



UNIVERSIDADE DA CORUÑA

Facultade de Economía e Empresa

Traballo de  
fin de grao

Is it a matter of  
Trust?: Customer  
Purchase Intention  
and Satisfaction of  
Private Label  
Brands

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**Grao en Administracion y Direccion de Empresas**  
Año 2017

Traballo de Fin de Grao presentado na Facultade de Economía e Empresa da Universidade da Coruña  
para a obtención do Grao en Administracion e Direccion de Empresas

# Abstract

Consumers are satisfied when the products they purchase fulfil their needs, which directly means that their purchase intention towards this brand is higher. Based on this idea, the following research takes place to study in depth from a theoretical and practical point of view the variables that are influencing consumer satisfaction and purchase intention the most

It begins with a literature review defining and explaining the concept of Private Label Brands and their evolution through time, followed by the theoretical explanation of the principal variables that influence the concepts: consumer satisfaction and purchase intention. A theoretical model connecting all these variables is developed to study the different relationships and how strong they are based on the weight ( $\beta$ ).

The empirical research is based on a brief study using the survey as the data gathering tool. The survey respondents are all Spanish but mostly Galician's. From the results obtained, it is possible to state that the variable influencing the most consumer satisfaction and purchase intention is the product trust, followed by perceived quality. The perceived price only influences the purchase intention and not the consumer's satisfaction. Last, perceived risk did not influence any of them with a different outcome than expected.

*Key words:* Consumer Satisfaction, Purchase Intention, Private Label Brands.

*Number of words:* 12.701

# Resumen

Los consumidores están satisfechos cuando los productos que adquieren satisfacen sus necesidades, lo que produce indirectamente que su intención de compra frente a esa marca o empresa sea mayor. En este contexto se desarrolla el siguiente estudio, para analizar desde un punto teórico y práctico cuales son las variables que más influyen sobre la satisfacción del consumidor y su intención de compra.

Este estudio comienza con un repaso a la literatura donde se define y explica el concepto de Marcas de Distribuidor junto con su evolución en el tiempo. A continuación, se explican de manera teórica las variables que influyen en la satisfacción e intención de compra y se desarrolla un modelo teórico conectando todas estas variables para estudiar las relaciones entre ellas y como son de fuertes en función del peso medido por el valor de  $\beta$ .

La investigación se lleva a cabo realizando un pequeño estudio mediante una encuesta donde todos los encuestados son españoles y en su mayoría con gallegos. Los resultados obtenidos nos permiten afirmar que la variable que más influye la satisfacción y la intención de compra es la confianza en el producto, seguida de la calidad percibida. El precio percibido influye, en tercer lugar, solamente a la intención de compra y el riesgo percibido no influye ni a la satisfacción ni a la intención de compra.

Palabras clave: Satisfacción del Consumidor, Intención de Compra, Marcas de distribuidor.

Numero de palabras: 12.701

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# Introduction

From the beginning, companies all over the world have developed products to meet the consumers' necessities. To achieve this goal, companies need to look closely into the consumers' requirements and expectations in order to tailor their products to their needs. Therefore, once this is achieved, clients should be satisfied with the products they have purchased and they are intended to buy again. Hence, this leads the company to increase an increase in sales and build a reputation among competitors.

In the last couple of years, firms and especially Private Label Brands have put a lot of time and effort into knowing in depth which variables are defining the consumer behaviour, in terms of satisfaction and purchase intention: *¿But, do Private Label Brands really know which are the variables influencing the most the consumer satisfaction and the purchase intention?*

This research is conducted to ascertain which of the following variables, perceived risk, perceived quality, product trust and perceived price sway the most over the consumer satisfaction and the purchase intention of Private Label Brands, more precisely the food Private Label Brands: "Mercadona" and "Dia".

These variables are commonly studied to better understand the general consumer behaviour, but not Private Label Brands. Moreover, the variable perceived risk is not



usually taken into account when discussing the satisfaction and purchase intention of these brands. Additionally, the brands were chosen based on the idea that they are widely known among the Spanish consumers.

So, with these brands and the inclusion of this variable perceived risk combined with the other three, it is expected the result to be more precise and distinctive among the previous ones.

Therefore, this research paper is organized as follows: the first part includes a literature review of the Private Label Brands and an explanation of the variables previously mentioned. This is followed by the empirical research and with the section "Findings" where the hypotheses are presented and tested for a final outcome.

The paper concludes with a discussion of the results obtained with the research and a presentation of the final conclusions.

# 1. Private Label Brands

## 1.1 Definition, origin and evolution of Private Label Brands

### 1.1.1 *Conceptualization and origin of Private Label Brands*

Before analysing retailer brands, a conceptualization of brand should be provided. According to the definition of brand provided in the Spanish Law of Brands 17/2001, we can state that a brand could be understood as *“any susceptible sign of graphic representation that helps distinguish products and services among different companies”*.

More precisely, there are various terms that can be given to these brands, such as *“store brands”*, *“retailer brands”*, *“own label brands”* and *“private label brands”* (Ailawadi and Keller, 2004)

Regarding the concept of store brands or private label brands (thereafter, PLB), The Private Labels Manufacturers Association (2016) defines private label brand products as *“all kinds of products sold under a retailer’s brand with their own name or a new one created just for them”*. These brands may include various product lines, from cleaning and beauty products to frozen food and mechanic and gardening tools (Ailawadi and Keller, 2004). Similarly, the American Marketing Association (2016) refers to PLB as *“brands whose ownership and control belongs to the retailer, but not to the manufacturer.”* Other authors, such as Soberman and Parker (2004) suggest that a PLB is *“a version of a national brand without the perceived quality enhancement provided by advertising.”*

On the other hand, Fernández-Nogales (2010) presents a conceptualization from the manufacturers’ perspective: *“PLB are brands controlled and managed by distribution companies, with the main goal of building long-term loyal relationships with their customers drawn by the prices and the cheap imitations taken from the leader*

*manufacturers.*” Later, Puelles et al., (2011) provide another definition, and state that a private label brand is “*a brand property of a retailing company, which develops all the various marketing tasks related to the brand.*”

The articles 6 and 7 of the Spanish Law of Brands 17/2001 explains the three elements that characterize PLBs are: the *sign* or brand symbol, the *product* itself and the *psychological* element, that makes consumers relate the other two. The psychological element could be defined as the consumers’ perception of the brand, which is mainly influenced by the price. In addition, there are three main parties with interests in the performance of PLBs. In first place, the consumer, who has to choose between different brand alternatives, including the PLB (Kotler et al., 2008). Secondly, the retailer, who decides to commercialize a product under its own brand name in order to achieve higher profits, increase market share and build customer loyalty. Finally, the manufacturer that facing a fierce competition and is willing to survive in a new marketplace where products and distribution channels are constantly changing (Gomez-Rozano y Fernández, 2010).

#### 1.1.2 *Development of Private Label Brand*

Economic and social circumstances, such as the willingness of retailers to increase sales and market share, along with the increase of the market competition made the process of retailing companies concentration a really good opportunity for PLBs to be developed, because these brands are mostly developed on the basis of a high volume of sales (Puelles et al., 2004).

Private label brands appeared in the late 60s’; nevertheless their development was especially relevant in periods of crisis, when consumers had to redirect their consumption habits towards cheaper options and promotions (Ang, 2001).

We can state that supermarkets were the first companies introducing PLBs in their points of sales. The first PLBs appeared in 1869 in Great Britain, when the British supermarket Sainsbury launched its own brand, followed by French supermarket chain Coop (1923) that registered its own brand for numerous types of products. Accordingly, other popular stores such as Monoprix or Prisunic, developed a new strategy to couple with the big economic crisis in 1929, which consisted in the introduction of PLB products with a cheaper price than the manufacturer brands. However, in year 1976 Carrefour begins selling 50 “*free-of-brand*” products with no manufacturer label on

them. These products will lead to what is commonly known nowadays as private label products (Gázquez, 2016). Regarding the Spanish market, Eroski was the retailer pioneer in introducing products with its own brand name (Puelles et al., 2004).

These private labels were born based on the retailers' need to define the brand identity and to develop brand image. In fact, the PLBs are used as a communication tool with their customers, and as a key element to differentiate themselves from the competitors (Puelles et al., 2004).

**Table 1:** Evolution of Private Label Brands (Laarksonen and Reynolds, 1994)

	1 <sup>ST</sup> GENERATION	2 <sup>ND</sup> GENERATION	3 <sup>RD</sup> GENERATION	4 <sup>TH</sup> GENERATION
<b>BRAND KIND</b>	Generic-no brand	Almost brand Own-label	Own brand	Extended own brand
<b>STRATEGY</b>	Generic	Lowest price	Leader copy	Value added
<b>OBJECTIVE</b>	Increase margin Offer price alternatives	Increase margin Reduce competitors power Offer higher value	Improve margin in other categories Increase product range Build PLB image	Optimize customers base Improve margins Improve brand image Achieve differentiation
<b>PRODUCT</b>	Basic and useful	First-aid, big volume	Products by range, big volume	Good quality products image Niche-premium products
<b>TECHNOLOGY</b>	Basic production process, Under development towards the leader	Underdevelopment towards the leader	Closer technology to the leader	Innovative technology
<b>QUALITY/IMAGE VS. MANUFACTURER</b>	Inferior	Inferior	comparable	Equal-superior Innovative and differentiated
<b>APROX. PRICE</b>	>-20%	-10% to -20%	-5% to -10%	Equal-superior

BUYING MOTIVATION	Price	Price	Quality and rice	Product superiority
MANUFACTURER	National, non-specialised	National, low specialization in PL	National completely specialised in PL	International, specialised in PL

Source: Own elaboration from Laarksonen and Reynolds (1994).

From the 70s, PLBs evolved and matured at a high rate (Table 1). Most retailers' do not imitate market established products, and instead, these retailing companies are looking for new and innovative products to launch for the first time in the market offering customers a low price or a good "value for money" (Puelles et al., 2004).

In the year 2014, Nielsen reported the current situation of PLBs, stating that "PLBs success is strongest in commodity-driven, high-purchase categories and those where consumers perceive little differentiation. Private-label growth comes at the expense of small- and mid-sized brands, while category leaders remain relatively safe. Retail consolidation and the expansion of the discount format are key drivers for private-label growth in developed markets" (Nielsen Global Private Label Report, 2014)

Regarding the PLB market share for the current year, it should be highlighted that in Spain this brands represent a 52% of the total turnover. Comparing Spain with other European countries it is shown that Spain is on top of the list. Followed by Switzerland (51%), United Kingdom (46%), Germany (45%), Belgium and Austria both with a 43% of market share. At the bottom of the list are the countries with a market share lower than 25%: Turkey (23%), Italy (22%) and Greece (20%).

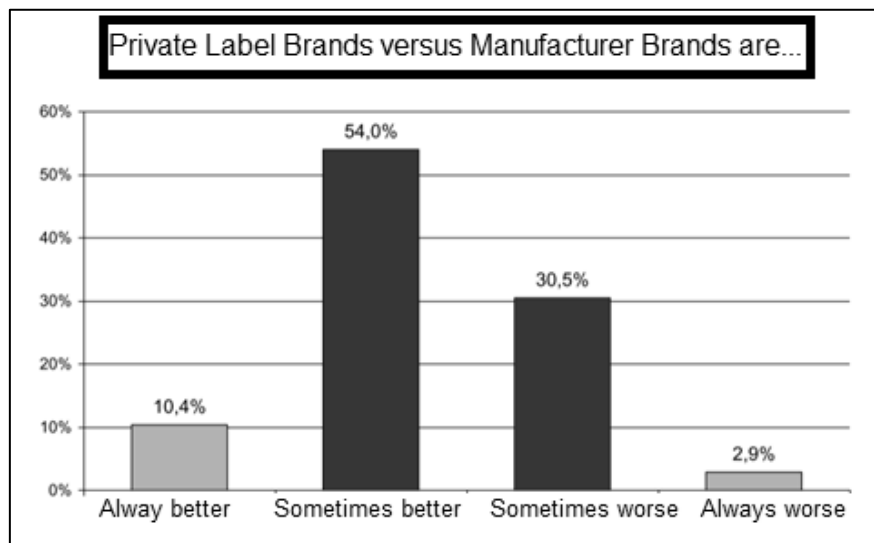
### 1.1.3 The contribution to the economy of Private Label Brands

It has been recently discussed that manufacturer brands deliver fourteen times more value than PLBs (Roger, 2010). Due to big R&D investments, the manufacturer brands offer higher products in terms of innovation and quality. In addition, manufacturers develop more qualified jobs, increase tax payments and add some extra value. Therefore, manufacture brands play an important role in the economy, since they provide good products for the customers' needs (Roger, 2010).

On the other hand, the PLMA (2016) states the advantages of consuming PLB products, which summarizes the way clients perceive them. According to the PLMA

(2016) for customers, private label brands represent the choice and opportunity to regularly purchase quality products at an affordable price, compared to manufacturer brands. Similarly, Private label brand products consist of the same or better ingredients than the manufacturer brands, and because the retailer's name or symbol is on the package, the consumer is assured that the product meets the retailer's quality standards and specifications (Ailawadi and Keller, 2004; Calvo-Porrall and Lang, 2015)

**Figure 1:** Customer perception of quality of PLBs compared to manufacturer brands.



Source: Own elaboration from "Observatorio del Consumo y la Distribución Alimentaria" (2009)

Prior studies highlight that customers perceive that PLBs have sometimes a greater quality than manufacturer brands (Figure 1), considering not only their price, but also their attributes. Other studies report that at least 80% of the customers perceived PLB as equal or better than manufacturer brands in many attributes, especially in the way brands fulfil their needs and their perceived trustworthiness.

## 1.2 Private Labels and Manufacturer Brands

### 1.2.1 Differences between Private Label Brands and Manufacturer Brands

There are great differences between PLBs and manufacturer brands –brands produced and commercialized by a manufacturer-, regarding their main characteristics and benefits offered to customers (Ailawadi and Keller, 2004). The major differences between these two types of brands are explained below.

- *Drivers of Private Label Brands' purchase:*

It is commonly accepted that the PLBs success was linked with their low prices (Ailawadi and Keller, 2004); and most consumers relate PLBs with the cheaper offer available in the marketplace. However, we cannot make the general assumption that the development and high sales volume of PLB occurs only under economic crisis, since PLBs have increased their market share constantly, even in times of prosperity which (Prat de Padua, 2010). So, we can state that their lower prices –compared to manufacturer brands-, and their good “*value for money*” constitutes the main driver of PLBs purchase (Ailawadi and Keller, 2004).

On the other hand, regarding the manufacturer brands, it can be noted that the main driver is to introduce and produce innovative products in the market, as a way to connect with actual and potential customers, fulfilling their needs (Roger, 2010).

- *Manufacturers of Private Label brands:*

Most of the manufacturers of PLBs are leading companies. More precisely, the Private Labels Manufacturers Association (2010) divides manufacturers into three general categories. In first place, large manufacturers who produce both their own brands and private label products. In second place, small and medium size manufacturers that specialise in particular product lines, and concentrate on producing private labels almost exclusively. Third and finally, major retailers and wholesalers that operate their own manufacturing plants and provide private label products for their own stores. Therefore, we can state that behind the PLBs products there are manufacturers who produce and sell their products under their own brand image (Ailawadi and Keller, 2004).

For many years, PLB products were produced by manufacturers with their own manufacturer brands being offered in the marketplace. The manufacturers assumed this role with the retailing channels in order to obtain in return a good outcome from their own products (Kotler et al., 2008). Nowadays there are a lot of manufacturers whose main activity and innovation research is focused in the production of PLB products, instead of focusing on their own brands.

- *Quality and price of Private Label Brand products:*

Private Label Brand products are no longer considered and perceived as low-cost alternatives to the manufacturer brands; they're increasingly high-quality products that

fulfil consumer needs with a good “*value for money*” relationship (Ailawadi and Keller, 2004).

- *Advertising and marketing costs*

The main communication channel used by manufacturer brands to deliver communication was traditionally the TV, followed by outdoor advertising, the daily press and other communication tools. However, nowadays TV advertising has become more and more expensive, the audience has become more fragmented and the use of Internet has risen, making clients less accessible through the traditional TV spots (Kotler et al., 2008).

Nevertheless, it is very common to see in PLBs advertising campaigns with a high level of conservatism and lack of creativeness. Following Pinillo and Olivares (2012), the PLB main elements to develop advertising and communication campaigns are the low prices, the good sales promotions and savings linked to quality. In turn, the originality, emotional and surprising elements on the communication campaigns are lacking (Pinillo and Olivares, 2012). In addition, there are some cases when PLBs used comparative advertising (Castelló-Martínez, 2012).

**Table 2:** Key elements in manufacturer brand vs Private Label Brands

<b>MANUFACTURER BRAND</b> Product category: Hair Care products		<b>PRIVATE LABEL BRAND</b> Product category: Milk	
<b>High innovation rate</b>	Big launches requiring important investments. Difficult to compete	<b>Minimal differentiation</b>	Low perceived differences among brands.
<b>High product differentiation</b>	Wide range development to fulfil all needs	<b>Low brand equity</b>	Easier to copy
<b>Strong Marketing support</b>	Innovation and marketing investments creates strong brand preference and loyalty among customers	<b>High Price sensitivity</b>	Consumers are less brand-loyal and more low-price seekers
<b>Strong Brand identity</b>	Innovation and marketing investments creates strong brand preference and loyalty among customers	<b>High Purchase Frequency</b>	Products with a high purchase cycle



<b>Longer purchasing cycle</b>	Sporadic purchase so the higher price is no longer a barrier	<b>Low innovation rate</b>	Innovation represents 0.5% in 2014
<b>Heavy promotional activity</b>	Promotion reduces price differential between PLB and manufacturer brands		

Source: Own elaboration from Nielsen (2010)

### 1.3 Consumers' trust on Private Label Brands

The private label brands' market share has been increasing constantly since the last decades in most developed countries; and as a consequence, the private label brand products have increased their presence in the consumers' purchase basket, achieving the consumers trust (Castelló-Martínez, 2016).

Regarding the factors that influence consumers distrust for private label brands, product quality stands out as the most influencing factor. That is, some of the consumers do not completely trust the product quality of private label brands. In this context, Negro-Beúnza (2013) explains how customers judge product quality based on intrinsic attributes -ingredients, texture or flavour-, as well as on extrinsic attributes - brand image, packag or label-. According to Negro-Beúnza (2013) PLBs are worse perceived regarding their extrinsic attributes. Consequently, the higher the consumers trust extrinsic product attributes the worse the quality perception of PLB.

On the other hand, Oliván (2006) shows that it is a wrong assumption that "*most PLB products quality is lower than those from MB*". In fact, according to his experience PLBs quality is in many cases above the average. Similarly, Ailawadi and Keller (2004) show that PLB products have increased their quality, offering a product quality which is similar to the manufacturer brands. Likewise, Roger (2010) reports that there are a lot of PLB customers who believe that manufacturer brands follow the same production cycle as the PLBs, so in terms of quality there is no lack of trust.

Previous studies (Observatorio del Consumo y la Distribución Alimentaria, 2009) highlighted that a 38% percent of PLB consumers only 15.4% changed their mind due to their lack of trust on the product quality. The remaining 85% argued other reasons -

such as low quality, bad flavour, big prices or limited product range- in order to not chose PLB products at the point of sale. Therefore, we can state that consumers of PLBs assume that the smaller prices do not mean lower product attributes. More precisely, the lack of trust on PLB products may arise from the reduced advertising costs, the exploitation of economies of scale to increase production and the reduction of intermediaries along the production cycle (Roger, 2010).

## 2. Variables influencing purchase intention and satisfaction with private label brands

### 2.1 Perceived risk

Individuals confront risks while making decisions with social and/or economic consequences, since these consequences are not previously known or the final outcome is very uncertain (Zinkhan and Karande, 1991).

When analysing the risk that plays an important role in the consumers mind, Mitchell (1992) suggests that perceived risk influences the five stages of the consumer decision making process, which will in turn influence customer purchase decision. More precisely, and following Richardson et al. (1996) risk could manifest itself in a variety of ways such as a fear that a product may not possess desirable attributes, uncertainty regarding the product performance or a feeling that the purchase of a particular brand may cause social disapproval. Whereas, according to Zeithaml and Bitner (2003), perceived risk will typically influence early stage of consumer buying process.

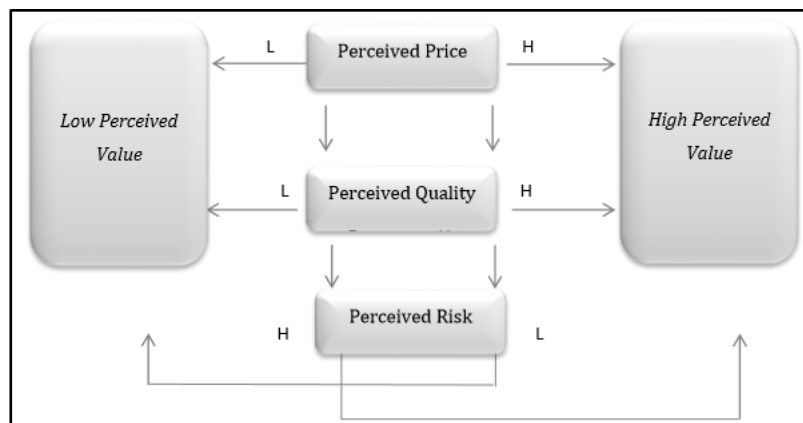
According to Conchar et al. (2004) the way in which risk is perceived and how it is processed differs from consumers and purchase situations. But among them, risk dislike/aversion, is a key factor when evaluating risk in risky situations (Conchar et al., 2004). Similarly, and following Conchar et al. (2004), we can state that perceived risk is developed in three phases: risk framing, risk assessment and risk evaluation. This process is strongly affected by the context where risk is perceived (the product type, the situation and the environment of the purchase decision, among other factors), and by the subjective risk profile from the individual (Conchar et al., 2004).

Later, Tzeng et al. (2005) focused on the idea that risk should be conceived in terms of the uncertainty and consequences associated with consumer actions, which may result in pleasant or unpleasant consequences. Therefore, this definition highlights two relevant dimensions of perceived risk: uncertainty and consumer consequences. So, customers with risk dislike will try to reduce the uncertainty of the purchase taking into account some of the following ideas (Tzeng et al., 2005). In the same vein, and according to Durovnik (2006), consumers are less interested in purchasing products that are considered as being “*risk endeavours*”. Based on these ideas, Durovnik (2006) states that consumers will try to reduce the risk using time to analyse information. Another action developed by consumers to find out about the quality of a product is to ask those who have first-hand experience (Durovnik, 2006).

Following Ahmed et al. (2002), the consumer infers product attributes also based on the “*country of origin*” stereotype, and from the consumption experiences with a product from that country. So we can assume that consumers may perceive less risk purchasing a product from the countries with a good image. Therefore, we can assume that the product “*country of origin*” also has an impact on the purchase perceived risk.

Regarding the purchase risk of PLB products, previous studies have pointed out that a higher perceived risk concerning the purchase of PLB products reduces the purchase proneness towards these brands (Livesey and Lennon, 1978; Batra and Sinha, 2000; Erdem, Zhao and Valenzuela, 2004; Semeijn et al., 2004). In addition, Olavarrieta et al. (2006) present in their research “*Perceived risk and consumers attitude towards PLB*” that perceived risk is one of the three main issues when analysing the general value offered by a product, a service or a brand (Figure 2).

**Figure 2.** Perceived risk and attitude towards Private Label Brands.



Source: Olavarrieta et al. (2006)

According to Semeijn et al. (2004), among all the purchase risk types, the most important affecting the purchase of PLB products are the functional risk, the social risk and the financial risk. In addition, Semeijn et al (2004) report that these three risks are the most negatively influencing ones on the PLB consumers' evaluation. These three major risks are explained below:

- *Functional risk*: implies uncertainty that the products will not meet customers' expectations.
- *Social risk*: a risk that is associated with image and status, it considers that the degree of society influences on customers purchasing decision.
- *Financial risk*: this risk implies the monetary cost that derives from the poor purchase choice, which might result from an inadequate or unfamiliar brand.

When analysing the way customers perceive risk and how it affects them in their purchasing decision, there are four elements to be examined:

- ***Risk dislike/aversion:***

When customers have risk aversion, they try to develop certainties about the products want to purchase. Brands developing consistent advertising campaigns in the long-term will be able to create trust expectations, which will be also brand awareness. Advertising campaigns are not very common for PLBs, and moreover they suffer from the lack of market awareness. In this context, Erdem et al. (2004), and Montgomery and Wernerfelt (1992) state that the level of uncertainty is lower for manufacturer brands, rather than for PLB. As a result, customers with risk aversion will purchase products from those brands perceived as reliable and less risky.

- ***Price-Quality associations:***

According to Rao and Monroe (1989) there is a positive relationship between price and perceived quality (Rao and Monroe 1989). This is a key issue related to PLBs, since these brands often offer lower prices; and in turn, customers relate these lower-priced products with actual or potential product constraints, perceiving a higher level of uncertainty leading to a higher risk towards these brands (Garretson et al. 2002). Later, Burton et al. (1998) and Garretson et al. (2002), proved that this price-quality relationship has direct negative effects on the customers' perceptions towards PLB.

- **Store loyalty:**

The image of PLBs is closely associated with the store image (Ailawadi and Keller, 2004). Customers look for previous associations or images to get information before the purchase of PLBs; and this information comes from the image that customers have from the store (Richardson, Jain and Dick, 1996; Semeijn et al., 2004). When the store image is good or enjoys a favourable image in the customers' mind, they are highly prone to purchase in this store; and in turn, to purchase their PLB products (De Wulf et al., 2005).

- **Social Loss:**

The social loss is an intangible element, related with the feeling of being judged by friends and family, due to the customers' choice for PLB products (Semeijn et al., 2004). The loss of self-respect and the negative consequences on their personal image and life style play a big role in the social loss concept (Bearden and Etzel, 1982; Dick et al., 1995; Batra and Sinha, 2000; Del Vecchio, 2001; Semeijn et al., 2004). However, the manufacturer brands may provide quite the opposite feeling, since they are socially accepted as good brands in terms of quality, image and price (Baltas, 1997; De Wulf et al., 2005).

## 2.2. Perceived quality

Following Zeithaml (1988) quality could be defined as "*the evaluation of excellence and superiority of the product*". However, in previous studies, some researchers argued that quality cannot be defined and that quality is an objective variable which can be measured. Considering these two approaches, quality could be conceptualized into *objective quality* and *perceived quality* (Anselmsson and Persson, 2007). The *objective quality* could be considered as the evaluation of the product based on physical characteristics; while the *perceived quality* considers the subjective assessment of quality, which is the consumer evaluation of the product and the judgment that based on product attributes (Anselmsson and Persson, 2007).

Authors like Zeithaml (1988a) conceptualized perceived quality as the "*consumers' judgment about an entity's or a service's overall excellence or superiority rather than*

*the actual quality of the brands or products*". So, we can state that perceived quality is based on the consumer's judgments; that is the subjective individual factor. As consumers differ in their perceptual abilities, personal preferences, and experience level, perceived quality will vary accordingly. Later, Aaker (1991) defined the concept of perceived quality as "*the customer's perception of the overall quality or superiority of a manufacturers' service with respect to its intended purpose, relative to alternatives*". In addition, the actual or potential use given to the product, situational factors will also influence perceived quality (Aaker, 1991).

In this context, the National Quality Research Center (1995) defined the perceived quality based in two concepts, namely the *customization* -or the degree to which a product or service provides key customer requirements- and *reliability* -which is related with how reliably these requirements are delivered-. Similarly, the perceived quality is generally considered as an overall, global concept, like attitude (Oude and Van, 1995). More precisely, attitude and perceived quality could be split into two different variables, highlighting the strong association between them: the consumers' attitude influences their behaviour when evaluating and deciding on the product quality, but this relationship works in both directions since the attitude depends on the consumer's perceptions as these perceptions are conditioned by the consumer's prior attitude (Alonso Rivas, 1999; Vázquez-Casielles et al., 2002).

Today, it is commonly accepted that the *perceived quality* concept comprises two groups of key elements influencing the consumers' decision towards a product purchase: *intrinsic* and *extrinsic* quality attributes (Olson and Jacoby, 1972; Zeithaml, 1988; Oude and Van, 1995; Steenkamp, 1997; Caswell, 2000). More precisely, these factors influencing customers' perceived quality are defined as the *intrinsic* and *extrinsic* quality cues, the *experience* and the *credence* quality attributes -which emphasising the difference between cues and attributes- (Oude and Van, 1995). On one hand, *quality cues* are specific product characteristics that can be observed by the consumer, without actual consumption or usage; whereas the *quality attributes* are abstract product benefits that can only be experienced as a consequence of consumption or usage of the product (Oude and Van 1995). An example of the quality cues and attributes for foods are presented in Figure 3.

**Figure 3:** Intrinsic and extrinsic quality cues, experience and credence quality from Oude and Van (1995).

<b>Intrinsic quality cues</b>	<b>Extrinsic quality cues</b>
appearance colour shape size structure	price brand name country of origin store nutritional information production information
<b>Experience quality attributes</b>	<b>Credence quality attributes</b>
taste freshness convenience	healthfulness naturalness animal friendliness environmental friendliness wholesomeness exclusiveness way of production

A similar distinction was followed by Caswell (2000), who differentiated between intrinsic quality attributes and extrinsic quality cues and indicators.

**Table 3:** Quality attributes and cues.

<b>ATTRIBUTES AND CUES</b>	
<b>Intrinsic quality attributes</b>	<b>Extrinsic quality cues and indicators</b>
Food security attributes	Price
Nutrition attributes	Brand and Label
Sensitive and organoleptic attributes	Store name
Use and Value attributes	Advertising
Process attributes	Guarantee

Source: Own elaboration from Caswell (2000)

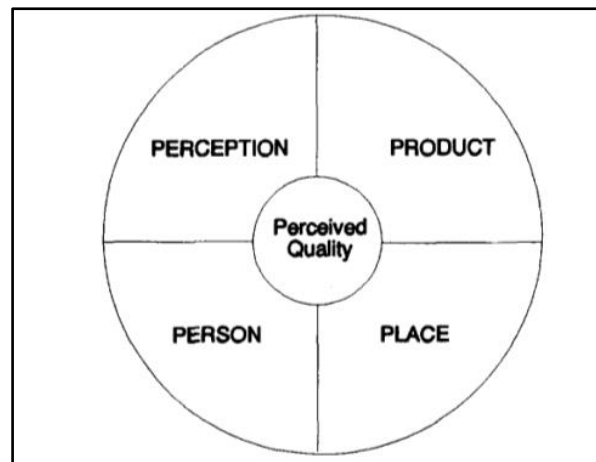
The results obtained from this study report the presence of a significant positive influence of the level of perceived quality linked to the intrinsic attributes, such as for example customer satisfaction and brand loyalty (Caswell, 2000). In addition, Caswell (2000) developed a new product quality image which is not properly consolidated in the customers' mind; and in turn, there are no clear cues, neither extrinsic cues nor indicators that show any influence in terms of perceived quality. Nevertheless, the company implications based on this study is to increase the perceived quality through the key intrinsic attributes and through the extrinsic cues, therefore reinforcing the product image- which is a key influence in the customer satisfaction- using strong



advertising and promotion campaigns. Consequently, the perceived quality would be enhanced, making customers more loyal towards the brand and increasing the repurchase intentions (Caswell, 2000). Other authors, such as Grunert et al. (1996); Grunert, (1997) and Grunert, et al. (2004) presented the “*Total Food Quality Model*” in order to analyse the perceived quality through attributes, cues and signs and the quality expectations and experiences developed through the purchasing process.

From a different standpoint Oude and Van (1995) define and analyse the concept of perceived quality derived from four factors (Figure 4), which could be named as the “*Four P’s of the Quality Quadrant*”. The *perception* process explains how the overall quality judgment is formed, based on visible and invisible product attributes actually experienced or just associated with the product itself. In addition, these four components might differ depending on the product or product category under research. As an example, the “*fat content*” may be a quality attribute for meats and meat products, but not relevant for fruits and vegetables.

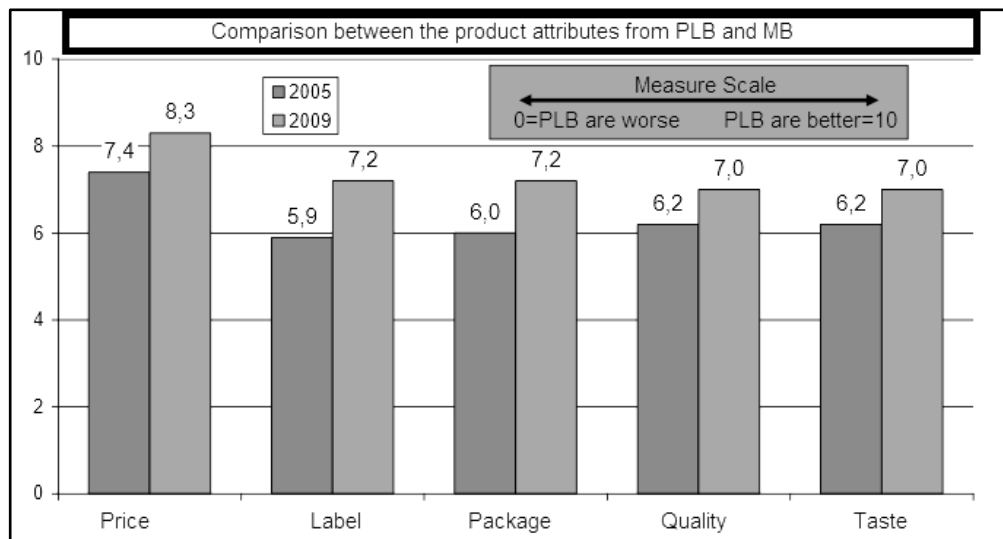
**Figure 4.** The four P’s of the quality quadrant (Oude and Van, 1995).



Another approach found in this study is “*The quality guidance concept*” (Oude and Van, 1995). The authors described it as an integrated consumer-based philosophy to relate perceived quality judgments to physical product characteristics. More precisely, the quality guidance consists of the following steps. First, the identification of quality judgments made by customers. Second, the disentanglement of the quality judgments into its constituents, viz. perceptions on intrinsic quality cues and quality attributes. Finally and third, the translation of the consumer perceptions with respect to intrinsic quality cues and quality attributes into physical product characteristics.

In terms of PLBs, the perceived quality could be evaluated in two dimensions, namely the level of quality relative to the national brand and the quality variability (Hoch and Banerji, 1993). The manufacturer brands' production process is high in technology and sophisticated, while the PLBs manufacturing process is quite the opposite, since they are produced with less technology and unsophisticated process, lowering the quality variability (Hoch and Banerji, 1993, p. 99). So, if the PLBs are as good as the manufacturer brands, the general value perception is increased; while if the PLBs have low quality, the general value perception towards the PLBs will decrease (Paul, Trun and Alan, 1996). However, sometimes consumers give higher value to lower attributes (Richardson, Jain and Dick, 1996). In addition, consumer perception of quality changes over time, and for this reason, PLBs must track perception through the product life cycle and adapt the promotion strategies (Zeithaml, 1988, p. 18).

**Figure 5:** Comparison between PLB and manufacturer brand product attributes.



Source: Own elaboration from *Observatorio del Consumo y Distribución Alimentaria* (2009).

## 2.3 Consumers' trust

The concept of trust comes from the need that individuals have, to reduce social uncertainty, due to the need to know in advance the future outcome. In other words, when individuals cannot understand, predict or control others behaviour or the expected outcome is not fully governed by rules and guarantees, trust replaces them and becomes the substitute guarantor (Kelley, 1978). Similarly, the concept of trust is a context-dependent multidimensional social concept, whose relevant dimensions

depend on the circumstances of the interaction and contains both *behavioural* and *cognitive* elements (Deutsch, 1958; Lewis and Weigert, 1985; Butlet, 1991; Moorman et al., 1993; McKnight et al., 1995).

This relevant distinction began with Deutsch's study (1958) who concluded that trust is "*a set of expectations that lead to behavioural intentions that involve potential loss, because of the absence of control over those upon whom one depends.*" More precisely, we can state that behavioural aspects are related with the individual behaviour that under conditions of interdependence with other individuals increases the individual's own vulnerability. And on the other hand, the cognitive elements are closely related with the beliefs on the trusted party that explain the reasons for his/her behaviour. So, under conditions of vulnerability and dependence, the trusted party –in our case, the company- will carry out the expected commitment (Schurr and Ozanne, 1985; Hosmer, 1995). Similarly, Ganesan (1994), defined the concept of trust as a willingness to depend upon another, based on beliefs or expectations resulting from the partner's experience, reliability and benevolence.

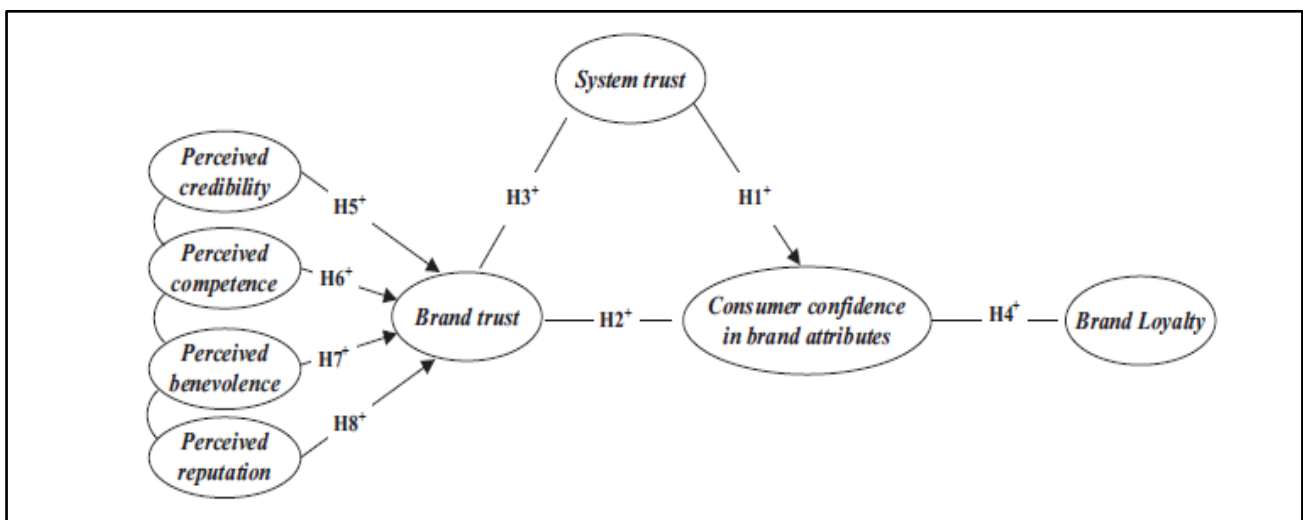
Later, Chaudhuri and Holbrook (2001) defined brand trust as "*the willingness of the average consumer to rely on the ability of the brand to perform its stated function*". And in this context, while Delgado-Ballester et al. (2003) conceptualized brand trust as a "*feeling of security held by the consumer in his/her interaction with the brand, that is based on the perceptions that the brand is reliable and responsible for the interests and welfare of the consumer*". So, we can state that the product brand is a quality cue which consumers may rely on in order to form expectations about the product's quality and safety (Delgado-Ballester et al., 2003). In fact, with incomplete and asymmetric information, brand trust and reliability is expected to be a key determinant of consumer-based trust in a brand. Therefore, product brands help consumers to develop quality expectations, since brands allow consumers to draw on their previous experience with the product; and a satisfactory quality experience after one purchase could drive to future repurchase (Grunert, 2002).

Recently, other authors have approached the concept of product or brand trust from different perspectives. Bachmann and Inkpen (2011) examined the concept of consumers' trust based on the level where it happens, distinguishing between the micro-level and the macro- level. Later, Hartmann et al. (2015) analysed the consumers' trust in the retail sector focusing on two key related concepts: *reputation* and *loyalty*. On one side, the retailing company *reputation* is an informal institutional

mechanism that can create trust, but it will be lost when consumers feel that they have no control over the knowledge and experience of products and its production. On the other side, the *loyalty* towards the retailing company is a key to construct which comprises the relationship between the customer and the brand; and in addition, loyalty is an indicator of the consumer tendency to continue purchasing the same brand over time (Hartmann et al., 2015). Moreover, these authors reported that trust is one of the key elements affecting brand loyalty. So, following Hartmant et al. (2015) brand trust could be defined as “*the capacity a brand has to satisfy the consumer expectations about a product, and the components key to neutralize possible negative threats coming from the purchase.*”

To date, most of the existing marketing literature has been focused in the relationship between brand trust and brand loyalty. Nevertheless, Lassoued and Hobbs (2015) based their research on how consumer confidence in quality attributes might affect the relationship between brand trust and brand loyalty. Their research hypothesis is that consumer trust in brands -related to values and intentions- may evolve to confidence about the brands' attributes -related to performance through experiencing the product and its benefits-, which in turn drives customers' commitment to the brand. So, following Lassoued and Hobbs (2015) proposal, the conceptualization of brand trust is based on four elements: competence, credibility, benevolence and reputation (Figure 6).

**Figure 6.** Determinants and consequences of brand trust based in credence attributes from Lassoued and Hobbs (2015).



Following Lassoued and Hobbs (2015), the brand trust elements are the following:

- **Perceived credibility**

This concept is defined as “*the believability of the product information contained in the brand, which requires that consumers perceive that the brand has the ability and willingness to continuously deliver what is promised*” (Erdem et al., 2006). When the information about brand attributes is considered as credible, it increases the perceived quality and add value of the brand. Moreover, under uncertainty, brands with a high perceived credibility have a positive impact on consumers’ trust due to the lower risk perceptions and information costs.

- **Perceived competence**

This term could be defined as “*a competent brand is expected to provide a consumer with consistent quality*” (Aaker, 1991). Therefore, strong brands –or competent brands– are associated with higher perceived quality. On this basis, an increase in perceived brand competence increases brand trust (Aaker, 1991).

- **Perceived benevolence**

This term could be defined as “*the perceived health/social/environmental benefits that could be gained from buying/consuming the product.*” This feeling arises when the customer believes that there is no actual or potential risk on the product consumption; so he/she perceives the brand as benevolent, leading directly to an increase in brand trust.

- **Perceived reputation**

The perceived reputation is based on the consumer belief that brands will be consistent in the delivery of high quality products, reflected on the higher price. This term can also be related with the output derived from all the past behaviours and previous activities the company has been enrolled in. When these activities are consistent and positive to the customers’ viewpoint, this company brand image will be good, and will lead to an increase in brand trust. Otherwise, if a company brand image is based on a poor reputation, consumers’ may not trust this brand enough to purchase its products.

The conclusion arising from the trust-based conceptual model is that consumers’ confidence in credence attributes affects directly brand trust. Additionally, brand trust

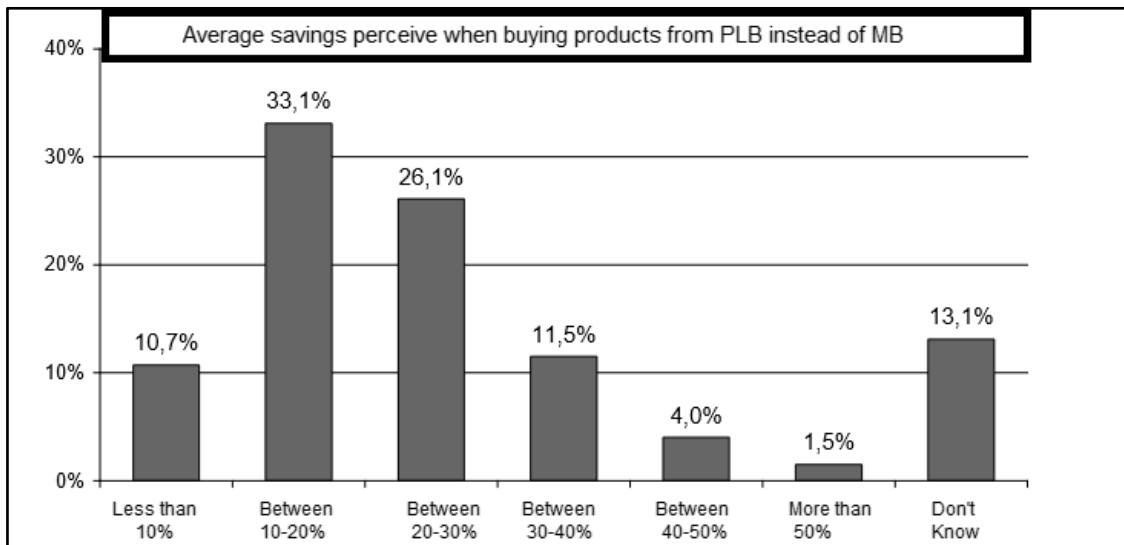
indirect outcome shapes brand loyalty, which is directly modelled by consumer confidence in credence attributes (Sodano, 2002; Lassoued and Hobbs, 2015).

## 2.4. Perceived price

Zeithaml (1988) defined price as “*the amount of money a consumer sacrifices to obtain the product*”. Other authors pointed out that the concept of price consisted in two elements: the *objective price* and the *perceived price* (Lichtenstein and Scot, 1989). While the objective price is defined as the real/actual price of a product or service, the *perceived price* could be defined as the individual belief of the price in relation to the quality of a product. In addition, the consumer perception may have a positive or a negative influence on the buying behaviour (Lichtenstein and Scot, 1989).

Regarding the PLB products, previous research reports that PLBs’ initial goal was to offer good quality products at lower prices, rising customers savings and targeting price-sensitive customers (Ailawadi and Keller, 2004). However, the lower or affordable prices of PLBs is not related with fewer product attributes; since the savings come from the reduced advertising costs, the exploitation of economies of scale to increase production and the reduction of intermediaries along the production cycle (Ailawadi and Keller, 2004; Roger, 2010).

According to Nielsen (2014), the PLBs price is important to most consumers and it is the primary driver of consumers’ purchase intent for PLBs products. However, the Private label’s appeal goes beyond price. In this vein, the Spanish Consumers and Users Organization (OCU) suggest a different idea about the PLB price. According to the Spanish Consumers and Users Organization (OCU), the customer regular purchase of PLBs is related with social circumstances and to the valuable product attributes. The Figure 7 depicts the average percentage of savings when buying PLB instead of manufacturer brand products.

**Figure 7.** Average perceived savings between PLB and manufacturer brand products.

Source: Own elaboration from Observatorio del Consumo y Distribución Alimentaria (2009).

Considering the above statements, we can note that the *value proposition* from PLBs is superior to the one from manufacturer brands. That is, the PLBs offer lower and more affordable prices to customers, but also offer a *good value-for-money* product offer. Traditionally PLB price was lower than the price from manufacturer brands (Ailawadi and Keller, 2004); being this lower affordable price the main attribute of PLBs. However, and regarding manufacturer brands, their higher or more expensive prices are the main reason not to purchase them. For this reason, consumers who prefer to buy more PLB than manufacturer brands are considered as “*price conscious*”; being also classified as “*price seekers*”, meaning that for them buying inexpensive products means achieving high value (Zeithaml, 1998). On the other hand, customers who associate low product quality with low price, consider price as key quality indicator, assuming that companies selling at low prices use the quality reduction as a way to minimize costs (Zeithaml, 1998).

## 2.5. Product design

The National Institute of Industrial Technology (2009) explains the concept of product design, stating that “*to design is to analyse, program and execute an established plan to fulfil the consumers’ necessity. It is the path companies have to follow to make their organization visible in the market, making profits and improving the*

*perceived image individuals have*". In addition, the product design is also used as a strategic tool to improve the market positioning among the competitors (Kotler et al., 2008). In other words, the process of product design includes having the knowledge about the customers' needs and trying to solve them in the most efficient way generating a consistent offer related to the companies' product portfolio, the brand image and the strategy (Kotler et al., 2008).



## 3. Consequences of purchase of Private Label Brands

### 3.1 Consumer satisfaction (and dissatisfaction)

Following Oliver (1997) “*everyone knows what [satisfaction] is, until asked to give a definition. Then it seems, nobody knows*” (p. 13).” More precisely, the first definitional inconsistencies are related with whether satisfaction is a process or an outcome (Yi 1990). In fact, consumer satisfaction definitions have either emphasized an *evaluation process* (Hunt 1977; Oliver 1981; Fornell 1992), or either a response or outcome to an evaluation process (Halstead et al. 1994; Oliver, 1997), and most definitions have favoured the notion of consumer satisfaction as a response to an evaluation process. Finally, satisfaction is generated when the customer's perceived value meets or exceeds his/her expected value (Abdallat and Hesham, 2013).

Satisfaction drives the subsequent stages through repeated purchases, improving the perception of the supplier's reliability. So, the customer satisfaction strengthens the positive attitude towards the supplier, allowing the development of product or brand loyalty (Bitner 1995; Chaudhuri and Holbrook 2001). Therefore, we consider the following definition of consumer satisfaction (Geise and Cotew, 2000) which considers the time frame as crucial, since when measuring customers' satisfaction we focus on the customers' perception of the last use or the whole experience:

*“Consumer satisfaction is a summary affective response of varying intensity. The exact type of affective response and the level of intensity likely to be experienced must be explicitly defined by a researcher depending on the context of interest. It is reasonable to expect that consumers may consciously determine their satisfaction response when asked by a researcher; therefore, timing is most critical to ascertain the most accurate, well-formed response.*”

*Directed towards the focal aspects of product acquisition and/or consumption, the researcher should identify the focus of interest, which may include a broad or narrow range of acquisition or consumption activities/issues.”*

Moreover, satisfaction is the outcome from the positive perception of the key elements in the purchasing process: product quality, price, purchase risk and brand trust. So, satisfaction is an outcome of purchase and use resulting from the buyer's comparison of the rewards and costs of the purchase, in relation to the anticipated consequences. And dissatisfaction contradicts satisfaction, being the outcome of the negative perception of these elements (Oliver, 1997). Therefore we can consider satisfaction and dissatisfaction as a pre-purchase measurement and as key factors affecting the repurchase intention.

Giese and Cote (2000) report that the conceptualization of the consumer satisfaction lacks of a consensus definition; thus limiting the contribution to the consumer satisfaction research. Consequently, researchers are unable to select an appropriate definition for a given context, develop valid measures of satisfaction; and/or compare empirical results without a uniform definition of satisfaction. Following Giese and Cote (2000) there are three main components of satisfaction: 1) consumer satisfaction as a response, emotional or cognitive response; 2) the response is given to a particular stimuli -expectations, product or consumption experience-; 3) the response occurs at a particular time -after consumption, after choice or based on accumulated experience-.

Kuan-Chang (2007) analyse and articulate the underlying process by which the satisfaction-loyalty relationship can be strengthened, and also provides managerial implications of how companies can better manage customer relationships. On the other hand, this research identifies the variables intervening in the causal relationship between satisfaction and loyalty. More precisely, Kuan-Chang (2007) states that understanding the image of a retailer as a brand or how brands influence customer satisfaction and loyalty are important issues for both retailers and manufacturers. Finally, this author states that it is not enough to create brand loyalty for a customer to be satisfied, since it is possible that a customer is highly satisfied with a brand without being brand loyal, or that the customer may be brand loyal without being satisfied (Kuan-Chang, 2007).

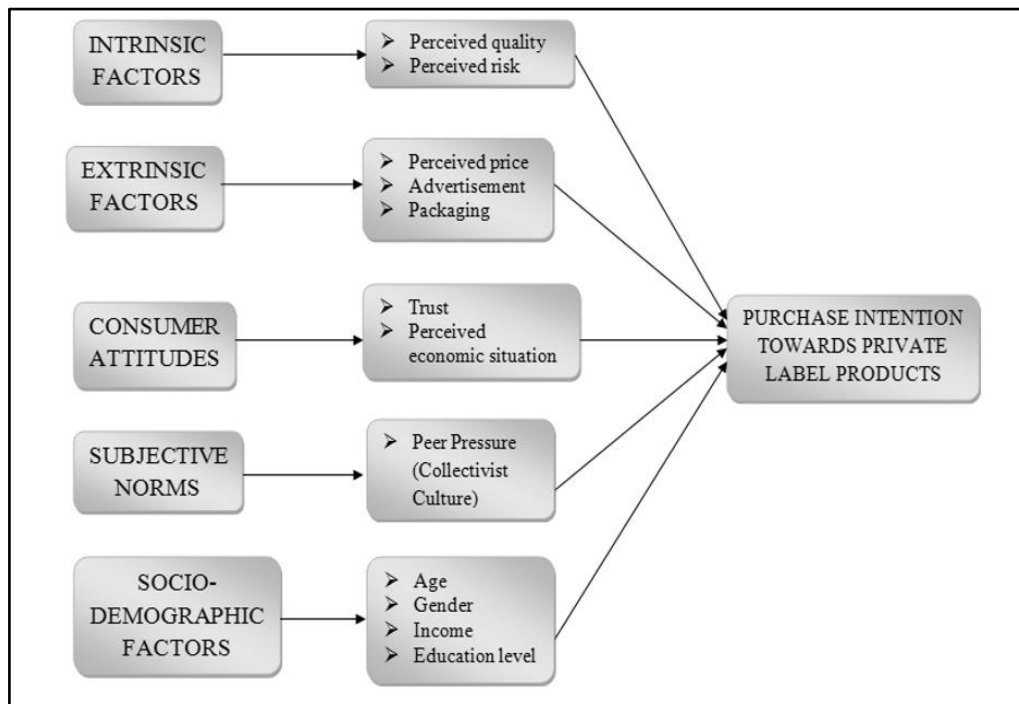
## 3.2 Purchase intention

Customer purchase intention serves as an early indication of the final sales of a product; so understanding the customers purchase behaviour is essential for any company, as well as it is imperative for a PLB to deeply know the key factors that influence its purchase intention.

According to Kotler (1991) the purchase intention could be defined in terms of probability, so he defined purchase intention as “*the likelihood that a consumer will buy a certain product; the higher the purchase intention, the greater the purchase probability*”. Later, Wu et al. (2011) follow Kotler’s definition and add the timing variable, and as a result, the purchase intention could be defined as “*the probability of consumer’s readiness to buy a product in the near future*”.

Many models have been developed in the marketing literature trying to explain the variables affecting the purchase intention, but the purchase intention model better suitable for PLBs is the one shown in the Figure 8, which is a combination of the factors affecting purchase intention presented by different authors. In first place, it considers the proposal made by Akbay and Jones (2005), who argue that socio-demographic factors, such as income, age, gender and education level are key factors associated with purchase intentions for PLBs. Second, it considers the proposal made by Chen (2008) and Lympelopoulos and Soureli (2010), who reported that the factors affecting directly or indirectly the purchase intentions can be summarized in three categories, namely consumer attitudes -consisting of trust, loyalty and perceived economic situation-, intrinsic factors -consisting of perceived quality and perceived risk- extrinsic factors -consisting of perceived price, advertising and packaging. Finally, this model incorporates the proposition made by Tochanakarn and Munkunagorn (2011) who suggest that, in addition to the mentioned variables, the subjective norms -which consist of social pressure or individualist culture- influence the purchasing intention towards private label products. These variables are explained below.

**Figure 8:** Conceptual framework of purchase intention towards PLBs from Akbay and Jones (2005); Chen (2008), Lympelopoulous and Soureli (2010) and Tochanakarn and Munkunagorn (2011).



▪ ***Intrinsic factors***

Among these factors, the *perceived quality* is one of the main intrinsic factors (Land and Crown, 1993), despite the product price and the aesthetics show the higher influence on the purchasing intention. Later, Baltas and Argouslidis (2007) reported that quality plays a very important role when customers evaluate PLBs, thus being a key factor of PLBs' purchase intention.

Other intrinsic factor is the perceived risk for PLBs, which is usually high due to the fact that individuals feel safer when buying products from well-established brands; and in addition, PLBs are less established than manufacturers' brands. Therefore, PLBs could be characterized as low-priced products; without prestige brands and with simpler packaging, making the global perceived quality of the product uncertain about the purchase. In summary, the perceived risk influences consumers' behaviour for PLBs (Glynn and Chen 2009)

- ***Extrinsic factors***

Among the extrinsic factors, the perceived price is remarked as a key factor influencing the purchase intentions (Kotler and Keller, 2006).

Walker (2006) suggests that PLBs are cheaper than manufacturer brands; and thus, they can be considered as a substitute to those brands. So for “*price-sensitive*” customers, price is the main reason to purchase PLB products; however customers requiring product quality are less likely to purchase PLBs because price is an indicator of quality for them.

Moreover, according to Ampuero and Vila (2006), the product packaging and advertising are considered the most important attributes about the product, influencing how product quality is perceived and consequently influencing purchase intention. According to these authors consumers evaluate the product appearance at the point of sale, as well as the package aesthetic and details. So a reasonable price and a nice and attractive package is a reason enough to achieve a high level of customer satisfaction, driving consumer purchase of PLB products. Finally, Munusamy and Wong (2008) showed a positive relationship between perceived price and consumers’ purchase intentions towards PLB.

- ***Consumer attitudes***

The consumer *attitudes* positively influence the purchase intention (Chaniotakis, Lympelopoulos and Soureli 2010). Among the consumer attitudes, we have previously explained the importance of trust. Trust comprises three elements representing the perceived trustworthiness of the trustee: ability, benevolence and integrity. As a result, the consumer will develop the intention to purchase when he/she perceives these three components to be fulfilled. In addition, customer *loyalty* is built up from commitment, trust and satisfaction, based on the satisfaction-profit relationship (Anderson and Mittal, 2000; Dick and Basu, 1994). However, the repeated purchases of PLB products do not mean that customers feel attached to the PLB in the long-term; and there might be other reasons influencing the brand attachment, such as convenience or purchasing habit. Finally, Rondán-Cataluña et al. (2006) examined the relationship between PLB loyalty and PLB purchase decision. They conclude that loyalty towards these brands has a higher influence on the buying behaviour than price. And Hartman et al. (2015) state that “obtaining a high share of loyal customers is considered to be of critical importance for retailers to survive in today’s highly competitive markets”.

- **Subjective norms**

The subjective norms regarding the purchase of PLBs consist on peer pressure, which has not deeply been studied in the marketing area. In this context, Nelson and Mcleod (2005) report that consumers follow their peers when buying products from PLBs.

- **Socio-demographic variables**

Variables such as customer age, gender, level of income and level of education are socio demographic factors influencing the purchase of PLBs. Authors such as Baltas and Argouslidis (2007) reported a negative relationship between the level of income and the purchase intention of PLBs; in other words, the higher the income, the lower the intention to purchase PLBs products. In addition, the perceived economic situation could also influence the customers' trust and loyalty towards PLBs. More precisely, and according to Beldona and Wysong (2007) in times of economic downturn, consumers become more "*price-sensitive*" and try to save some money, so they tend to buy PLBs. Regarding to the socio demographic variables, Kalogianni et al. (2002) showed that females have more experience than man when dealing with PLBs. However, Nguyen and Gizaw (2014) gender is not the most important variable influencing PLBs' purchase intention. In terms of age, these authors suggest that older consumers base their purchase intentions on their consumption experience; whereas younger consumers are more influenced by brand image and price, caused by their lack of experience (Nguyen and Gizaw, 2014).

## 4. Empirical Research

### 4.1 Objectives

The main purpose of this study is to examine and determine the key variables influencing consumer satisfaction and consumer purchase intention for PLB. In this study there were introduced and developed the following variables prior to the purchase: perceived risk, perceived quality, product trust and perceived price; and subsequent to the purchase: consumer satisfaction and consumer purchase intention. Hacendado and Dia were the selected brands to carry out this empirical research as they are considered well-known brands and very familiar among the population.

### 4.2 Methodology

#### 4.2.1 *Sampling and fieldwork*

The process of data collection has been completed using two online surveys: one for the PLB Hacendado and the other one for the PLB Dia. These surveys were sent randomly through the internet, using the online Google™ platform and focusing on Spanish consumers. The timing for the data gathering was the month of June of 2017.

Both surveys included a total number of 12 statements related with all the variables above mentioned. The first 8 items were related with the variables studied as pre-purchase and the last 4 items were related with the variables analysed as post-purchase. The assessment of these statements was made using the 5-point Likert type scale to evaluate the level of agreement or disagreement of the survey respondents within the variables presented. In this scale the 5 points take the following valuation: 1= "I completely disagree", 2= "I disagree", 3="Nor agree nor disagree", 4="I agree" and 5= "I completely agree". This data will help conclude which are the key variables

influencing consumers satisfaction and purchase intention of PLB the most. In addition to these statements, at the beginning of the survey six questions were included to gather information regarding the socio-economic and demographic characteristics of the participants.

The total number of valid questionnaires was 252, since there were no unvalid surveys received. When analysing the data, there will be no differences made between the respondents from Hacendado or Dia, as they are both PLBs from the food industry.

#### 4.2.2 Sample description

The Table 4 shows the description of the sample obtained. The variables included are gender, age, place of residence, social-civil-familiar situation, annual net income and grocery purchase frequency. These socio-economic and demographic variables were selected due to their significant relevance for understanding the consumer profile.

**Table 4:** Sample description

Variables	Indicators	Frequency	Percentage
<b>Gender</b>	Male	81	32%
	Female	171	68%
	<b>TOTAL</b>	252	100%
<b>Age</b>	Younger than 20	19	8%
	20-25	116	46%
	26-30	39	15%
	31-35	10	4%
	36-40	8	3%
	41-45	11	4%
	Older than 45	49	19%
	<b>TOTAL</b>	252	100%
<b>Residence</b>	A Coruña	169	67%
	Madrid	44	17%
	Barcelona	7	3%
	Other Spanish locations	32	13%
	<b>TOTAL</b>	252	100%
<b>Personal situation</b>	Single	180	71%
	Married	25	10%
	Family (2-3 members)	24	10%
	Family (4-5 members)	16	6%



	Family (more than 5 members)	7	3%
	<b>TOTAL</b>	252	100%
<b>Annual Net Income</b>	Lower than 6000	95	38%
	6000-12000	44	17%
	12000-20000	34	13%
	20000-30000	31	12%
	30000-40000	19	8%
	40000-50000	12	5%
	Higher than 50000	17	7%
	<b>TOTAL</b>	252	100%
<b>Purchase Frequency</b>	More than once a week	98	39%
	Once a week	96	38%
	Once every two weeks	27	11%
	Once a month	31	12%
	<b>TOTAL</b>	252	100%

In terms of gender, the majority of the participants are women, with a 68% of participation, compared to the 32% corresponding to the male participants. In terms of age, the range with the highest percentage of participation is the one including the ages between 20 to 25 years old, with a 46% of participation; followed by the respondents whose age is above 45 years old, with a 19% of participation. These two groups of customers include mostly students which are probably living on their own, for the first one, and families, for the second one. Finally, with a 16% of participation comes the age range containing the ages between 26 to 30 years old.

When analysing the place of residence it is important to point out that all the surveys were answered inside the Spanish territory. Most of the participants reside in the province of A Coruña (67%), followed by participants residing in Madrid (17), then followed by participants residing in Barcelona, Cadiz, Valencia and Zaragoza. Regarding the participants' personal situation, singles show the highest percentage of participation (71%), followed by all types of families (19%), being the second group with the largest participation. The annual net income is the variable with the percentages of participation more constant among the different intervals. Finally, and regarding the grocery purchase frequency, it becomes clear that most of the study participants make grocery shopping once or more than once per week (77%). This result can be related with the age and the personal situation above analysed.

#### 4.2.3 Variables analysed and measurement scale

The variables examined in this research are depicted in Table 5, along with the codes and the different items used to measure them.

**Table 5:** Variables and measurement scale.

<b>Variables</b>	<b>Code</b>	<b>Item</b>
<b>Perceived Risk</b>	RISK1	PLB products represent a big risk (e.g. bad outcome, less quality than expected, etc.)
	RISK2	PLB products are neither safe nor reliable.
<b>Perceived Quality</b>	QUAL1	PLB products have a good quality
	QUAL2	PLB products have an excellent quality
<b>Product Trust</b>	TRU1	PLB products deserve my trust, as a customer
	TRU2	I trust PLB products, as a customer
<b>Perceived Price</b>	PRI1	PLB products have an accurate price
	PRI2	The price from PLB products meets most of the consumers purchasing power
<b>Consumer Satisfaction</b>	SAT1	I am satisfied with PLB products
	SAT2	PLB products fulfil my necessities (give me what I need)
<b>Purchase Intention</b>	INT1	I intend to keep on buying PLB products
	INT2	I intend to buy PLB products in the upcoming months

The questionnaire developed for the empirical research was a semi-structured questionnaire, containing the 12 items shown in the table above, corresponding to the main 6 variables studied in this research: perceived risk, perceived quality, product trust, perceived price, consumer satisfaction and consumer purchase intention. The questions introduced were simple and straight-forward, making their understanding very easy. As a result, the number of answers obtained was higher than expected. As explained before, in order to measure the influence of the different variables on the consumer satisfaction and on consumer purchase intention, a 5-point Likert type scale was developed to examine the level of agreement or disagreement of the participants with the statements presented.

#### 4.2.4 *Data analysis*

For this research there have been used two statistical programs. First, the results were analysed using the statistical software SPSS. Second, the obtained data were analysed –through a multivariable analysis- with the statistical software AMOS 18.0. This tool helped the research by stablishing and measuring the influence and the relationships among the variables.

## 5. Findings

### 5.1. Descriptive analysis

In Table 6 the means and the standard deviations of the variables of the research are presented.

**Table 6:** Means and standard deviations of variables.

Variables	Code	Item	Private Label Brands	
			Mean	SD
Perceived Risk	RISK1	PLB products represent a big risk (e.g. bad outcome, less quality than expected, etc.)	1.99	1.027
	RISK2	PLB products are neither safe nor reliable.	1.82	0.992
Perceived Quality	QUAL1	PLB products have a good quality	3.68	1.069
	QUAL2	PLB products have an excellent quality	3.13	1.142
Product Trust	TRU1	PLB products deserve my trust, as a customer	3.55	1.105
	TRU2	I trust PLB products, as a customer	3.57	1.122
Perceived Price	PRI1	PLB products have an accurate price	3.94	0.960
	PRI2	The price from PLB products meets most of the consumers purchasing power	3.92	0.948
Consumer Satisfaction	SAT1	I am satisfied with PLB products	3.62	1.066
	SAT2	PLB products fulfil my necessities (give me what I need)	3.58	1.000
Purchase Intention	INT1	I intend to keep on buying PLB products	3.59	1.328
	INT2	I intend to buy PLB products in the upcoming months	3.63	1.381

The highest mean values correspond to the perceived price, understood as adequate and affordable prices. (PRI1: mean=3.94; PRI2: mean=3.92). This implies that the consumers feel that the price of PLB products is accurate and affordable for all incomes. On the other hand, the variable with the lowest mean value is the perceived risk (RISK1: mean=1.99; RISK2: mean =1.82), meaning that consumers disagree with the topic of PLB products as being risky options. So, consumers feel confident and safe when buying PLB products; expecting a good quality for the price they are paying, and an overall a good value for money. In terms of perceived quality, the mean values of each item (QUAL1: mean= 3.68; QUAL2: mean=3.13) highlight that consumers consider the quality of PLB products as good, but not as an excellent quality. Regarding the trust on the product (TRU1: mean=3.55; TRU2: mean=3.57), the obtained mean values for both items are around 3.5, which means that PLB products are perceived as being honest and trustworthy in the consumers' standpoint.

Finally, the results obtained for consumer satisfaction (SAT1: mean=3.62; SAT2: mean=3.58) and purchase intention (INT1: mean=3.59; INT2: mean=3.63) highlight that both variables reach high mean values, but similar to the other variables. This means that consumers feel satisfied with the PLB products, since these products meet their needs, which are fulfilled; and as a consequence, they will keep on buying PLB products as part of their everyday grocery shopping.

## 5.2. Analysis of the relationships among variables.

In this empirical research, we propose the following hypothesis:

*H<sub>1</sub>: The perceived risk of PLB has a negative effect on consumer satisfaction.*

*H<sub>2</sub>: The perceived quality of PLB has a positive effect on consumer satisfaction.*

*H<sub>3</sub>: The consumers trust on PLB has a positive effect on consumer satisfaction.*

*H<sub>4</sub>: The perceived price of PLB has a positive effect on consumer satisfaction.*

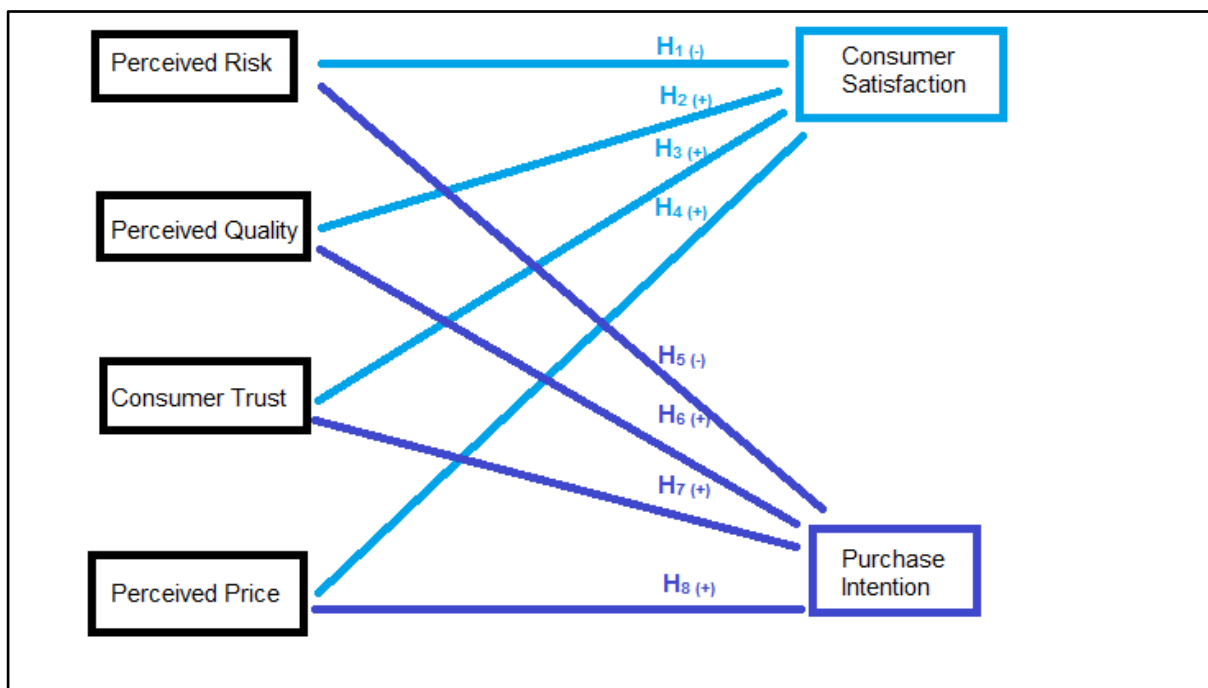
*H<sub>5</sub>: The perceived risk of PLB has a negative effect on consumer purchase intention.*

*H<sub>6</sub>: The perceived quality of PLB has a positive effect on consumer purchase intention.*

*H<sub>7</sub>: The consumers trust on PLB has a positive effect on consumer purchase intention.*

*H<sub>8</sub>: The perceived price of PLB has a positive effect on consumer purchase intention.*

**Figure 9:** Conceptual proposed relationships



In the Figure 9, the research hypotheses are presented. The model conceptual was tested to verify its adequate adjustment. For that purpose, the CFI (Comparative Fit Index) was calculated. The CFI reaches a value greater than 0.950, with a significant probability ( $p \leq 0.05$ ). Our model obtains a CFI=0.994, with a  $p=0.048$ . So, according to Hair et al. (2010) the conceptual model shows and adequate fit.

### 5.2.1. *Statistical significance of relationships*

The reason behind the analysis of the probabilities is to examine the statistical influence of each variable on the consumer satisfaction and on the consumer purchase intention (Table 7 and Table 8). The relationships between variables should obtain a  $p \leq 0.05$  (with a confidence interval).

**Table 7:** P-values for Satisfaction

<b>Variables (Satisfaction)</b>	<b>p-value</b>
<b>Perceived Risk</b>	0.762
<b>Perceived Quality</b>	0.003
<b>Product Trust</b>	0.000
<b>Perceived Price</b>	0.154

**Table 8:** P-values for Purchase Intention

<b>Variables (Purchase intention)</b>	<b>p-value</b>
<b>Perceived Risk</b>	0.075
<b>Perceived Quality</b>	0.051
<b>Product Trust</b>	0.036
<b>Perceived Price</b>	0.000

The Table 7 shows that two of the proposed relationships of consumer satisfaction are not statistically ( $p\text{-value} \geq 0.05$ ) significant; namely perceived risk and perceived price. Therefore, it can be stated that the relationships between these two variables and consumer satisfaction are not significant. Similarly, Table 8 shows that all variables have a significant influence on purchase intention ( $p \leq 0.05$ ), considering that the

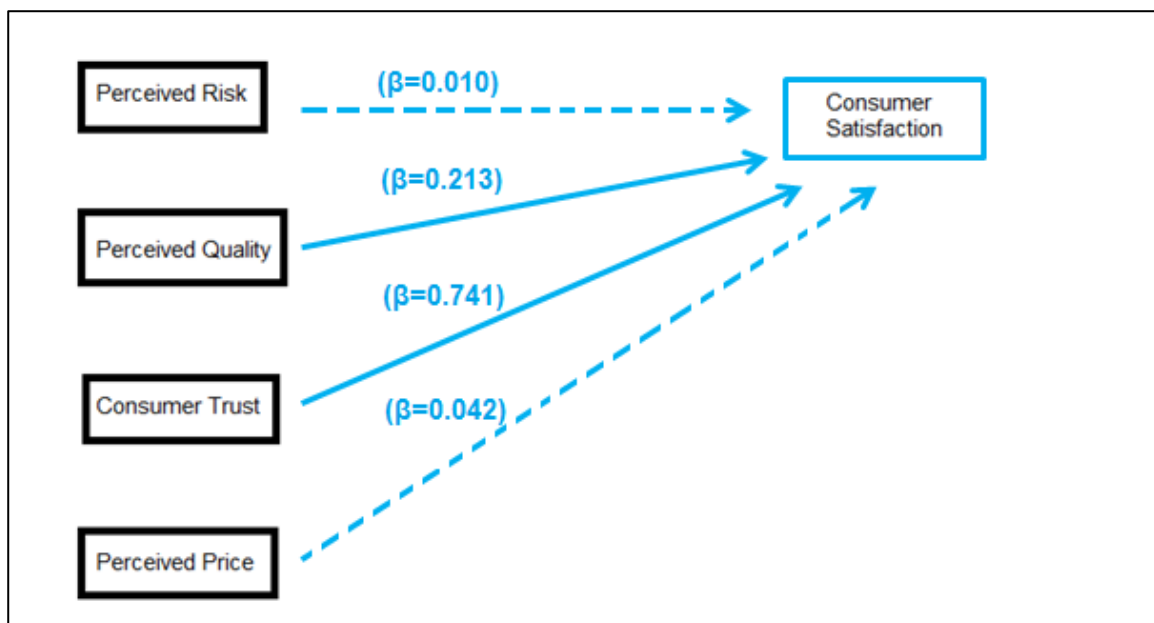
perceived risk whose probability is  $p=0.075$  could be statistically significant with a confidence interval of 90%. Therefore it can be stated that the relationships between the four variables and the consumer purchase intention are significant

## 5.2.2. Analysis of the relationships between variables

### 5.2.2.1. Analysis of variables influencing consumer satisfaction

In the Figure X it is presented the model studied in this research showing the proposed relationships between variables. The standardized weights ( $\beta$ ) measure the weight or influence between the variables, taking values between 0 and 1. In addition, they show the direction of each relationship being either positive or negative (Hair et al., 2010).

**Figure 10:** Final relationships for consumer satisfaction



Our findings show that the perceived quality of PLB products and the consumer trust on these products have a significant influence on consumer satisfaction. In addition, we should highlight the product trust as the most important variable, since it has the highest impact on consumer satisfaction ( $\beta=0.741$ ). This result was not initially expected. However, the potential explanation is that the consumer satisfaction with PLBs is primarily influenced and defined by the level of trust. There are very numerous previous researches that link product trust directly with consumer satisfaction, but there are many studies that associate them indirectly through brand loyalty. In other words,



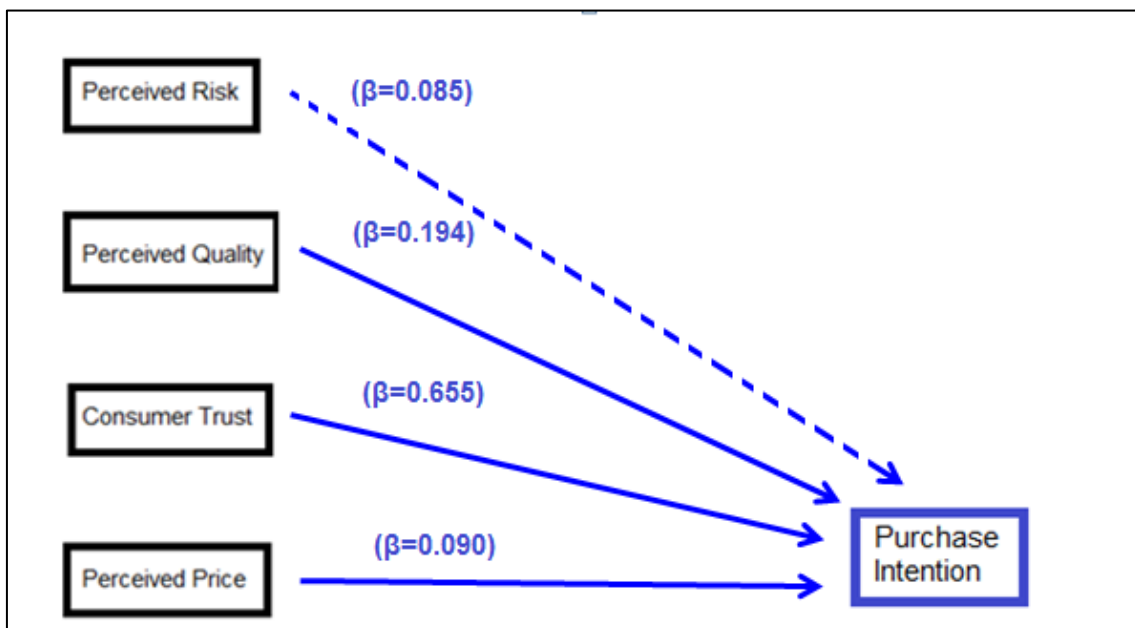
consumer trust in the PLBs will turn into confidence when the product is experienced, attributes fade in; and as a consequence, the benefits emerge generating product satisfaction. This can be considered the way to brand commitment or loyalty. So, consumers are satisfied when they can trust the product and therefore the brand.

Similarly, the results regarding the perceived quality ( $\beta=0.213$ ) show the positive and significant influence on consumer satisfaction; however, its influence or weight is clearly lower than the one produced by consumer trust.

Finally, the obtained findings show that the variables perceived risk ( $\beta=0.010^{ns}$ ) and perceived price ( $\beta=0.042^{ns}$ ), both symbolized with a dashed line, have not significant influence on consumer satisfaction. For this reason, it is not possible to state that these variables influence the consumer satisfaction with PLB products. One possible explanation for this circumstance could be that the PLB are very popular and well-known among consumers; hence they have an actual experience with PLB products there is no place for risk perception. PLB customers know what they are buying in terms of quality and price, so risk is not taken into account because they know, even beforehand, what to expect.

#### 5.2.2.2. Analysis of variables influencing purchase intention

**Figure 11:** Final relationships for consumer satisfaction



Regarding the purchase intention, our findings show that the three variables have a positive and significant influence on the purchase intention. The consumer trust ( $\beta=0.655$ ) shows the higher influence on purchase intention, followed by perceived quality, price and the perceived risk. Based on these results it is suitable to propose that the purchase intention is mainly defined by the level of trust showed by consumers. A possible explanation could be that PLB consumers are mostly satisfied with the products and the brand, and that they do not expect more than an adequate “*value for money*” relationship and it seems that risk does not appear in any step of the purchasing process.

The other two variables have similar slight weights on the purchase intention, but the small difference shows that perceived quality ( $\beta=0.194$ ) influence is more relevant than price ( $\beta=0.090$ ), based on the  $\beta$  value. Consequently, consumers perceiving PLB products as products with good quality will intend to purchase more products and more often. Finally, the variable perceived risk ( $\beta=0.085$ ) shows a slight influence on purchase intention. Therefore it can be stated that the purchase intention is slightly influenced by the perceived risk of PLB. The research hypotheses test is shown in Table 9.

**Table 9:** Final relationships and hypotheses test

Relationship between variables	Standardized Weights ( $\beta$ )	Hypothesis Test
<b>Variables influencing consumer satisfaction</b>		
Perceived Risk → Satisfaction	$\beta=0.010^{ns}$	H <sub>1</sub> : Not supported
Perceived Quality → Satisfaction	$\beta=0.213$	H <sub>2</sub> : Supported
Product Trust → Satisfaction	$\beta=0.741$	H <sub>3</sub> : Supported
Perceived Price → Satisfaction	$\beta=0.042^{ns}$	H <sub>4</sub> : Not supported
<b>Variables influencing Purchase intention</b>		
Perceived Risk → Purchase Intention	$\beta=0.085$	H <sub>5</sub> : Supported
Perceived Quality → Purchase Intention	$\beta=0.194$	H <sub>6</sub> : Supported
Product Trust → Purchase Intention	$\beta=0.655$	H <sub>7</sub> : Supported
Perceived Price → Purchase Intention	$\beta=0.090$	H <sub>8</sub> : Supported

## 6. Results' discussion

From the variables examined in the theoretical background- perceived risk, perceived price, product trust and perceived quality-, only the last two proved to have a significant influence on consumer satisfaction with PLBs, but the four of them demonstrated to have an influence on the consumer purchase intention for PLBs.

Considering the obtained results the *perceived risk* does not have a significant influence on consumer satisfaction. This variable is not always taken into consideration when dealing with PLB. It was included in this conceptual model in order to analyse how it would influence satisfaction and purchase intention of PLSs. From the theoretical foundations it could be expected that the perceived risk would be negatively related to consumer satisfaction and to purchase intention. However, our findings show that it does not influence consumer satisfaction. The explanation to this result could be that consumers are very familiar with PLBs; and therefore, this familiarity reduces the purchasing risk, especially when dealing with brands such as Hacendado and Dia, with high market shares in the Spanish grocery market. Similarly, a lower perceived risk could come from a high quality perception and thus from a high price perception. Customers know the quality they have to expect for the price they pay for the PLBs, so the perceived risk is very small or non-existing.

*Product trust* was the variable that showed the most significant influence on consumer satisfaction and on purchase intention. In terms of satisfaction, it is possible to state that product trust is achieved when consumers perceive they can rely the retailer owner of the PLB. This happens when consumers have a positive attitude and a favourable image of the retailer, which in other words, means they trust the product manufacturer. In terms of purchase intention, the explanation for this result could be related to the fact that purchase intention is usually a consequence of consumer satisfaction. As it was mentioned before, this concept comprises quality, price, risk and other similar variables, but trust is not often one of them. Considering our findings, trust

is the key variable for consumers to be satisfied, and consequently it is the key variable influencing the PLBs purchase intention.

The consumers *perceived quality* of PLB products could be considered as good, but not as excellent, which makes total sense when examining these types of brands, since the main goal of PLB is to offer the best “*value for money*”.

Similarly, the *perceived price* has a slight influence on purchase intention, even though consumers agree that the PLB products have an accurate price. One potential explanation is that consumers expect these products to have a certain price, an affordable or low price, compared to the price of manufacturer brands, so they do not feel more satisfied when the price is low or cheap, because PLBs are expected to have a low price, being their major purchase proposition.

# Conclusions

The aim of this research was to get a closer look at the theoretical concepts of consumer satisfaction and purchase intention regarding the Private Label Brands. These brands were selected for the study, due to their recent growth and fast development in the market. These brands have also won a place in the consumers' mind and the perception they have is mostly positive for customers who want the best "*value for money*". Price and quality are the two variables that come up when analysing private label brands, and this premise makes the present research more interesting. In addition, the perceived trust of private label brand products is a key variable for consumers to be satisfied; and therefore, intend to purchase.

Based on the obtained results, we can highlight that product trust is the variable with higher influence both on consumer satisfaction and on purchase intention. Therefore, these retailer brands should make some strategy adjustments and try to focus on the key factor: consumer trust.

Therefore, the main recommendation for retailers and managers of PLBs is to make a deeper research on the consumer behaviour and invest on consumer loyalty programs. Analysing what creates and increases their consumers' trust on PLBs, will help them strengthen and build long term customer relationships. Similarly, our findings show that price is not the main variable; so it is important that retail managers focus on product quality, product brand image, product design and other variables linked with trust.

Finally, this study raises two main limitations. First, the sample size is small and therefore the results must be interpreted in detail and with precaution. Second, the research participants are mainly from Galicia, so the results should not be extrapolated as the outcome may vary depending on the region the study is developed.

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