers would react negatively over the PLB:s' dominance over MB:s. Thus, consumers would in the long run attach negative feelings towards the PLB:s if the expansion of PLB:s continues or if a certain amount of MB:s disappear from the shelves.

Similar conclusion was also made by Ngobo (2010), but in his study he made a distinction between small PLB buyers and big PLB buyers and also the difference between own named PLB:s and other-named PLB:s.

From the consumers we interviewed it was clear that it was options in product selection they were looking for and felt that adding a private label brand either added to or detracted from those options, the image of the store mediated through the range of goods was in any case affected. As long as PLB:s acts as a source of competition and thus keeps prices down and expands the product assortment, both when it comes to prices and selection, it impacts the store image positively. But as stated above, this relationship might also negatively affect store image. In either case store image is impacted through store assortment, by virtue of expanding the product range and adding a new type of brand.

## 6. Conclusion

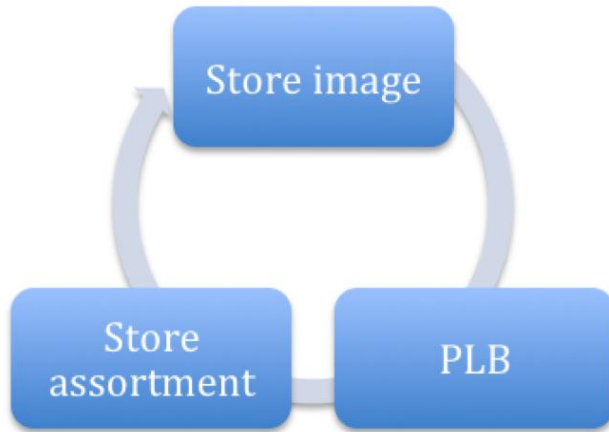
*In this chapter we will discuss the finding of the analysis. The purpose of this thesis was to understand how consumers perceive the introductions of other-named private label brands and how adding such products affect store image. The conclusions presented in this chapter are based on the purpose and research questions.*

The majority of our respondents had strong opinions regarding PLB:s and it was explained to us that the phenomenon of PLB:s were discussed rather frequently at work or between friends, which indicates that it is indeed a hot topic among consumers in Sweden. Many of the respondents felt that it was natural for retailers to add PLB:s to their assortment,. These opinions were based on the fact that all of the major retail chains had previously done so, as it seemed like the right strategically move. This can be seen as an indication of how accepted the concept of PLB:s has become in the Swedish retail context, amongst the consumers.

One of our conclusions regarding the introduction of an other-named PLB shows that price is the most important cue for consumers evaluating other-named PLB:s, not knowing it was the retailer's own brand. In our analysis we moreover came to the conclusion that familiarity with the PLB is also rather important for consumers, in order for make evaluations of a product. However, in the case with an other-named PLB, familiarity with the brand is not possible to the same extent as the store name is not visible to the consumers. Due to the lack of this cue, the consumers first and foremost evaluate the product quality based on the price. The consumers of this empirical data collection mostly equated low-priced products with low quality. We drew the conclusion that if the price of other-named PLB:s was higher, the consumers would likely have a more favorable perception of the PLB:s as the perceived quality would be higher. In our research we could find no indication of a manufacturer brand having a significant impact on the perception of other-named private label brands. However, this might be attributed to the fact that in our case the manufacturer name was only disclosed on the back of the products, making it harder for consumers to recognize it.

Regarding the relation between PLB and store image we can conclude that there exist an interlinked relationship. In the short run, an introduction of a PLB:s will have a favorable impact on store image, consumers perceive it as good for the competition and assortment, because it offers them a wider selection and more competitive prices. In the long run however, the store image might be negatively impacted if the private label brand becomes more prevalent compared to manufacturer brands. This relates to consumers expressing their fear of PLB:s taking over and forcing smaller and local MB:s out of the store assortment. This indicates, in line with Ngobo's (2010) findings, that there is an upper limit for the share of PLB:s a store can keep, without getting an unfavorable store image in the eyes of the consumers.

From the empirical work and analysis we can see a certain tendency that the introduction of a PLB does not directly affect store image, but is mediated through store assortment as illustrated in figure 3 below.



(Fig. 3. The relationship between PLB and store image)

However, our findings indicate that when consumers are unaware of the origin of the PLB, and thus the brand being a PLB, this link is naturally lost.

Moreover, the positive feelings consumers had towards the store were in some cases so strong, that the negative attitudes they generally held about PLB:s turned out to be insignificant. Thus it had no or minor negative impact on their perception of the introduction of the PLB.

What was also recognized in this study, was that the store name in most cases acted as a risk reducer for the consumers. Thus, leaving out the store name increases the perceived risks, which could make the consumer more skeptical towards the private label brand products.. To consumers this could mean that the producer of the PLB might have something “to hide” or try to deceive the consumers in buying the PLB, by not displaying its origin clearly on the package. Also, as it takes a long time for a new brand to gain the trust of consumers: It would be better, at least in the short run, to add the store name to the label. Thus, if the store has a favorable image, that image could be leveraged to benefit the private label brand by clearly displaying it on the package. Having an own-named retail brand means that consumers are not left to merely rely on price cues, but could instead evaluate quality based on their familiarity with the brand.

## 6.1 Practical contribution

When consumers evaluate PLB:s, previous research has shown that, if prior experiences with the brand is lacking, it is the extrinsic cues (brand name, store name and price) that consumers use most frequently when making inferences about a PLB's quality (Richardson et al. 1994; Richardson et. al. 1996; also Dawar and Parker, 1994; Bäckström, 2005). Regarding whether or not to include the store name on the logo, or have it visible displayed on the label, we conclude that when it comes to the introduction of PLB:s in stores, that are new to the phenomenon of PLB:s, the store image would be strengthened by including the store's name on the logo, or by make it clear to consumers through for example advertisement that it is their own brand. Thus the PLB can take advantage of consumers' prior meanings and attitude towards the store, which is connected by the store name on the products. The name of the store has a number of functions. It was confirmed by the interviews in this study, that the store name acts as a source of familiarity, which leads to a reduction in the perceived risk of buying the PLB. More, the store name also acts as a guarantee for the functionality and quality of the PLB.

What the long term effect of introducing other-named PLB:s would have on store image, compared to other-named PLB:s, is still left to be explored in future research. However, retailers should be aware that consumers seem to value PLB products up to a certain threshold and when this level is reached, the store will not have additional gains, by introducing more PLB products as this, in the eyes of the consumer, could mean that the retailer is offering a lesser amount of MB.

Also, as familiarity has shown to be a crucial factor for PLB purchase, it would be wise for retailers to use more advertisement and other means of marketing activities, such as free trials for instance, to give consumers a chance to get familiar with the brand without being forced to take the risk of buying it as it decreases the perceived risk. Furthermore, as consumers are still attaching the low price with a low quality stamp to PLB:s, retailers would be better off focusing more on promoting the quality of the product before the price parameter as this would surely increase the PLB sales because you would still retain the price conscious shopper (Bao et al. 2011). On the other hand, when it comes to other-named private label brands, it might be prudent for the retailers to focus more on the price of the products, because of the lack of brand familiarity and heavier reliance on the price as a cue for evaluating quality.

## 7. Future Research

*Two topics for future research are presented in this section. The topics have been drawn from our study where we have felt there are theoretical gaps to be further explored.*

From our study it has been discussed that there is an upper limit of the number- or shares of PLB contra MB that is acceptable by consumers. Further research is necessary to shade some more elaborate knowledge of where such a limit ends. Not only would it be rewarding to look at the level of saturation of own-named PLB:s, but it would also be rewarding to look at the other-name PLB:s as well to compare if there are any differences between the two. This could serve as valuable information for retailers in their future development of PLB:s.

The other topic for future research is based on the observation that consumers attach great amount of feelings and perceptions towards brands. From our study it has been shown that the inclusion of a store name on the product packaging, can have a positive effect on the consumers attitude towards the PLB. Even though we, in our empirical data collection, did not find a relationship between the disclosures of the manufacturer on the product packaging, both Purohit and Srivastava (2001) and Fugate (1979, in Richardson et al. 1996) found a positive relationship. It would therefore be interesting to execute a study, to explore if there are any particular circumstances where this relationship is significant, for example in particular product categories. It would also be very interesting to see what effect the actual placement of the manufacturer's name on the packaging has for consumers. We would propose a qualitative study using manipulative pictures, to see how consumers respond to differences in labeling by displaying the manufacturer's name differently on the packages.

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## Appendix 1

### The development of PLB:s in Sweden

Actually the first occurrence of a PLB in Sweden can be found as early as 1922, when ICA introduced “Luxus kaffe” under their own brand name (ICA, 2011a).

After ICA introduced their coffee to the market it took some while before PLB again became prominent. This time Coop, another Swedish retailer, introduced their PLB, named ”Blåvitt”, in 1979. Blåvitt was easy to recognize in the store due to their simple blue and white packaging and was recognized for their no frills, low priced products (Coop, 2011a). Today, the three largest retailers in Sweden, ICA, Coop and Axfood, all have a range of PLB:s in their stores.

Today, retailers are not satisfied by having a single own brand and thus it is getting more common for retailers to have a whole range of PLB:s, covering most of the customer segments. ICA has today among others, a low priced option, Euroshopper, an ecological option, ICA I Love Eco, a healthy option, ICA Gott liv, as well as a premium line, ICA Selection (ICA, 2010). In this way, ICA’s own brands are visible in most segments. A similar development can be seen in Coop (Coop, 2011b) as well as in Axfood (Axfood, 2011). Citygross, another retail chain, owned by Bergendahls, on the other hand, first chose to launch their first PLB in the spring 2010 committed to supplying good quality to a good price. “Quality should not cost more”<sup>10</sup>

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<sup>10</sup><http://www.citygross.se/Om-City-Gross/House-brands/>

## Appendix 2

**Copy of the email that was sent out to 30 of our friends for hiring respondents to our study.**

*English version*

“Hi,

I am, together with my friend Marianne/Daniel writing my master thesis and I need your help to get respondents to our interviews.

We are writing about brands and want to find people that shop at the retail store City Gross at least twice a month and that would like to participate in an interview in week 19.

We believe that the interview will take about 45 minutes - 1 hour and we will together visit the interviewees in their homes, that can meet the criteria (shop at least twice a month at City Gross) and who are willing to participate. We will of course not use your names in the study.

If you are willing to participate, please email me back so that we can set up an interview.

To make sure that we will get enough participants, I would also like to ask you if you can forward this email to three of your friends. The criteria is the same (shopping atleast twice a month at City Gross and able to participate during week 19).

Thanks and hope to hear from you,

Best regards  
Daniel/Marianne”

*Swedish version*

“Hej,

Jag är tillsammans med min vän Marianne/Daniel igång med att skriva min master uppsats och behöver er hjälp för att få in respondenter till våra intervjuer.

Vi skriver en D-uppsats om varumärken och försöker att hitta personer som handlar på City Gross minst två gånger i månaden som vill ställa upp på en intervju i vecka 19. Vi räknar med att intervjun kommer att ta omkring 45 min till 1h och vi kommer tillsammans ut till dem som klarar kriteriet (handla minst 2 gånger/månad på City Gross) och som är villiga att ställa upp.

Vi kommer självklart inte att ha med era namn i uppsatsen.

De som väljer att delta kan bara svara mig på detta email så bokar vi in en tid och dag för intervjun.

För att försäkra oss om att vi kommer att få tillräckligt med svar ber jag er att skicka vidare detta email till 3 av era vänner som kan tänkas vilja vara med i studien. Samma kriterier gäller här: handla på City Gross 2 gånger/månad och vara tillgänglig i vecka 19.

Tack för hjälpen och hoppas vi hörs!

Mvh  
Marianne/Daniel”

## Appendix 3

### Interview Respondents

Sex	Age	Occupation
M(a)	26	Student
F	28	Fitness coach
F	29	Communication responsible
M	62	Retired
M	53	Freelance consultant
M(b)	26	Student
F	54	Retired
F	31	Personal assistant
F	30	Sales Manager
F	41	Marketing assistant
		<b><i>Second round of respondents</i></b>
M	50	Business Developer
M	68	Retired
F	63	Lawyer's secretary
F	27	Student
F	45	Entrepreneur

## Appendix 4

### Intervju-guide 1

#### *English version*

- How often do you shop for groceries?
- Do you normally purchase the store's own brands?
  - How come that you shop/shop not the store's own brands?
  - How do you like this kind of products?
- What role do own brands stand for in the store assortment according to you? [for example, price/innovation/quality/variation/security]
- Does it matter for you to be able to directly see if it is the store's own brand?
  - Why?
- Why do you shop at City Gross?
- How do you experience the range of products?
- Have you experienced any differences in the assortment the last year?
- Do you find any particular brand that is more featured than others in City Gross?
- Does City Gross have their own brands?
  - If yes:
    - How did you find out it was the store's own brands?
  - If no/do not know:
    - What would you think if City Gross launched their own brand?

(After the respondent has answered the question, we show a few products under the brand "Favorit")

- Have you ever bought Favorit?
  - If yes:
    - What made you buy these products?
    - What is your view of the brand?
      - Price?
      - Quality?
- Has the introduction of City Gross' own brand influenced the store's:
  - Assortment?
    - If yes: How?
  - Advertisement?
    - In the store?
    - Outside the store?
      - If yes: In what ways?
  - Display?
    - If yes: How?

*Swedish version*

- Hur ofta handlar du matvaror?
- Brukar du handla butikens egna märkesvaror?
  - Hur kommer det sig att du handlar/inte handlar butikens egna varumärken?
  - Vad tycker du om denna typ av varor?
- Vilken roll fyller egna märkesvaror i en butiks sortiment enligt dig? [t.ex. pris/innovation/kvalitet/kopia/variation/säkerhet]
- Har det någon betydelse för dig att direkt kunna se om det är butikens eget varumärke?
  - Varför?
- Varför handlar du på City Gross?
- Hur upplever du City Gross utbud av varor?
- Har du upplevt några förändringar i sortimentet det senaste året?
- Upplever du att något speciellt varumärke är mer synligt än andra i City Gross?
- Har City Gross egna märkesvaror?
  - Om ja:
    - Hur fick du reda på att det var butikens egna?
  - Om nej/vet ej:
    - Vad skulle du tycka om City Gross lanserade ett EMV?

(Efter att våra respondenter har svarat på frågan visar vi ett utbud av "Favorit" produkter)

- Har du någon gång inhandlat Favorit?
  - Om ja:
    - Vad fick dig att köpa produkter av det varumärket?
    - Vad är din uppfattning av varumärket?
      - Pris?
      - Kvalitet?
- Har införandet av en egen märkesvara hos City Gross har påverkat butikens:
  - Utbud?
    - om ja: Hur?
  - Reklam
    - i butiken?
    - utanför butiken?
      - om ja: På vilket sätt?
  - Skyltning?
    - om ja: Hur?



## **Intervju-guide 2 (revised for second round of interviews)**

### **Pris och kvalitet**

- När du handlar, vad betyder mest för dig: att du får varorna till det lägsta priset eller att du får hög kvalitet?
  - Varför?
    - Betyder ett högt pris alltid bra kvalitet och vice versa?
  - Hur vet man att en vara är av bra kvalitet?
  - Anser du att det är någon skillnad i kvalitet mellan EMV och LMV?
    - Förklara.

### **Familiarity**

- När du livsmedelshandlar, hur går du till väga när det gäller vilka varumärken du är ute efter?
  - Letar du efter några specifika varumärken?

### **Risk**

- Är du beredd på att betala mer för vissa varumärken än andra? (finansiell risk)
  - Hur kommer det sig?
- Spelar det någon roll för ditt produktval i vilket sammanhang produkterna ska användas? (social risk)
- I vilken grad kan man lita på kvaliteten av ett EMV? (funktionell risk)
- Anser du att det är någon risk i förbindelse med köp av EMV?

### **Extrinsic cues**

- Om en vara av ditt favorit märke är slut, hur tänker du när du ska välja ett annat märke? (pris/märke/förpackning/tidigare/erfarenheter)
- Vilken information är mest viktigt för dig när du tittar på en etikett på en produkt? (disclosure of manufacturer brand)
- Hur skulle din uppfattning av ett EMV förändras om det klart och tydligt framgick vem tillverkaren var? (disclosure of manufacturer brand)

### **Attityd:**

- Brukar du handla butikens egna märkesvaror?
  - Hur kommer det sig att du handlar/inte handlar butikens egna varumärken?
- Vad tycker du om denna typ av varor?
- Vad är mest positivt med EMV? Och vad är minst positivt med EMV?

### **Store image- sortiment**

- Varför handlar du på City Gross?
- Hur upplever du City Gross' utbud av varor?

- Har du upplevt några förändringar i sortimentet det senaste året?
- Upplever du att något speciellt varumärke är mer synligt än andra i City Gross?
- Vilken roll fyller egna märkesvaror i en butiks sortiment enligt dig? [t.ex. pris/innovation/kvalitet/kopia/variation/säkerhet
- Har det någon betydelse vid köp av EMV vilken butikskedja som står bakom EMV:et?
  - Hur då?
- Hur skulle ett EMV påverka Citygross utbud?
- Vad skulle du tycka om City Gross införde ett EMV?
- Har City Gross egna märkesvaror? (mäter också Familiarity)
  - Om ja: - Hur fick du reda på att det var butikens egna?
  - Om nej/vet ej: - Vad skulle du tycka om City Gross lanserade ett EMV?

(Efter att våra respondenter har svarat på frågan visar vi ett utbud av ”Favorit” produkter, se appendix 5)

- Har införandet av en egen märkesvara hos City Gross har påverkat butikens:
  - Utbud?
    - om ja: Hur?
  - Reklam?
    - om ja: Hur?
  - Skyltning?
    - i butiken?
    - utanför butiken?
    - om ja: På vilket sätt?

## Appendix 5

Products shown to the respondents of the private label brand “Favorit”.

