

**THE DEVELOPMENT OF A CONSUMER VALUE
PROPOSITION FOR PRIVATE LABEL BRANDS AND
ITS APPLICATION IN A SOUTH AFRICAN CONTEXT**

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DEDICATION

To my gorgeous wife, Victoria, and the rest of the Beneke family – Brenda, Robert, Tracy, Matthew and our beloved golden lab, Jordi – gone but never forgotten.

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ABSTRACT

Private label brands are of strategic importance to retailers worldwide. However, there is a dearth of knowledge, particularly in emerging markets such as South Africa, as to the manner in which consumers cognitively assess these brands. This impacts on the development and marketing strategies adopted by such retailers.

At the heart of the issue is a gap in knowledge as to how consumers formulate a value proposition in their minds and the effect of loyalty to existing brands in this respect. This thesis assumes a positivist, hypothetico-deductive approach by attempting to address the question: *What are the key drivers of perceived value of private label branded breakfast cereals, taking price, perceived risk and perceived quality into account?* Moreover, the study ponders how various attributes of brand image contribute to the perception of such brands and the extent to which loyalty to established national brands inhibits purchasing intent of private label merchandise.

A conceptual model, encapsulating the above constructs, was developed to map these influences. The model was then examined using Partial Least Squares linear regression. Preceding the full-scale main study of 482 respondents, a smaller scale pilot study of 152 respondents was implemented to verify the basic theory and methodology. A validation study, thereafter, supplemented the findings by subjecting the quantitative results to a panel of twelve academic and industry experts. This qualitative dimension to the research provided elementary triangulation in order to solidify the results.

The outcome reflects that consumers do indeed take cognisance of value through price, risk and quality cues, but that loyalty to national brands has little to no effect on the final component of the psychological process conceptualised. Furthermore, both in- and out-of-store influences were found to play a significant role in the determination of product quality.

The implications suggest that, whilst customers appear mildly satisfied with the private label breakfast cereal under consideration, further improvements across the board are recommended. Inter alia, these include optimising packaging and shelf placement to create a positive impression within the store environment, enhancing the quality of the product content and stimulating trial thereof, providing reassurances to customers through money-back guarantees, ensuring the price differential is substantial enough to merit brand switching in favour of private labels, and consistently evolving the product suite so as to ensure it stays relevant and enticing to shoppers.

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GLOSSARY OF TERMS

	Term	Description	Reference(s)
Literature	<i>Above The Line (ATL) Advertising</i>	Traditional forms of 'broadcast' advertising such as television, radio, print, etc.	Arens <i>et al</i> (2012) Kotler and Keller (2011)
	<i>Brand</i>	A name, term, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers.	American Marketing Association (2014)
	<i>Brand Image</i>	The holistic mental picture, exuded by a brand, which is formulated in the consumer's mind through the consideration of multiple cues.	Srivastava and Kamdar (2009) Martenson (2007) Cretu and Brodie (2007)
	<i>Brand Loyalty</i>	Repeat patronage of a certain brand created through the deemed benefits of purchasing it.	Nguyen <i>et al</i> (2011) Jensen & Hansen (2006) Gounaris and Stathakopoulos (2004)
	<i>Emerging Market</i>	A country which exhibits a relatively low GDP per capita at present, but is seen as a prospect for significant future economic growth.	Enderwick (2012)
	<i>Extrinsic Cues</i>	Signals which are absorbed by the consumer and that are used to inform an opinion.	Teas and Agarwal (2000) Richardson <i>et al</i> (1994)
	<i>Fast Moving Consumer Goods (FMCG)</i>	Low-value items such as biscuits, cereal and crisps that are frequently sold by retailers.	Kotler and Keller (2011)
	<i>Living Standard Measurement (LSM)</i>	A categorisation of the affluence of South African residents based on their income, possessions and access to facilities.	SAARF (2012)
	<i>Market Share</i>	The percentage of the category, or market segment, commanded by the particular brand or company in question.	Kotler and Keller (2011)
	<i>National Brand (NB)</i>	Brands which are manufacturer owned and sold through a wide ranging set of retail outlets e.g. Colgate, Coca-Cola, Kellogg's, etcetera.	Kumar and Steenkamp (2007)
	<i>Private Label Brand (PLB)</i>	A brand developed by a specific retail store, or chain of stores, and sold exclusively through these outlets.	Kumar and Steenkamp (2007)
	<i>Spaza</i>	A small, independently owned retail outlet in an informal settlement area.	Beneke (2010)
	<i>Store Image</i>	A form of brand image relating to a retail outlet, or chain of stores. The sum total of perceptions attached to the retail brand in question.	Reardon <i>et al</i> (2011) Vahie and Paswan (2006) Collins-Dodd and Lindley (2003)

Statistical Analysis	<i>Analysis of Variance (ANOVA)</i>	A form of statistical analysis whereby the means of three or more groups are compared to ascertain whether they are substantially different from one another.	Wegner (2010)
	<i>Average Variance Extracted (AVE)</i>	A reflection of the extent to which the construct is explained by the variances in the data. Values exceeding 0.5 are considered adequate.	Hair <i>et al</i> (2010)
	<i>Confirmatory Factor Analysis (CFA)</i>	A statistical procedure designed to test whether individual components of the construct are closely aligned to it or not.	Hair <i>et al</i> (2010)
	<i>Construct</i>	Ideas of the human mind framed in a scientifically rigorous manner.	Berndt and Petzer (2011)
	<i>Cronbach Alpha</i>	A scientific quantification of the reliability of the construct. Values exceeding 0.6 are considered adequate and 0.7 are considered good.	Wegner (2010); Burgess and Steenkamp (2006)
	<i>Descriptive Statistics</i>	Basic descriptors such as percentage values, segment counts, etcetera.	Berndt and Petzer (2011)
	<i>Inferential Statistics</i>	Advanced statistical calculations using probability theory.	Berndt and Petzer (2011)
	<i>Measurement Scale</i>	A tool designed to quantify the status of a certain phenomenon e.g. customer satisfaction.	Cooper and Schindler (2011)
	<i>Partial Least Squares (PLS) analysis</i>	A form of multiple linear regression used in causal studies to assess multiple relationships, in the form of a model, simultaneously.	Hair <i>et al</i> (2012; 2011)
	<i>Reliability</i>	A measure of the consistency of the data collected.	Malhotra <i>et al</i> (2008)
	<i>Scale Item</i>	A single component of a measurement scale.	Cooper and Schindler (2011)
	<i>Validity</i>	A measure of the whether the data actually measures what is purports to measure – i.e. fit for purpose.	Malhotra <i>et al</i> (2008)

CHAPTER ONE: INTRODUCTION

This chapter serves to provide a background to this thesis, introduce the research statement, aim and objectives, present a synopsis of the research design and methodology, highlight the significance of the study and provide a chapter outline for the remainder of the thesis.

1.1 BACKGROUND TO THE RESEARCH

1.1.1 A Profile of Private Label Brands

Brands are omnipresent in both scholarly literature and daily life (Fan, 2005). Mowle and Merrilees (2005: 221) describe a brand as “an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant, unique, sustainable added values which match their needs most closely”. Weisnewski (2008: 53) refers to a brand as “everything associated with a company, product, service or person – all the attributes, tangible and intangible”. These benefits are vital in terms of product and service differentiation and play an important role in building and maintaining consumer loyalty (Weisnewski, 2009; Knox, 2004; Wood, 2000). Weisnewski (2008: 57) succinctly declares that a brand is a powerful ambassador for the company and “rallies your troops and builds a loyal base of customers who also become messengers happy to spread the word and expand your business”.

In the retail sector, primarily two forms of brand categories exist – National Brands (NBs) and Private Label Brands (PLBs). The key difference lies in the ownership of trademark rights. “Trademark rights of private label brands are held by retailers, while trademark rights of national brands are held by manufacturers” (Olbrich & Grewe, 2009: 937). Thus, PLBs are owned, controlled and marketed by the retailers and NBs are acquired, and resold, from established suppliers.

PLBs are generally priced lower due to simple packaging, weak brand recognition and minimal advertising, whilst national brands are priced at a premium due to strict quality controls, aesthetically appealing packaging and widespread advertising (De Wulf *et al*, 2005). As a result, the average consumer perceives NBs to be of superior quality and reliability (Martenson, 2007; De Wulf *et al*, 2005). However, NBs are somewhat limiting for retailers in the sense that they do not differentiate the business from its competitors and restrict the opportunities available for merchandise innovation and customer loyalty retention

(Martenson, 2007). PLBs, on the other hand, offer the retailer several advantages.

First, owing to the modest marketing and supply chain expenses in managing PLBs, retailers are able to sell them at competitive prices while maintaining higher margins than achievable on NBs (Kumar & Steenkamp, 2007; Baltas, 2003; Corstjens *et al*, 1995; Broadbent, 1994). Another invaluable aspect of PLBs is that they strengthen the bargaining power of retailers (Herstein & Jaffe, 2007). An innovative PLB may also serve to breathe fresh life into a category which has become staid, or where competition to a leading NB is sorely needed. Hence, PLBs can provide consumers with a “real brand choice”, thereby increasing customer satisfaction through greater product variety (Huang & Huddleston, 2009: 978). For example, the aforementioned successes are evident in Tesco’s Finest Premier Cru Champagne, which was named the best non-vintage champagne at the 2005 International Wine Challenge (Kumar & Steenkamp, 2007). Lastly, PLBs are store specific and are, hence, not substitutable when switching to a different retail chain. Thus, they avoid direct price competition and enhance store differentiation (Huang & Huddleston, 2009; Herstein & Jaffe, 2007, Zielke & Dobbelstein, 2007; Baltas, 2003). This is further discussed in Chapter Two.

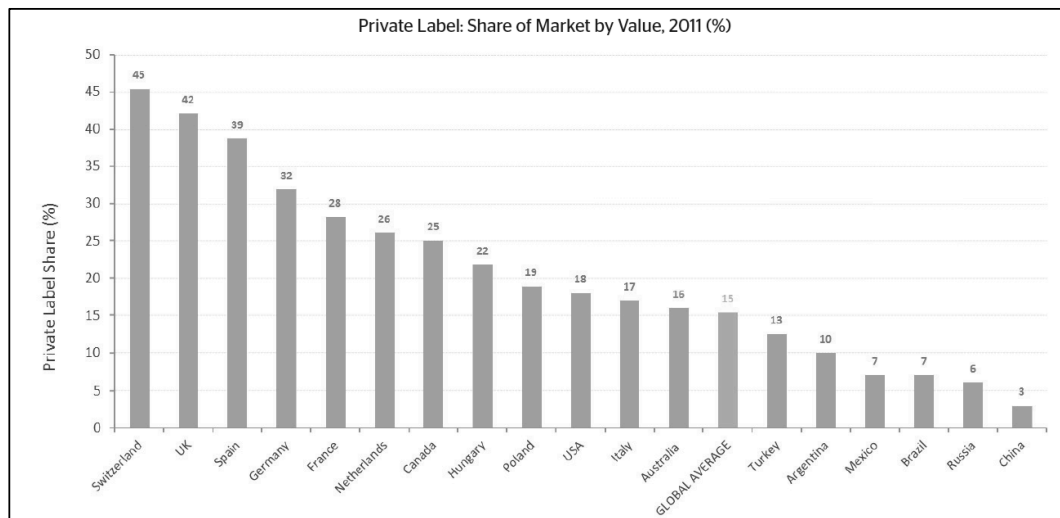
1.1.2 Industry Overview

South Africa is a member of the BRICS (Brazil, Russia, India, China and South Africa) consortium. Like its partner members, South Africa has pockets of affluence, and major cities with world-class infrastructure, yet the majority of the population is deemed to be relatively poor (BBC, 2014). This is reflected in the high Gini Index, reflecting disparate levels of income and thus a significant gulf between ‘rich and ‘poor’ (World Bank, 2014a). Yet, this stands in sharp contrast to other emerging markets in Sub-Saharan Africa, such as Zimbabwe, Zambia, Mozambique and Angola, where infrastructure is severely lacking and access to facilities and amenities, such as hospitals, airports and shopping centres, even in major metropolitan areas, remains scarce (Deutsche Welle, 2011; Calderón & Servén, 2008)

Whereas in developed nations it is the hard-pressed consumer segment that represents the most attractive market segment for private label sellers, in South Africa it is the affluent minority that has access to such brands (Nielsen, 2006). Although many lower income consumers do have access to supermarkets that sell private labels, transporting these goods back to the informal settlement (township) areas can prove problematic and costly. For example, domestic workers would need to pay for two seats aboard the taxi ride, due to carrying multiple shopping bags, if conducting the household shopping near a transport node en-route home.

Internationally, PLBs constitute an average of 15 percent of total retail market share, with some European countries (e.g. Switzerland and the United Kingdom) fast approaching a 50/50 split in market share between NBs and PLBs. In contrast, South Africa's private label penetration rate is a mere 11 percent, similar to that of Turkey and Argentina (Klug & Queck, 2012). The remainder of Africa fares even less favourably. Figure 1.1 illustrates the private label market share achieved by a number of countries. It is immediately evident that Western European nations are leading the charge in penetrating their domestic markets with PLBs. Emerging markets such as Turkey, Argentina, Mexico, Brazil, Russia and China experience penetration rates significantly below the global average (15 percent) and are therefore still playing 'catch up'.

Figure 1.1: Private Label Share of Market by Value (2011)



Source: Klug and Queck (2012)

Recent academic research on the adoption of PLBs affirms the above findings. Herstein and Jaffe (2007) found that European and North American markets were fertile grounds for PLBs, achieving some of the highest penetration rates. Nonetheless, emerging markets are experiencing significant growth, with growth rates of up to eleven percent recorded, albeit starting from a low base, yet more than double the rate found in developed nations.

In terms of private label adoption in South Africa, the relative success of different product segments is depicted in Table 1.1. Staples (commodities) comprise the largest segment, followed by dry groceries and perishables. These three segments command the lion's share of the market – approximately two thirds of private label sales. As can be seen, these segments have remained relatively stable over the review period from 2008 to 2010 (Nielsen, 2011).

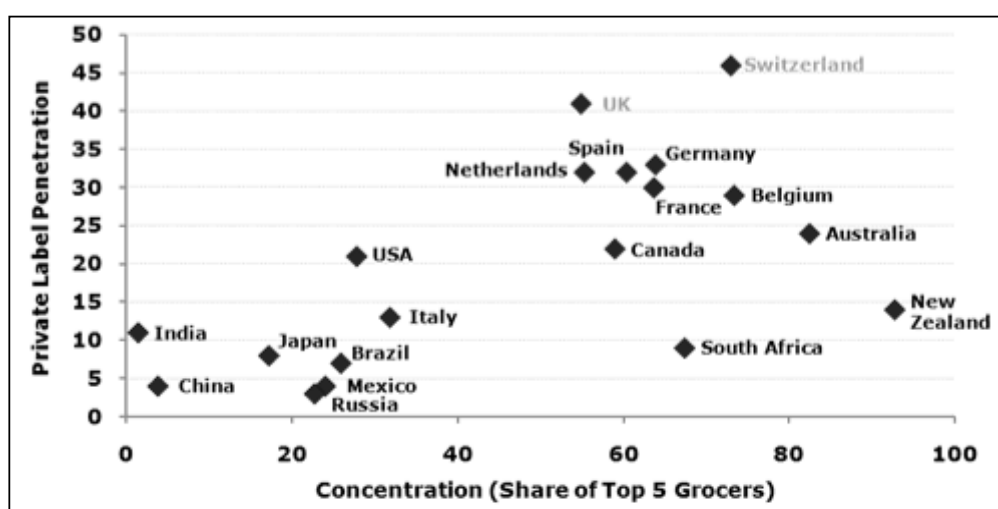
Table 1.1: Consumer Spend on Private Labels (2008 – 2010)

Year	2008	2009	2010
Staples	29.1	29.1	27
Dry Groceries	17.6	17.8	18.7
Perishables	18.5	18.6	18.6
Beverages	12.5	12.6	13.5
Household	9.1	9.1	10.2
Toiletry	10	9.8	10.1
Other	3.2	3	2
Total	100	100	100

Source: Adapted from Nielsen (2011)

Industry research by Planet Retail (2010) suggests that high retail concentration (essentially an oligopoly scenario in the retail sector) is strongly correlated with the success of PLBs. Figure 1.2, depicting this market research by Planet Retail (2010), bears testimony to this. It may be seen that countries such as the United Kingdom, Switzerland and Germany all enjoy relatively high penetration rates of PLBs. This is positively correlated with the concentration of retail power in the grocery sector. These results indicate that when a small number of relatively large grocery chains dominate the market, one would expect to see higher levels of private label penetration. The outliers include New Zealand and South Africa, both of which exhibit high degrees of retail concentration yet poor private label penetration.

Figure 1.2: Private Label Penetration versus Concentration



Source: Planet Retail (2010)

South Africa's poor performance may be explained by a tradition of investing predominantly in low price, inferior quality private label merchandise (Beneke, 2010). This may also be explained by the general accessibility factor whereby lower income groups often do not have direct access to supermarket stores where PLBs are readily available (Beneke, 2010). This leads these consumers to shop at local 'spaza' outlets, which are independent, small-scale informal traders found in the peri-urban township areas. These stores tend to charge higher prices due to their location, as well as not being able to benefit from larger economies of scale (Klemz *et al*, 2006). In South Africa, it is estimated that between ten and twenty percent of Fast Moving Consumer Goods (FMCG) sales are estimated to occur through the informal sector (Blottnitz, 2007), therefore representing a lost opportunity for private labels.

New Zealand is as much, or possibly even more so, an outlier on Figure 1.2. Here a very different history and social structure mean that the arguments made about limited access to PLBs for lower income groups suggested for South Africa are perhaps less likely to be true. For this reason, New Zealand may represent an interesting and separate case for new PLB research.

This thesis is, however, solely concerned with South Africa, where it is argued that logistical factors serve to limit the reach and accessibility of PLBs. In addition to these supply considerations, demand factors must also be addressed. Cognitive influences in the form of motivations and ties to existing brands are considered in this thesis for their contributory effect in driving and inhibiting purchasing behaviour of PLBs. This is discussed below.

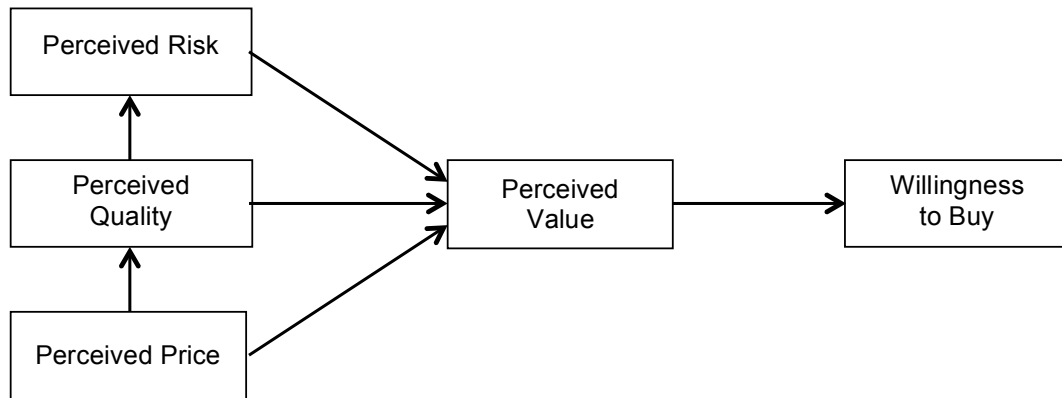
1.1.3 Consumer Motivations to Buy Private Label Merchandise

This study considers a number of important motivations as inputs into the consumer's decision process of whether to buy a PLB. In doing so, a conceptual model is developed which maps these influences and hypothesises the relationships between them. This is detailed extensively in the literature review and literature synthesis (Chapters Two and Three).

At the heart of the discussion is the model originally developed by Sweeney *et al* (1999) and depicted in Figure 1.3. This suggests that the consumer's perception of value is preceded by quality considerations, the pricing of the merchandise and the level of risk involved. These antecedent factors are processed to formulate a notion of perceived value, which then has a direct effect on the consumer's willingness to buy the brand in question.

This DBA study utilises this model at a foundation level, but supplements it by suggesting additional factors influencing the perceived quality of the merchandise and also taking loyalty to existing national brands into consideration as a potential impediment in the final phase of the buying decision process.

Figure 1.3: A Path Model of Perceptual Variables Resulting in Willingness to Buy



Adapted from Sweeney *et al* (1999)

1.2 RESEARCH STATEMENT AND QUESTION

In an attempt to improve understanding of PLB purchasing behaviour within the FMCG sector, this study draws focus to the determinants of breakfast cereal purchase intent within the Cape Town metropolitan area, through specific consideration of middle class consumers.

Here, antecedents of purchasing behaviour were identified and tested so as to determine the manner in which consumers formulate a value proposition of such brands. Furthermore, as brand switching plays a crucial role in the adoption of PLBs, affinity towards NBs was also probed as a potential impediment in this process. Hence, a causal chain of consumer decision-making was established so as to identify the drivers and inhibitors in the adoption of these brands.

The following research question is therefore posed, with reference to middle class purchasers of breakfast cereal in Cape Town, South Africa: *“What is the extent of the influence exerted by the identified drivers of perceived value of private label brands – namely price, perceived risk and perceived quality? Moreover, what is the nature of the role played by the antecedent PLB image, as well as the postcedent of loyalty to established national brands, in this process? Lastly, do the demographic variables of age, gender and household income have a significant bearing on these particular factors?”*

1.3 RESEARCH AIM AND OBJECTIVES

Building on the above, the research aim is:

To examine the antecedents of value of private label breakfast cereals, as perceived by middle class consumers in Cape Town, South Africa, and the impact of this effect on their willingness to buy such merchandise. Furthermore, the research aims to assess the role of key demographic variables on the intensity of the cognitive processes described above.

Consequently, the following six research objectives are stated:

1. To consider the contributory effect of marketing environmental factors (in- and out-of-store variables), product quality and price, as well as the requisite elements of perceived risk, on the perceived value of private label breakfast cereal.
2. To examine the relationship between the perceived value of private label breakfast cereal and consumers' willingness to buy these brands.
3. To analyse whether pre-existing loyalty towards national branded breakfast cereal moderates the relationship between the perceived value of private label breakfast cereal and consumers' willingness to buy these brands.
4. To assess the impact of the demographic variable of age on the variables described above (i.e. objectives 1 to 3).
5. To assess the impact of the demographic variable of gender on the variables described above (i.e. objectives 1 to 3).
6. To assess the impact of the demographic variable of household income level on the variables described above (i.e. objectives 1 to 3).

The theoretical foundation outlined above, in conjunction with an extensive survey of the literature in Chapter Two, was used to develop a set of hypotheses, integrated with a comprehensive conceptual model to predict private label purchasing decisions (documented within Chapter Three). Thus, with reference to the objectives listed above, the corresponding operational hypotheses, excluding those pertaining to the demographic variables, are inextricably linked to the conceptual model designated for empirical testing. These, too, are presented in Chapter Three.

1.4 OVERVIEW OF RESEARCH DESIGN AND METHODOLOGY

A scientific research design is critical for in-depth scholarly research, such as that required for a DBA thesis. A hypothetico-deductive research approach was utilised in this research study, using a reductionist stance to investigate the specific research question (Saunders *et al*, 2012). A cross-sectional survey was implemented to assess the situation at the time of investigation. Conforming with this, the overarching research philosophy was that of positivist research, whereby the researcher remains impartial and objectively analyses the situation through an outwards-in focus (Saunders *et al*, 2012). The research design was chosen as there was sufficient literature on the topic to guide the research, cause-effect relationships were identified between key variables pertinent to the study, and a specific gap in the knowledge base (as highlighted in section 1.5 below) appeared to exist, therefore positioning the study accordingly. Further information can be found in section 4.2 of Chapter Four.

This DBA research study features a modular design and, hence, this thesis has been compiled in various stages. At the outset, a proposal was constructed to provide a roadmap for the research project. Upon completion, a literature review was commenced, culminating in a literature synthesis. The literature synthesis served not only as a summary of the literature review, but also as a vehicle through which to develop a conceptual model and corresponding set of hypotheses for empirical testing. This led to the formation of the basic theory for testing within the pilot study. The pilot study was then executed in order to confirm the validity of the base model and ensure that the method for survey administration was apt. The foundations for testing the formal theory in the main study were therefore established in this process.

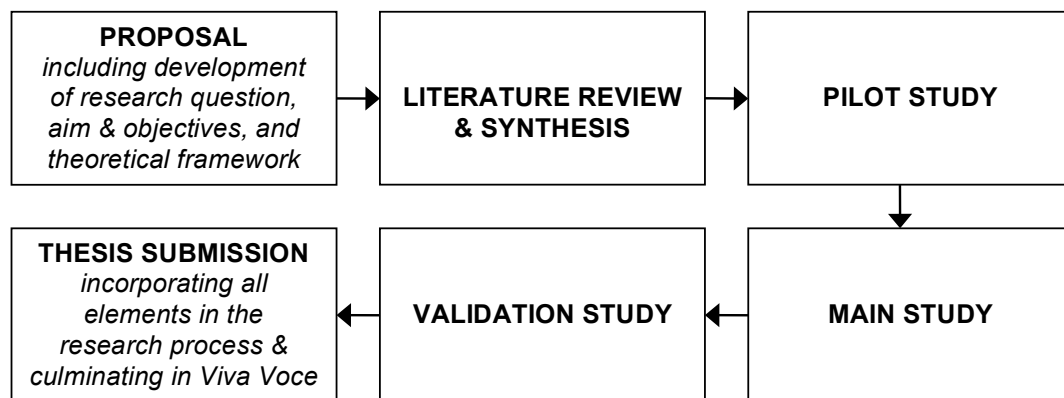
The main study functions as the centrepiece of the research project. This component of the thesis served to generate the primary set of results to validate the structural integrity of the conceptual model through assessing the underlying relationships. In using a structural equation model, as in this thesis, each relationship in the model is linked to a specific hypothesis, which is tested to prove or disprove the presence of the causal relationship. Thus, the eleven relationships in the model are represented by the eleven operational hypotheses. Furthermore, segmentation analysis was performed in the main study to identify differences between demographic clusters and reflect upon these nuances.

As a final ingredient in the empirical component of this thesis, the validation study acts as a means to critically assess the outcome of the main study. Here, the findings from the main

study were exposed to a panel of academic and industry experts in order to ascertain their perspective on the results. This presented an opportunity to gain independent advice from these quarters on the validity of the knowledge generated by the research and also to collect further thoughts in decoding unexplained phenomena.

The sequential process reflected above is graphically depicted in Figure 1.4. The entire process, including sample design, data collection and statistical techniques, is extensively documented in Chapter Four of this thesis.

Figure 1.4: Overview of the Sequential Stages in the Research Process



Lastly, also to be discussed in Chapter Four, private label branded breakfast cereal, as purchased by middle class consumers, constituted the focal point of the applied research dimension of this thesis. In essence, this product category was chosen due to consumer familiarity and usage, the suitability of such merchandise for private label offerings, and the inherent demographic compatibility with middle class society in South Africa. Notably, middle class South Africans may be more inclined than their European and North American counterparts to consume cereal at home as the same ‘breakfast/coffee on the go’ culture does not exist. This is largely as a result of South Africans using private transport, as opposed to public transport that is perceived to be unreliable and insecure, to get to work. A comprehensive description of this market segment, and an in-depth rationale for setting these parameters, is chronicled in section 4.4 of Chapter Four.

1.5 SIGNIFICANCE OF THE STUDY

As alluded to previously, there is scant research on private label branding in an emerging market context, notably in South Africa. Whist countries in North America and Western

Europe have found success in achieving penetration of such brands, the same cannot be said to be true for the South African market. Although partly exploratory in nature, this study considers the adoption of such brands from a conceptual point of view by analysing antecedents of perceived value and consumer behaviour which underpin the decision to trial, and ultimately adopt, PLBs within the FMCG sector. Hence, the study assumes a causal approach by identifying, and testing, the factors that motivate consumers and drive behaviour in this regard. In doing so, Sweeney *et al's* (1999) original model, with subsequent validation from researchers such as Kwun and Oh (2008) and Snoj *et al* (2004), was adapted and applied in a South African context. This was used as the core of a more comprehensive model with which to examine the causal relationships outlined in Chapter Five. In addition to testing this model in the context of PLBs in South Africa, two additional constructs were inserted to enhance the prediction power thereof. Firstly, the role of Private Label Brand Image (featuring antecedents such as advertising, product packaging and store image) was examined to understand its effect on the perceived quality of such merchandise. Secondly, affinity towards NBs was scrutinised, as this has been argued to be a powerful impediment to the adoption of new brands in emerging markets, such as South Africa (Beneke, 2010). Anecdotal evidence in previous work suggests that less affluent consumers in South Africa often find themselves in a position where they cannot afford to take a risk by buying an untrusted brand that might disappoint (UISM, 2012). Thus, even though they may deduce PLBs to offer a high degree of perceived value, they may still fail to switch to these brands. Therefore, the effect of this influence on the bridge between perceived value and actual willingness to buy was tested. The difference between key demographic groupings cannot be ignored either. The effects of age, gender and household income level were examined to test for the influence on the above-mentioned relationships. These dynamics, although tested individually, have yet to be collectively tested in a simultaneous setting.

The study postulates a holistic framework for the consideration and adoption of PLBs and, thereafter, empirically examines this in a South African context. Thus, it builds on the generic framework established by the aforementioned scholars, focusing on a particular market segment. This constitutes a significant building block for private label knowledge in an emerging market context. No such framework appears to exist at present.

In terms of methodology, Partial Least Squares (PLS) analysis is a technique that has grown in stature in an international context, but has yet to be fully taken advantage of by the South African research fraternity. According to Henseler *et al* (2010), this technique appears to be well suited to research in emerging markets (such as South Africa), due to its flexible algorithm and limited assumptions about data normality. As utilised by Richardson *et al*

(1996) in their pioneering private label proneness framework, PLS was used to test the causal relationships in this study. Hence, this research aims to break new ground by moving beyond pure covariance-based Structural Equation Modeling (SEM) as the status quo with regards to causal research in South Africa.

Finally, the research aims to make a contribution in a commercial context by providing key insights to retail marketing practitioners in the FMCG sector. Relatively few cognitive drivers of PLB adoption have been identified within a commercial context. Whilst retailers are aware that such brands create value alternatives to national brands, drivers beyond that of shelf price remain largely unexplored. For example, there is ambiguity apropos the manner in which perceived risks affect purchasing behaviour and which tools are most effective in building a favourable brand image. Addressing these issues may allow retail marketers to effectively promote and grow market share of PLBs through a deeper understanding of consumer rationale. Moreover, this knowledge may prove useful in allowing retailers to effectively respond to consumers' manifest and latent needs.

This DBA thesis is therefore expected to make a contribution to both industry and academic quarters by advancing the theory and practice of PLB promotion and adoption in South Africa.

1.6 OUTLINE OF THE THESIS

Chapter One consists of the introduction to the thesis, serving as the foundation of the study and presenting the rationale for undertaking this research project. Importantly, chapter one highlights the research aim and objectives. Additionally, this chapter outlines the research design, methodology and contribution of the study. Finally, this chapter serves to inform the reader of the chapter-by-chapter structure of the thesis.

Chapter Two, Section one commences the literature review by discussing the fundamentals of strategic brand management with respect to PLBs. The notions of brand image, brand loyalty and brand typology are introduced. Furthermore, the status quo of private label research is also addressed, with areas of prominence and potential highlighted. *Section two* focuses on the individual facets of Private Label Brand Image, chiefly the in-store and out-of-store influences that play a role in creating this effect. Furthermore, the various forms of consumer risk that affect the buying behaviour of PLBs are brought to the fore. Lastly, loyalty to national brands with a long-standing history is raised as a potential impediment to the adoption of PLBs. *Section three* continues the appraisal of the literature through a scholarly

enquiry into the antecedents of perceived product value, the pivotal construct within the conceptual model. Hence, this section provides the scientific underpinning of the model by pointing to the relationships between influences such as perceived quality, perceived relative price, and perceived risk, in an attempt to arrive at a value proposition in a cognitive context.

Chapter Three provides a synthesis of the literature and presents the basic theory in the form of a conceptual model and operational hypotheses encapsulating the set of cognitive and behavioural influences raised in the literature review.

Chapter Four details the methodology employed within for the pilot, main and validation studies. Sampling procedures, measurement scale development, and the techniques and tools to be used for data analysis, inter alia, are discussed. Within the chapter, a definition of middle class is espoused, with a view to demarcate the target market for final data collection.

Chapter Five presents the outcome of the pilot study, with the intention of validating the foundations of the conceptual model and, hence, bridging the basic theory with the formal theory assigned for empirical testing in the main study. Thus, this exploratory study is used as a forerunner to the main study testing the comprehensive conceptual model.

Chapter Six discusses the findings from the main study. Descriptive statistics, inferential statistics and path modelling techniques are applied to interrogate the data generated from this full-scale study. In doing so, the comprehensive conceptual model is rigorously tested to extract patterns in buying behaviour and to identify relevant demographic nuances.

Chapter Seven comprises the qualitative dimension of the thesis by presenting the outcome of the validation study, aimed at supplementing the largely quantitative nature of the pilot and main studies.

Chapter Eight finalises the thesis by presenting a synthesised version of the noteworthy findings throughout this DBA thesis. Here, a thorough set of conclusions and managerial recommendations is discussed, alongside suggested areas for further scholarly enquiry. Moreover, the academic contribution of the study is reaffirmed.

A list of references and set of appendices are attached to the end of the document in order to provide supplementary content to the information embodied within the thesis.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

This chapter encompasses the literature review, segmented into multiple sections. The first section details branding developments in the FMCG sector, the second discusses contributory factors influencing PLB purchasing behaviour, the third considers the means through which consumers formulate a value perception. Additionally, the chapter highlights the gaps in the literature and suggests how this study might plug these in order to make an incremental contribution to the knowledge base.

2.2 BRANDING DEVELOPMENTS IN THE FAST MOVING CONSUMER GOODS SECTOR

Roberto Goizueta, the late CEO of Coca Cola, that until recently ranked the world's most valuable brand, once expressed: "All our factories and facilities could burn down tomorrow but you would hardly touch the value of the company. All that value actually lies in the goodwill of our brand franchise and the collective knowledge in the company" (Kumar & Steenkamp, 2007: 222).

This emphatically demonstrates the importance of building and maintaining powerful brands. It is generally understood that the brand lives at the very heart of the company and embodies the persona of it. Consumers therefore tend to equate brand and company, as the brand represents the face of the organisation to the man and woman in the street.

This section will provide an overview of overarching brand principles and will discuss branding developments in the context of the Fast Moving Consumer Goods (FMCG) sector. At the outset, definitions of brands are stated, and the impact of branding on consumer behaviour explained. The constructs of brand image and brand loyalty are then explored. Thereafter, different forms of merchandise brands are introduced, with the benefits of selling private labels delineated. Lastly, key areas of research in private label branding will be addressed so as to contextualise the contribution of this particular study and make the case for an investigation in South Africa.

2.2.1 The Principles of Branding

2.2.1.1 The Essence of Brands

The precise definition of a brand has been a topic of intense debate (Kapferer, 2012; De Chernatony, 2009; Gabbot & Jevons, 2009; Stern, 2006; Palumbo & Herbig, 2000). Numerous definitions have, however, been proposed.

Palumbo and Herbig (2000: 116) classify a brand, based on that proposed by the American Marketing Association, as “a trademark or distinctive name of a product or manufacturer. It is a name, term, sign, symbol, design or any combination used to identify the goods and services of a seller”.

However this explanation is somewhat limited. Arguably, a brand can achieve more than merely driving sales – a brand can often play a strategic marketing role (Kapferer, 2012; Burt & Davies, 2010; Ailawadi & Keller, 2004; Turley & Moore, 1995). To this end, Jevons (2007: 6) offers a more comprehensive definition, labelling a brand as “a tangible or intangible concept that uniquely identifies an offering, providing symbolic communication of functionality and differentiation, and in so doing sustainably influences the value offered”.

The consumer-oriented definition given by Gardner and Levy (1955), considered unsurpassed by Miller & Muir (2004: 4), provides insight from a consumer psychology perspective: “It is a complex symbol that represents a variety of ideas and attributes. It tells the consumer many things, not only by the way it sounds (and its literal meaning if it has one) but, more importantly, via the body of associations it has built up and acquired as a public object over a period of time”.

Kapferer provides a list describing the historical evolution to the question of “what is a brand?” (Kapferer, 2012: 12). He contends the following attributes are valid responses to this question:

- A name and/or sign that guarantees a product’s origin and authenticity
- The name of a different and superior product
- An identity endowed on a product to make it unique and superior
- A position strongly held in the consumer’s mind
- A name that means a trusted promise
- A name that denotes a benefit or a set of values in people’s minds
- A name that adds value beyond the utility of the product it signifies
- A name with the power to influence markets
- A name that creates desire and loyalty
- A name that makes people forget the price
- The name of a remarkable value proposition
- A name commanding respect, admiration, love and passion
- A name that is able to create a community around its values

In the not too distant past, branding was something left in the hands of a company’s advertising agency (Clegg, 2007). Globalisation has, however, blurred international boundaries through

advancements in technological and communication platforms, thereby resulting in an increased degree of global homogeneity (Asgary & Walle, 2002). According to Kidger (2002), this blurring of borders has resulted in the global integration of enterprises. Markets for goods have subsequently expanded in size, with rampant industry competition following suit, thereby necessitating that companies differentiate themselves in order to maintain a competitive advantage (Chevalier-Roign *et al*, 2012).

Kapferer (2012) suggests that there are very few strategic assets available to a company that can provide a perpetual competitive advantage and, even then, the time span of the advantage is becoming shorter. There is, however, one strategic asset that can achieve the above criteria, and that is the brand (Salzer-Mörliing & Strannegård, 2004). Whilst many commentators may simply equate a strong brand with increased sales volumes, this is merely the tip of the iceberg. Davis (2002) and Kayaman & Arasli (2007) have identified a plethora of positive repercussions resulting from a strong brand. To this end, effective brands have been correlated with elevated market share; lending credibility to new product developments; providing consumers a clear, valued and sustainable point of difference; commanding a premium and steering customers away from price-sensitivity; as well as instilling trust in the company's offerings.

Rooney (1995) even goes so far as to say that some companies consider the image (or perception) of their brand to be more important than the product itself. Therefore, management has come to realise that the principal asset of a company may well be the brand and all its encompassing attributes (Kapferer, 2012; Salzer-Mörliing & Strannegård, 2004). This is almost certainly a view shared by Coca-Cola, as highlighted above, which is frequently cited as one of the most valuable international brands (Interbrand, 2013).

Knox (2004) asserts that consumers are intertwined in many areas of the organisation's business systems and thus the entire organisation can have an impact on how the brand is viewed. Thus, brand values should become a part of a company-wide ethos. To this end, Knox (2004) advocates that all levels of management and employees from all divisions need to create a united front to deliver and reinforce a consistent message to consumers. This suggests that all employees of the company have an opportunity, and responsibility, to represent themselves as brand ambassadors. Thus, this synergy between employees and brand is likely to result in brand management being effected throughout the corporate environment.

2.2.1.2 *The Impact of Brands on Consumer Behaviour*

The main purpose for investigating consumer behaviour is to discover patterns of consumer attitudes in their decision to purchase or bypass a product (Schiffman & Wisenblit, 2014; Matsatsinis & Samaras, 2000).

The impact on consumer behaviour may be partially explained by the rationale used by consumers in purchasing certain brands.

Keller, arguably the most senior scholar of branding research, states that consumers benefit from brands in a number of noteworthy manners (Keller, 2012: 9), namely:

- Brands identify the source of the product
- Brands represent an assignment of responsibility to the producer/manufacturer
- Brands reduce risk
- Brands reduce search costs
- Brands contain a promise, bond or pact with the maker of the product
- Brands are a signal of quality

Identifying the source of the product is arguably the most important function of the brand as this attaches responsibility to the manufacturer. Thus, should the product not meet expectations, the customer is aware of recourse and remedies in this regard. This serves to reduce risks associated with the brand and may also lead to reduced search costs, whereby the consumer feels confident that he/she doesn't need to explore all options, instead preferring those brands whose reputation is worthy of trial. Thus, brands contain an inherent promise to deliver the anticipated performance and, in doing so, send a signal of quality assurance to the market.

Another viewpoint reveals remarkably similar insights. Guerrero *et al* (2000: 387) contend that the importance of the brand in the decision-making process can be examined through the different functions that it holds for the consumer: identification of the products and their main characteristics; a reference function assisting the consumer to structure the offer; a guarantee function thereby boosting assurance and reducing the feeling of risk; a personal function allowing the consumer to locate himself/herself in social surroundings; an entertainment function facilitating consumers' desire to exercise choice and, finally, a practical function allowing consumers to learn and evaluate the results of different shopping experiences.

The above reveals how consumers interact with brands on an everyday basis and have come to rely on these markers (or 'cues') as a means to make informed choices. This chapter now continues to explore the intricacies of branding, particularly the formation of brand image and its impact on the culmination of brand loyalty.

2.2.1.3 Brand Image

It is true to say that consumers may not necessarily view brands through precisely the same lens as their corporate counterparts (Kapferer, 2012).

Keller (1993: 4) defines *brand image* as “the perceptions about a brand as reflected by the brand associations held in consumer memory”. These associations include perceptions of brand quality and attitudes toward the brand. This definition is consistent with Feldwick’s (1996: 10) classification of brand image as a “description of the associations and beliefs the consumer has about a brand”, as well as brand image defined as “a set of meanings by which an object is known and through which people describe, remember and relate to it” (Pina *et al*, 2006: 176).

According to Keller (1993), the specific determinants of brand image are: types of brand associations, strength of brand associations and the uniqueness of brand associations.

Low and Lamb (2000: 352) reiterate the role of brand associations in determining brand image, adding that: “Marketers use brand associations to differentiate, position, and extend brands, to create positive attitudes and feelings toward brands, and to suggest attributes or benefits of purchasing or using a specific brand. Consumers use brand associations to help process, organise, and retrieve information in memory and to aid them in making purchase decisions”. The authors stipulate that these associations are based upon both functional and symbolic beliefs, thus incorporating the user’s interaction with the specific brand as well as the advertising thereof.

This dual effect is noted by Keller (1993), wherein he advises that brand association may assume direct and indirect forms. Direct associations are typically formed through consumers’ personal experiences and contact with other brand users. Consequently, indirect associations may be created through the depiction of the target market as communicated in brand advertising or by some other source of information (e.g. word of mouth). Similarly, according to Dick *et al* (1997), consumers arrive at judgements on the quality of the brand through both direct and indirect factors. Direct attributes may constitute ingredients and characteristics (e.g. taste and texture) of the product, whilst indirect factors are represented by factors such as packaging, advertising and brand name. Direct factors are typically difficult for consumers to ascertain without actually

consuming the product, or having some experience of it (e.g. through in-store taste tests). In this case, a consumer may rely on indirect indicators to derive quality perceptions in his/her mind.

Wood (2000: 667) argues that brand image is determined by different elements of the marketing mix as it “is tailored to the needs and wants of a target market using the marketing mix of product, price, place and promotion”. This implies that managing the brand image is no small undertaking due to the multifaceted nature of this particular construct. Yet, in the greater scheme of brand management, marketers cannot ignore its significance. A highly comprehensive brand image eventually provides for positioning that is appreciated, exclusive, authentic and sustainable (Davis, 2002).

Brand image should, however, be differentiated from *brand identity*. Brand identity speaks to the manner in which marketers attempt to position their brands, reflecting more on the intention than what has actually been accomplished. In other words, brand identity resides with the sender of brand messaging (Kapferer, 2012; Gehani, 2001; Harris & de Chernatony, 2001). Srivastava (2011: 341) suggests that the distinction may be clarified through a simple line of questioning. Here, brand image addresses the question of “how the brand is perceived” whilst brand identity reflects on the issue of how strategists “want the brand to be perceived”. Therefore, brand image focuses on the recipient of the message and the manner in which this is interpreted.

2.2.1.4 Brand Loyalty

It may not be sufficient for a brand to have a favourable image in order to achieve perennial success. Indeed, the success of a brand in the long term is not based on the number of consumers that buy it once-off, but on the magnitude of consumers who become regular buyers of the brand. Thus, ensuring repeat purchases and customer loyalty are deemed priorities by retailers (Mitchell *et al*, 2012; Odin *et al*, 1999). Chaudhuri and Holbrook (2001) suggest that consumers develop an affinity towards the brand when they perceive some unique value in the brand that no alternative can provide. This uniqueness may be derived from a greater trust in the reliability of a brand or from a more favourable experience when a customer uses the brand. Schoenbachler *et al* (2004) take this further, stating that not only does the loyal customer buy the brand, but may also refuse to switch, despite being presented with a seemingly superior offer. Bayus (1992) proposes that maintaining such loyalty is becoming a critical component in the development of a competitive strategy, thus highlighting the importance of evaluating and perpetuating this phenomenon.

Whilst achieving steadfast customer loyalty to a particular brand may be the holy grail of consumer marketing, Rundle-Thiele & Bennett (2001) suggest that this is easier said than done. The authors

advocate that the consumable goods market is characterised by fragmented loyalty, which may also be referred to as multi-brand purchasing. The following scenarios are noted by Rundle-Thiele and Bennett (2001) as being a threat to achieving ongoing customer loyalty:

- Consumers may be tempted to stray from regular brands due to the influence of sales promotions.
- Consumers may become bored with regularly consumed brands and, hence, seek variety in other brands.
- A lack of in-store availability of a preferred brand may induce consumers to purchase an alternative.
- The purchaser may differ from the end consumer and, hence, brand selection may vary from what is usually consumed.
- Low involvement levels associated with product type may result in varying brands being purchased on different occasions, as a result of consumers' indifference.
- Generally, FMCG products are of a lower monetary value and therefore consumers do not place immense emphasis on comparative shopping.

In addition, the authors add that behavioural loyalty in the consumable goods market is frequently the result of habitual activities and is usually the outcome of a low involvement product purchase. Research indicates that even in the case of initial high involvement purchases, such as coffee brands, subsequent purchases will require little decision-making if the consumer is satisfied with the brand and thus continues to consume it (Newman & Werbel, 2007; Rundle-Thiele & Bennett, 2001). Brisoux and Laroche (1981: 357) refer to this action as "routinised response behaviour". These behavioural trends may be disturbed if the market experiences some form of disruption through, for example, the introduction of a new market entrant, legislative changes or technological advancements (Rundle-Thiele & Bennett, 2001).

The phenomenon of customer loyalty attached to a specific brand is referred to as *brand loyalty*. Arguably, the best definition of brand loyalty is contributed by Oliver (2010: 392), who describes this phenomenon as a "deeply held commitment to rebuy or repatronise a preferred brand consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour". The advent of brand loyalty can result in numerous benefits for the organisation, including retained market share and economic returns (Binninger, 2008; Bove & Mitzifiris, 2007). For example, Palumbo and Herbig (2000) note that accruing customer loyalty has clear financial benefits. If customer retention is effectively achieved, advertising costs may be reduced five fold, owing to the fact that it is considerably less expensive to sell to a loyal customer than it is to create a new one. It has also been found that customers who are loyal to a particular

brand buy more, are willing to pay higher prices and generate positive word of mouth (Zeithaml *et al*, 2012; Allaway *et al*, 2011; Wright & Sparks, 1999; Reichheld, 1993). The generation of loyal purchasers has thus been a key objective of marketers for decades (Koo, 2003).

It is generally accepted that brand loyalty consists of both attitudinal and behavioural dimensions (Koo, 2003). Behavioural measures refer to repeat patronage of the store. It should, however, be noted that such measures have come under heavy criticism from authors such as Bloemer and de Ruyter (1998: 501) for only capturing “spurious loyalty”, thus suggesting that these behavioural tendencies are not indicative of rock-solid commitment. Here, it is argued that true commitment must exist as a pre-requisite for loyalty underpinned by an attitudinal orientation.

In the grocery sector, brand loyalty has been hailed as the “result of a supermarket chain’s total brand-building efforts over time” (Allaway *et al*, 2011: 191). The emergence and development of such brands will be discussed in the next section.

2.2.2 The Presence of Brands in the Retail Sector

2.2.2.1 The Retail Brand

Traditionally, the attention of marketing scholars has been placed on product branding. However, more recently, the consideration of service-orientated brands, particularly in a retail context, has come to share the limelight. Indeed, the rise of the retailer as a brand is considered one of the most important trends in this field (Burt & Davies, 2010; Grewal *et al*, 2004). Ailawadi and Keller (2004) explain that retail brands are sufficiently different from product brands and that the application of branding principles can vary. They contend that “retail brands are typically more multi-sensory in nature than product brands and can rely on rich customer experiences to impact their equity” (Ailawadi & Keller, 2004: 332).



Ailawadi and Keller (2004: 332), echoing the traditional sentiments of branding researchers, posit that a retail brand is a mechanism to “identify the goods and services of a retailer and differentiate them from competitors”. Yet, there is evidence in the literature to suggest that the role of the retail brand extends further than the simple “identification of goods and services”. Bridson & Evans (2004: 443) assert that “retailers have sought to develop a sustainable competitive advantage through branding not only the products, but the total store experience”. This is supported by Carpenter *et al*’s (2005: 44) proposition that branding the store involves providing consumers with unique shopping experiences that are intended to be pleasurable, and it is these experiences that “reinforce the differentiation of the store”.

The evolution of the retail brand is best encapsulated by Kent (2003: 133), who reasons that: “It is becoming increasingly evident that the branding of retailers is a complex, multidimensional concept, in which the distinction between goods and services disappears and the format becomes the brand”. Kent (2003) contends that the retail brand is moving from a two-dimensional to a three-dimensional realm, wherein the store environment, and especially the consumer experience of this, is pivotal.

It is evident that the retail brand has come to incorporate more than just the identification of a retailer’s goods and services. In the modern retailing environment, where organisations are looking to interface with consumers in a myriad of ways, the retail sector has become flooded with marketing communications, with each competitor vying for a share of mind. This scenario is no different in South Africa. These retail brands have achieved ubiquitous coverage, with consumers well versed in the rhetoric of these companies.

Examples of the major supermarket retail brands in South Africa, with a brief description of each, is included in Table 2.1.

Table 2.1: The ‘Big Five’ Supermarket Chains in South Africa

	<p>The Shoprite brand is well known throughout South Africa. It began as a small chain of supermarkets in 1979 and currently operates 361 stores across South Africa. It draws its customers from the middle-income LSM brackets 4 to 7. The retailer has two store formats, namely conventional supermarkets and the larger-format superstores (Shoprite, 2013). Shoprite’s slogan is: <i>‘Lower prices you can trust. Always’</i></p>
	<p>Pick n Pay is a family controlled business that began trading in South Africa with four small stores in 1967. It has since grown into a powerful corporation that offers customers food, clothing and general merchandise through its various store formats. Pick n Pay has identified two pillars of growth, namely to defend and grow LSM 8 to 10, and to increase the appeal of Pick n Pay to consumers within LSM 4 to 7. These consumers primarily reside in urban and suburban areas (Pick n Pay, 2012). Pick n Pay’s slogan reads: <i>‘Always there for you’</i>.</p>



SPAR is an international, leading global retail brand and one of the world's largest food chains. In 1963, a group of eight wholesalers acquired the exclusive rights to the SPAR name, which allowed them to service 500 small retailers in South Africa. SPAR has three store formats: *SPAR*, designed for neighbourhood shopping; *SUPERSPAR* for competitively priced bulk shopping and *KWIKSPAR* for everyday convenience (SPAR, 2012). SPAR has a significant influence in both the LSM 5-7 and LSM 8-10 segments, with 14% and 32% of the market respectively (SAARF, 2011). Spar's slogan reads 'Good for you'.



Checkers, whose slogan recently changed to "*Better and Better!*", is a Fast Moving Consumer Goods retailer that is currently owned by Shoprite Holdings. At present, Checkers operates 29 Checkers Hyper Stores and 168 supermarkets throughout South Africa and employs over 16 000 employees. The Checkers brand rose to the fore after the strategic split of the well-known Shoprite-Checkers brand a decade previously. To this end, the Checkers brand has recently been repositioned to cater for customers in the Living's Standard Measure (LSM) 8 to 10 band (i.e. upper-middle income). It focuses heavily on fresh produce and offers a wider range of choice food items to a more affluent clientele. According to its management, the chain of supermarkets provides a product range suitable for the discerning shopper in a sophisticated retail environment (Checkers, 2013).



Woolworths commenced trading in South Africa in 1931. According to corporate accounts, since its inception the Woolworths brand has become synonymous with innovation, quality and value for money. With its wide appeal, Woolworths' merchandise is now sold through 149 corporate stores, 51 international franchise stores throughout the rest of Africa and the Middle East, as well as 69 South African franchise stores scattered throughout the country. Woolworths is a respected retail chain that offers mens, womens and childrens clothing of exceptional quality and durability, a stylish and contemporary collection of home ware, an assortment of organic foods, as well as a range of beauty products, all under its private label brand. With respect to grocery retailing, it offers shoppers a superior supermarket experience with exceptional customer services, a limited variety of financial services, and an in-store café. The Woolworths target market comprises shoppers in the LSM 9 and 10 band (i.e. highly affluent), as well as aspirant shoppers from the LSM 6 to 8 band (i.e. upper-middle income). Woolworths has traditionally sold only private label products but, since the turn of the millennium, has diversified into selling national brands in addition to its own merchandise (Woolworths, 2012). Woolworths' slogan is "*The Difference*" as the stores continually strive to make the lives of their customers more convenient and luxurious.

2.2.2.2 National Brands versus Private Label Brands

Returning to branding in the context of merchandise management, two main brand categories appear to exist within the retail environment – National Brands (NBs) and Private Label Brands (PLBs). The key difference between them lies in the ownership of trademark rights. “Trademark rights of private label brands are held by retailers, while trademark rights of national brands are held by manufacturers” (Olbrich & Grewe, 2009: 937). However, in terms of branding principles, PLBs are considered “every bit as much a brand as [those belonging to] manufacturers” (Murphy, 1987: 7).

National brands, which are also referred to as manufacturer brands, may be argued to be the mainstay of a grocery retailer’s business. Prime examples include Coca Cola, Kellogg’s and Mars in an international context; and Bakers, Royco and Bokomo in a South African context. Such NBs tend to boast decades of brand building and, hence, substantial brand prestige (Kumar & Steenkamp, 2007; De Wulf *et al*, 2005; Ailawadi *et al*, 2001). Consumers more readily trust and rely upon NBs as they are perceived to be more advanced in terms of their features, taste, appearances and even aromas (De Wulf *et al*, 2005; Cunningham *et al*, 1982; Hawes *et al*, 1982; Bellizzi *et al*, 1981). To this end, NBs are still the strongest competitors in the market in almost all product categories. Thus, most retailers simply cannot afford to deny their customers a variety and assortment of these brands (Juhl *et al*, 2006; De Wulf *et al*, 2005; Ailawadi *et al*, 2001).

Private label brands may be defined as brands that are owned, controlled, marketed, and produced by the retailers themselves, or according to their specifications, and sold under their own names (Anchor & Kourilova, 2009; Zielke & Dobbstein, 2007; Herstein & Jaffe, 2007; Bergès-Sennou *et al*, 2004; Burt, 2000; Mogelonsky, 1995). These brands are also referred to in the literature as ‘store brands’, ‘own brands’, ‘house brands’ and ‘dealer brands’.

Although PLBs are now very much a global phenomenon, the concept was first introduced in Great Britain in the late nineteenth century by Sainsbury’s (Méndez *et al*, 2008). The trend subsequently emerged in North America in the early twentieth century and has continued to attract sustained interest from both academic and commercial quarters ever since (Au-Yeung & Lu, 2009; Bergès-Sennou *et al*, 2004; Hoch & Banerji, 1993).

Traditionally, PLBs have carried the stigma of substandard quality when compared to NBs. Private labels are generally priced lower due to simple packaging, weak brand recognition and minimal advertising, while NBs are priced at a premium due to strict quality controls, aesthetically pleasing packaging and widespread advertising (De Wulf *et al*, 2005). As a result, the average consumer

perceives NBs to be of superior quality and reliability (Martenson, 2007; De Wulf *et al*, 2005). Yet, over the previous two decades, the market has witnessed a remarkable improvement of PLBs in terms of perceived image and quality (Beneke, 2010; Au-Yeung & Lu, 2009; De Wulf *et al*, 2005; Dick *et al*, 1995; Fitzell, 1992).

A balance of national and private label brands is clearly necessary to appeal to customers across the spectrum. Retailers, generally, cannot afford to merely discard NBs, as their customers expect to find them in store, and their presence represents a means of financial security (Martenson, 2007). Nonetheless, retailers are cognisant of the fact that stocking NBs is limiting in the sense that this avenue cannot provide a significant level of differentiation between themselves and competitors (Martenson, 2007). PLBs, on the other hand, do achieve some form of differentiation (i.e. they are specific to the retailer and are not fully substitutable when switching chains) and reduce direct price competition, which may serve to threaten margins across the sector (Baltas, 2003; Davies, 1990, McMaster, 1987). Other benefits are fully explored in section 2.2.2.4 below.

The extent to which private labels and NBs are true competitors is very much up for debate. Although NBs are still market leaders in most product categories, international retailers have successfully introduced PLBs as strong competitors (Baltas, 2003). As expected, manufacturers have both observed, and responded to, this development. In order to regain transient customers that have migrated to PLBs, NBs have used discounts and promotions to lure back purchasers of their brands. However, some scholars question the extent to which there really is a cross-over in the market. For example, Juhl *et al* (2006) propose that there are large segments of customers that use either NBs on promotion, or PLBs, but not both. Yet, Chan Choi and Coughlan (2006) have produced evidence to suggest that such purchases are interchangeable as they found consumers to hold both PLBs and NBs, depending on their package size, product form and quality needs. It therefore appears that there are no foregone conclusions in this respect, highlighting that neither camp can afford to be complacent.

2.2.2.3 Categorisation of Private Label Brands

Owing to their rise in prominence, PLBs have evolved in such a way that they are now commonly subdivided into different categories. Drawing on the insights provided by Anchor and Kourilova (2009) and Zielke and Dobbelstein (2007), it may be determined that these brands can be separated into four main groups depending on their strategic roles; namely the classic/standard private label, the generic private label, the premium private label, and the specialised private label. The classic/standard private label is positioned up to thirty percent cheaper than top national brands, whereas the generic private label is designed to be the cheapest and most basic within

specific product ranges (Zielke & Dobbstein, 2007; Yelkur, 2000; Baltas, 1997; Harris & Strang, 1985). Although the boundaries are somewhat blurred in this respect, Pick n Pay's 'No Name' brand (in signature blue and white packaging) is likely to represent a generic brand. Pick n Pay's 'PnP' brand (depicted in a range of coloured packaging) is likely to represent a class/standard private label. In an international context, considering British retail giant Tesco, the Tesco 'Value' brand (in signature blue, red and white livery) is likely to fit the profile of generic PLB, whereas their mainstream Tesco private label is likely to fit the profile of classic/standard PLB.

On the other hand, premium private labels aim to compete with the finest NBs and are generally perceived to be of at least equal quality and image (Zielke & Dobbstein, 2007; De Wulf *et al*, 2005; Corstjens & Lal 2000; Davies, 1998; Hoch, 1996; Richardson *et al*, 1994). One of the most prominent examples, in an international context, is Tesco's 'Finest' private label range which features premium food products.

Finally, specialised PLBs are highly innovative and compete in niche markets to cater for consumers with high expectations and specific needs (Anchor & Kourilova, 2009; Veloutsou *et al*, 2004; Burt, 2000; Richardson, 1997; Mogelonsky, 1995). Pick n Pay has recently introduced 'Green' and 'organic' private label ranges to cater for environmentally and health conscious consumers. Further afield, Tesco has developed a range of private label merchandise for their younger customers, aptly named 'Kids'.

In a similar vein, Ailawadi and Keller (2004: 338) identify at least four tiers of PLBs. These include low quality generics; medium quality private labels; somewhat less expensive but comparable quality products; and premium quality private labels that are priced above competing NBs. The authors suggest that retailers are incentivised to create a range of private label product offerings that may cover all the aforementioned tiers so as to appeal to their entire target market and thus appease a larger cohort than would be the case if adopting one type or another.

Appendix A, at the end of this thesis, provides an overview of profiles of the various PLBs available in the South African grocery sector.

According to Kumar and Steenkamp (2007), almost half of PLBs are 'copycat brands'. These brands essentially attempt to imitate the packaging and content of first tier manufacturer brands, for example category leaders. Such brands appear to fit the profile of standard and premium PLBs as they appeal to mainstream consumers who would ordinarily seek an established, trusted brand.

Here, retailers analyse the contents of leading brands, and then re-create the product, through a process known as “reverse engineering” (Kumar & Steenkamp, 2007: 34). Thus, as there are minimal research and development costs involved, and retailers have already recognised that there is a potentially lucrative market available, these products are often successful. The retailers use in-store promotions to aggressively promote the brands, using a “me-too at a cheaper price” strategy (Kumar & Steenkamp, 2007: 35). This type of strategy involves producing an almost identical product and offering it at a reduced price relative to competitors.

In Figure 2.1, it is apparent that Kwalitey Tea Lovers biscuits have adopted a similar style of packaging to Bakers Tennis biscuits. Likewise, in Figure 2.2, it is apparent that SPAR has adopted a similar style of packaging to Crosse & Blackwell Mayonnaise.

Figure 2.1: National ‘Copycat’ Brands



Source: Pick n Pay, Cape Town

Figure 2.2: Private Label ‘Copycat’ Brand



Source: SPAR, Cape Town

The legality of this practice is, however, somewhat questionable. Trademark infringement and excessive imitation, causing consumer confusion and unfair misappropriation of brand owners’ intellectual property, is likely to constitute grounds for legal recourse (Mitchell & Kearney, 2002).

2.2.2.4 The Virtues of Selling Private Label Brands

Retailers throughout the world are faced with the task of assessing whether it is beneficial, or not, for their business to introduce a PLB range. All five major players in the South African retail market (namely Checkers, Shoprite, Woolworths, SPAR and Pick n Pay) appear to have responded to this conundrum affirmatively.

Fernie *et al* (2003: 171) suggest various advantages to retailers in developing a suite of PLBs. These reasons are cited as follows:

- Increased profitability through cost saving and increased margins.
- Increased store loyalty and creation of a distinct corporate identity.
- Opportunities to seize new market ventures.
- Increased bargaining leverage with suppliers.

The first relates to potential increases in profitability, which stems from the relatively higher average price margins that these brands may generate for retailers. Owing to the modest marketing and supply expenses of PLBs, retailers are able to sell them at competitive prices while maintaining higher margins than they do on NBs (Kumar & Steenkamp, 2007; Martenson, 2007; Baltas, 2003; Corstjens *et al*, 1995; Broadbent, 1994). These price margins are inflated as a result of PLBs requiring minimal advertising expenditure, lower research and development costs, reduced costs of testing products prior to launching nationally and, arguably, reduced packaging costs (Fernie *et al*, 2003).

The second point raised by Fernie *et al* (2003) suggests that loyalty towards a PLB has a favourable impact on foot traffic into the store and the corporate identity exhibited to the world. According to Ailawadi *et al* (2008), Collins and Burt (2003) and Herstein and Gamliel (2006), PLBs can play a defining role in developing an affinity to the retailer and the creation of a distinct corporate identity for the organisation. Veloutsou *et al* (2004), likewise, support this view, yet emphasise that, as a result, careful managerial practices for these brands should be implemented in order to maintain retail brand equity. As highlighted earlier in this chapter, consumers tend to associate the retailer with its respective PLB. Therefore, negative perceptions of the retailer may impact adversely on the brand and vice versa (Ailawadi & Keller, 2004).

Labeaga *et al* (2007) contend that private labels assist building loyalty by differentiating the retailer. These brands are available exclusively through a single retailer, or chain of stores, whilst NBs are widely available at many competing retailers. Hence, regular consumers of PLBs are confronted with psychological costs when switching retailers as their preferred private label choice will no longer be available to them. As a result, consumers who regularly purchase PLBs do not merely become loyal to that particular range of merchandise, but also to the retailer through which it is sold (Collins & Burt, 2003: 670).

Raju *et al* (1995: 957) assert that retailers have become more proficient at managing their PLBs. In terms of category innovation and variety, the introduction of private labels may serve to revive a

product category with a complacent NB leader, thereby optimising competition and value for money for consumers. Thus, not only can the PLB improve the store's image and customer loyalty, it may also have positive consequences with respect to merchandise variety and rejuvenation (Baltas, 2007; Zielke & Dobbelstein, 2007).

Figure 2.3 depicts examples of premium quality private label tea brands that are available at Woolworths, South Africa. Here, it would appear that Woolworths has the intention of making their brand synonymous with innovation and excellence, pitching it as being at least equivalent to, if not better than, the current category leaders.

Figure 2.3: Woolworths Tea Private Label Brands



Source: Woolworths, Cape Town

Lastly, an invaluable function of deployment of private labels is their ability to shift the locus of power and strengthen the bargaining ability of retailers (Walsh & Mitchell, 2010; Ailawadi *et al*, 2008; Herstein & Jaffe, 2007). Hence, if managed optimally, a retailer's PLB may be viewed as an acceptable substitute for many NBs.

2.2.3 Private Label Brand Research Priorities

Examining the accounts of authors such as Glynn and Chen (2009), Ailawadi *et al* (2008), Whelan and Davies (2006) and Baltas and Doyle (1998), the agenda for private label scholarship appears to be set by four noteworthy streams of research. The identified strands are highlighted below.

The first stream focuses on consumer perceptions of PLBs. Most authors advocate that consumers are disenchanted with the quality of private label merchandise, preferring NBs in this respect (Martenson, 2007; Raju *et al*, 1995; Richardson *et al*, 1994; Mogelonsky, 1985; McEnally & Hawes, 1984; Cunningham *et al*, 1982; Bellizzi *et al*, 1981). However, in recent times, this trend appears to be reversing as financially troubled consumers are seeing increasing value in private

labels, and are exhibiting higher levels of trust in the (improved) quality of these products (Nies & Natter, 2012; Beneke, 2010; De Wulf *et al*, 2005).

The second stream examines the relationship between market factors and private label success (Lamey *et al*, 2007; Bergès-Sennou *et al*, 2004; Hoch & Banerji, 1993; Sethuraman, 1992; Sethuraman & Mittelstaedt, 1992). Such factors have been noted to include the country's retail structure, the level of retailer concentration, the advertising rate of NBs, economies of scale, imagination and management (Jin & Suh, 2005).

The third stream considers correlates of PLB proneness. Factors such as familiarity, and the level of information associated, with private labels; use of extrinsic cues in product evaluations; perceived quality variations; perceived risk; value for money; income levels and family size have all been found to be meaningful discriminators (Beneke *et al*, 2013; Glynn & Chen, 2009; Kwon *et al*, 2008; Collins-Dodd & Lindley, 2003; Batra & Sinha, 2000; Richardson *et al*, 1996; Bellizzi *et al*, 1981; Bettman, 1974).

The last stream centres on the creation of profiles for consumers who prefer private labels. Studies in this stream typically focus on developing profiles of shoppers of private label and national brands on the basis of lifestyle, attitudinal and behavioural characteristics (Beneke, 2010; Chaniotakis *et al*, 2010; Liu & Wang, 2008; Baltas & Argouslidis, 2007; Rao, 1969). In general, attitudinal and behavioural characteristics were found to be superior predictors of propensity to buy PLBs, over and above demographic profiling (Baltas & Doyle, 1998).

The current study taps into the first and third streams in particular, although will also touch on tangential issues mentioned in the second and fourth streams.

2.2.4 Delineating the Challenge for Retail Marketers in South Africa

This section has extolled the virtues of PLBs in a retailing context. PLBs have been shown to enhance retailer margins, foster customer loyalty, act as a point of differentiation, and may even serve as a bargaining tool for retailers in their trade negotiations with prominent suppliers (Kumar & Steenkamp, 2007).

Whilst South African retailers have dabbled in bringing PLBs to market for the better part of half a century, their success may be considered moderate at best. The reasons for this are very much open to interpretation. Possible explanations include minimal appreciation for what PLBs are able

to achieve (as evidenced by the likes of Tesco and Sainsbury's in the UK), a lack of political zest from the hierarchies of the respective retail powerhouses, and a fear of cannibalisation of existing business models that have handsomely rewarded retailers with sizable profits. As such, the status quo has remained largely intact, with PLBs making limited inroads within the South African market.

Another reason may lie in the structure of the FMCG retail sector within South Africa. The top five retailers (Shoprite, Checkers, Pick n Pay, Spar and Woolworths) account for the majority of formal grocery retail sales in South Africa. The situation on the supply side is congruent with this. A similar number of suppliers (notably Unilever, Procter & Gamble, Nestlé and Tiger Brands) account for the lion's share of food and beverage sales within these supermarket chains. Hence, an oligopoly situation perpetuates on both the supply and retail ends of the market. Owing to the limited numbers of smaller operations producing high quality content, finding contract manufacturers with sufficient capacity and technical expertise to supply the major chains with private label produce can be a significant challenge. Whilst this conundrum is slowly, but surely, being addressed, it has created a bottleneck and stifled the diffusion and adoption of private labels in South Africa.

From a consumer perspective, the inherent desire to embrace private labels is self evident. Stated quite simply, there is considerable pent up demand from hard-pressed consumers seeking value alternatives to mainstream brands, which have a tendency to command substantial brand premiums. This has been brought to the fore by the economic recession, where disposable incomes have been subdued and remained under pressure post recovery. This has had a material effect on consumers' purchasing decisions and habits, that have been fundamentally altered and may never return to the state before the economic recession commenced in 2008.

This is confirmed by the Unilever Institute of Strategic Marketing (UISM, 2012), which points out that consumers have retained a recessionary mindset, despite the country's emergence from the recession in 2010. The macroeconomic environment bears testimony to this. Even though GDP growth has resumed, albeit in a muted capacity, mass job losses during the recession have not been recovered and economic prosperity has been distributed in a rather uneven manner. Thus, large groups of consumers have not seen the benefit of the economic recovery and continue to suffer the consequences. Even for those who have seen conditions improve, many consumers remain cautious about the future and are unwilling to spend beyond their means. At a retail level, this has often manifested itself in a re-evaluation of the contents of the shopping basket, with high-end (premium) NBs being the first to be sacrificed.

The Unilever Institute of Strategic Marketing (UISM, 2012) refers to the 'squeezed middle', a reference to middle class consumers who have borne the brunt of the recession. Whilst affluent

consumers are protected against economic hardship by their store of wealth, low to middle income consumers have been fully exposed through job losses, dwindling real incomes eroded by inflation (particularly those self employed) and aggressive debt recovery by credit lenders in a desire to stem their own financial losses. Yet, government grants and subsidies have protected the very poor from hardship by providing an income floor which has provided a safety net to struggling households and communities. The net result has been a degree of protection offered to low income consumers through such remedies and a level of insulation felt by affluent consumers who have been able to rely on their savings, equities and investment in real estate. The middle class, on the other hand, has experienced little in the way of support, thus being labeled the 'squeezed middle'. Once considered the backbone of the consumption economy, these consumers have been forced to cut their cloth accordingly and, in some instances, lower their lifestyle standards and trade down in brands.

These economic realities have led to the rise of the ever value conscious consumer, particularly so for middle class South Africans. This eventuality has played into the hands of PLB marketers wishing to capture the attention of the mass market. Thus, the value proposition of PLBs has struck a chord with consumers looking to align their household grocery expenditure with their modest household incomes.

As alluded to above, there are a multitude of 'push' and 'pull' factors involved in the battle of gaining access to the consumer's wallet. Whilst PLBs are on the ascendency, facilitated by consumers looking to maximise value at the checkout counter, retailers are arguably not progressive enough in developing and promoting these brands. This criticism may be leveled against the likes of Pick n Pay, Checkers and Shoprite (all mainstream supermarkets on par with ASDA, Morrison's, Tesco and Sainsbury's in the United Kingdom and Target, Wal-Mart and K-Mart in the United States) as they have not kept pace with the development of the private label ranges of their international counterparts. To this end, South African consumers remain wary of the packaging, inner product contents, as well as the manufacturing consistency thereof. Furthermore, these brands are seldom promoted in the same vein as NBs. Hence, there is opportunity for improvement on both the supply and demand management fronts. These concerns are addressed, and further explained, in the proceeding section.

2.2.5 Summation of Branding Developments in the FMCG Sector

This section touched on a multitude of facets in the branding arena, including the prominence of brands in a retail context and the loyalty that these can accrue to the companies concerned. In particular, PLBs were profiled and the benefits of selling these explained. However, in an

emerging market context such as South Africa, many PLBs have received only a moderate degree of development and support, and are still thought of as the poor cousins of established NBs. The next section advances the discussion by contemplating a variety of 'push' and 'pull' factors governing adoption of PLBs.

2.3 UNPACKING PRIVATE LABELS: CONTRIBUTORY FACTORS IN THE ADOPTION PROCESS

The second section of the literature review continues the discussion by introducing the concept of Private Label Brand Image and delineating the constituent components of this overarching construct. In this respect, familiarity with private label brands, in-store extrinsic cues (that act as signposts to induce brand perceptions), as well as conjoined perceptions of the retail and private label brand, will be systematically discussed. The section, thereafter, continues by considering the risks associated with purchasing private labels and the effect of pre-existing loyalty to entrenched national brands as noteworthy impediments in the adoption process.

2.3.1 Private Label Brand Image

There is overwhelming support from the literature that brand image has been recognised as an important concept in marketing and consumer behaviour research (Park & Lennon, 2009). The specific definition of brand image was discussed in section 2.2.1.3 – this is traditionally defined as the sum total of associations, perceptions, attitudes and beliefs held in a consumer's memory, which relate to a particular brand (Srivastava & Kamdar, 2009; Keller, 1993). A strong brand image holds a number of key benefits such as the enhanced ability to promote a suite of products through various communication strategies (Srivastava & Kamdar, 2009; Park *et al*, 1989) and to differentiate the brand from its competitors (Ballantyne *et al*, 2006; DiMingo, 1988).

The association between brand image and the perceived quality of the merchandise has also received considerable attention in the literature. DelVecchio (2001) conducted an investigation between different factors characterising the perceived quality of PLBs, finding this to be multifaceted. Here, consumers typically regard the image of the brand or the corporation as a leading indicator of the quality of the products or services attached to it (Nies & Natter, 2012; Mieres *et al*, 2006; Andreassen & Lindestad, 1998).

Similarly, research conducted by Aaker and Biel (1993) and Kirmani and Zeithaml (1993) drew attention to the functional relationship between perceived quality and brand image. Cretu and Brodie (2007), building upon this, highlighted the primary influence of brand image on the

consumer's perception of quality. Thus, a crucial challenge for retailers lies in building PLB Image in order to influence opinions about this merchandise (Mininni, 2008; Bloemer & de Ruyter, 1998).

This chapter explores the holistic image of PLBs through three specific dimensions – familiarity with these brands, in-store extrinsic cues and the retail store image and atmosphere. The significance, and applicability, of these specific dimensions are elaborated on in sections 2.3.1.1, 2.3.1.2 and 2.3.1.3 below.

2.3.1.1 Familiarity with Private Label Brands

Brown and Dacin (1997) have demonstrated that the knowledge consumers possess about a brand influences their beliefs and attitudes towards the products manufactured by the brand custodian which, in turn, determines consumer propensity to purchase these products (Laroche *et al*, 1996). Thus, an essential communication task for brands with an unfavourable, or unknown image, is to build knowledge in consumers' minds to overcome this perceptual barrier (Campbell & Keller, 2003).

According to Dick *et al* (1995), familiarity with PLBs assists the consumer to consider the brand for consumption. Here, familiarity instills a sense of confidence in the consumer's inclination to select the brand (Ailawadi & Keller, 2004; Dick *et al*, 1995). This is proven by PLB prone consumers, who demonstrate significantly greater familiarity and usage experience with PLBs than those reluctant to buy them (Blattberg *et al*, 1995). Dick *et al*'s (1995) study of 1325 random shoppers found that familiarity with a brand significantly increases their propensity to seriously consider adopting it. A more recent study by Park and Lennon (2009) reflects the same sentiment.

In this section, familiarity with PLBs is conceptualised as the cohort of influences which affect consumer perceptions of PLBs outside of the store environment. These factors include Above-The-Line (ATL) or traditional advertising, word of mouth communications, as well as prior experience in using PLBs (Beneke, 2010; Kumar & Steenkamp, 2007; Steiner, 2004; Batra & Sinha, 2000). Hence, a number of environmental (out of store) influences, which consumers are routinely exposed to in their day-to-day lives, will be scrutinised.

Traditional (Above-The-Line) Advertising

Traditional, or Above-The-Line (ATL), advertising is defined as commercial messaging that is carried out through independent media, enabling an organisation to reach a wide audience (Arens *et al*, 2012). Examples of ATL advertising mediums include television, newspaper, radio and web

site banners (Arens *et al*, 2012; Jobber 1995). The terms 'traditional' and 'ATL' advertising are often used interchangeably, with the common theme being that this form of promotion is impersonal in nature (Arens *et al*, 2012; Smith & Taylor, 2004).

Advertising has long been used by businesses to attract and retain customers (Yang *et al*, 2005) and is commonly believed to positively influence brand affinity (Agrawal, 1996). These views are corroborated by Mitra and Lynch (1995), as cited in Mela *et al* (1997: 249), who claim that "advertising can decrease price elasticity by increasing the relative strength of brand preference".

According to Yang *et al* (2005), demand is created through brand awareness, facilitated by advertising. There is strong evidence, particularly in emerging markets, that smaller brands need to advertise more intensely if they aim to compete in the long run with entrenched brands (Yang *et al*, 2005). This relates to the 'Double Jeopardy' effect whereby brands which occupy a small market share inherently have low sales and are typically still in the phase of establishing widespread brand loyalty (Yang *et al*, 2005). These findings are corroborated by the study of Agrawal (1996), who found that stronger loyalty towards a brand necessitates less advertising than weaker loyalty towards a brand but that "a larger loyal segment requires more advertising than a smaller loyal segment" (Agrawal, 1996: 102). Thus, advertising is important for small enterprises and new brands to alleviate the effects of the 'Double Jeopardy' phenomenon by generating market awareness and, in turn, building sustainable brand loyalty (Yang *et al*, 2005).

This theory is aligned with literature which suggests that advertising, in certain contexts, can encourage brand switching behaviour (Yoo *et al*, 2000; Deighton *et al*, 1994). In studying breakfast cereal, Shum (2004) found that advertising psychologically lowers the switching costs of consumers, therefore opening the door to brand switching. This is due to advertising informing consumers of new or untried brands, which, in a persuasive manner, communicates that the attributes depicted in the advert are indeed factual (Shum, 2004). This provides the opportunity for market penetration of other, possibly smaller, brands through creating brand awareness and familiarity. In addition, advertising can be used to change the attitudes of consumers towards a brand, particularly in cases where the brand image is seen as unfavourable (Petty *et al*, 1983). Smith (2002) and Meenaghan (1995) support this notion by expressing that advertising has a central role to play in developing brand image, whether at the corporate, retail or product level. This theoretical underpinning surrounding strategic brand management was discussed in the first section of this chapter.

Kumar and Steenkamp (2007) highlight the importance of this form of communication in private label branding. In the case of private labels, the retailer – as brand owner and custodian – bears

full responsibility for promoting the brand and driving sales, thus it needs to implement effective advertising and positioning strategies (Rogut, 2007).

A study conducted by Cotterill and Putsis (2001) concluded that feature advertising in local media was a more effective way for PLBs to gain market share than price cuts. Concurring with this sentiment, Beneke (2010) found that media consumed within the home was amongst the most effective means of relaying PLB messaging to consumers. ATL advertising therefore appears to be an appropriate channel in communicating PLB benefits to consumers.

Word of Mouth Communication

Word of mouth has long been considered an important source of information for influencing consumers' attitudes towards products and brands, as well as playing a fundamental role in the purchasing decision process (Trusov *et al*, 2008; Brown *et al*, 2007; Christiansen & Tax, 2000; Brown & Reingen, 1987). "Most importantly, it allows consumers to exert both informational and normative influences on the product evaluations and purchase intentions of fellow consumers" (Christiansen & Tax, 2000). Arndt (1967) suggests that while mass media creates general awareness about products and brands, it is word of mouth that frequently plays a pivotal role in the final purchase decision (cited in Bayus, 1985), thus reinforcing the importance of positive word of mouth in a retailing context (Brown *et al*, 2005).

Allsop *et al* (2007) contend that word of mouth is one of the most influential channels of communication available in the market place. This is largely due to the fact that when consumers receive information about products or services from another consumer, they trust that it has passed through the individual's unbiased filter, assuming that the person is a discerning individual like themselves. The credibility of word of mouth is further enhanced by the fact that the consumer is conveying the information independent of any marketing agent in the process (Stokes & Lomax, 2002).

The contribution of technology has changed the constitution of these social networks (Trusov *et al*, 2008; Brown *et al*, 2007). Whereas word of mouth was once confined to the physical domain, online social networks have radically transformed the status quo, enabling widespread electronic transfer of information and enlarging the number of connections between people. Hedges and Chung (2009) report that online social networks such as blogs, forums, Facebook and Twitter have given consumers almost instant access to information, and that eight out of ten consumers have, at some point, relied upon such networks for information about a particular offering. This has enticed many organisations to join the conversation (Mason, 2008).

Wilson and Peterson (1989) suggest that a significant volume of research infers that word of mouth communication works best for consumers with little knowledge and/or experience in a new product category and, as such, they are more likely to be susceptible to personal advice and recommendations. This setting shares parallels with the emergence of PLBs in the South African retail sector, where such products are often shrouded in uncertainty due to limited knowledge and, in some cases, unfounded suspicions (Beneke, 2010).

Experience of using Private Label Brands

Conventional marketing theory suggests that as consumers purchase and use a product or brand, their experience of it increases, and their reluctance to re-purchase it (and similar offerings), decreases accordingly (Schiffman & Wisenblit, 2014).

Erdem and Swait (1998) advocate that experience is derived from product characteristics that are normally hidden from consumers at the point of sale. The authors delineate the concepts of 'experience' and 'search' characteristics, demonstrating the different roles played by these factors. Search characteristics refer to the tangible attributes of a product such as packaging, branding and pricing, that a consumer can substantiate by looking at the product or asking a member of the sales staff. These attributes are typically easy to compare, often without assuming the risk of buying the product. In contrast, experience characteristics are the intrinsic attributes that can only be ascertained through product use, such as taste, texture and smell (Glynn & Chen, 2009).

Erdem and Swait (1998) note that in product categories where the attributes are of the experience type (for example, the style and 'fit' of denim jeans), instead of being of the search variety (for example, the caloric content of a soft drink), a well-respected (i.e. national) brand will have a higher purchase probability because brand awareness will serve to reduce consumers' reluctance to buy such products.

Consumers are initially more sceptical of products involving a high degree of experience, as there is greater ambiguity with intrinsic attributes and therefore more uncertainty of the quality and the functionality of the product (Glynn & Chen, 2009; Erdem & Swait, 1998). In terms of FMCG merchandise, consumers prefer NBs over PLBs when the product category involves experience products and the search attributes are insufficient to distinguish the quality of the product (Glynn & Chen, 2009; Batra & Sinha, 2000). Unfortunately, PLBs tend to have inferior search attributes such as inadequate packaging and poor brand image development in comparison to NBs. Therefore, consumers are typically not able to use positive extrinsic cues to offset negative intrinsic cues, often leading to poor perception of these brands (Beneke, 2010; Glynn & Chen, 2009; Dick *et*

al, 1995; Cunningham *et al*, 1982; Bellizzi *et al*, 1981).

However, as private label manufacturers improve the quality and presentation of the merchandise, a virtuous cycle begins to form. Thus, a favourable brand image can result in trial of a product, thereby leading to experience, with the implication that consumers will re-purchase the item in due course if (s)he is indeed satisfied (Garretson *et al*, 2002; Heilman *et al*, 2000). This is being reinforced through retailer initiatives aimed at lowering the barriers of entry leading to this experience (Meza & Sudhir, 2010). Therefore, in order to stimulate trial of PLBs in South Africa, some retailers offer remedies to encourage trial and lower consumer risk. These initiatives include a 'no quibbles' money back guarantee and increased rewards linked to affinity programmes (Beneke, 2010).

2.3.1.2 In-store Extrinsic Cues

Schiffman and Wisenblit (2014) contend that consumers often judge the quality of a product or service on the basis of a variety of informational cues that they derive from the products. Cretu and Brodie (2007) substantiate this notion by expressing that certain cues, notably those factors that are immediately apparent and visible to consumers when viewing these brands, serve as powerful influences that can rival key decision influencers such as the shelf price.

Collins-Dodd and Lindley (2003) advocate the 'Cue Utilisation Theory' and point to cues that are either intrinsic or extrinsic in nature. Intrinsic cues are concerned with physical characteristics of the product itself such as ingredients, texture, smell and taste. Extrinsic cues consist of characteristics such as packaging, vicinity-based advertising and promotions, and even shelf placement. The potency of extrinsic cues, in the context of PLBs, was highlighted by Richardson *et al* (1994). In their study, the authors conducted a series of blind taste tests, revealing that perceptions of product quality were largely driven by the display of extrinsic cues rather than intrinsic cues.

Given existing consumer perceptions of private labels being of lower cost and lower quality status, together with relatively small marketing budgets, PLBs can use extrinsic cues to their advantage (Beneke, 2010; Mieres *et al*, 2006; Vahie & Paswan, 2006; Baltas, 1997). The previous section (i.e. familiarity with PLBs) considered the out-of-store influences which play a role in the formation of the PLB Image. This section considers the use of in-store extrinsic cues which may be used to position the brand accordingly. As suggested by scholars such as Bao *et al* (2011b), Collins-Dodd and Lindley (2003), Batra and Sinha (2000) and Dick *et al* (1996), product packaging, shelf

placement, as well as display and price promotions, will be examined for their contribution as in-store extrinsic cues in creating a desirable PLB Image.

Packaging

Packaging refers to the process of design, evaluation, and production of packages (Evans & Berman, 2013; Klimchuk & Krasovec, 2012; Gustafsson *et al*, 2006). Packaging and labels are used by marketers to create differentiation and an identity for their brand, as well as to encourage potential buyers to purchase the product (Silayoi & Speece, 2004; Bix *et al*, 2003; Underwood *et al*, 2001). According to Kuvykaite *et al* (2009), effective packaging attracts consumers' attention to a particular brand, enhances its image, and influences perceptions of the products. Thus, packaging performs an important role in marketing communications and should be treated as one of the more prominent factors influencing consumers' purchase decisions (Wells *et al*, 2007; de Chernatony & McDonald, 2003).

Other reasons for the prominence of packaging as a crucial communication medium are provided by Ampuero and Vila (2006: 102). These include the following:

- It reaches almost all buyers in the category
- It is present at the crucial moment when the decision to buy is made
- Buyers are actively involved with packaging as they often examine it to obtain the information they need.

One particular study reveals that nine out of ten purchasers occasionally buy on impulse, and these unplanned purchases are generally as a result of striking packages or in-store promotions (Nancarrow *et al*, 1998), therefore underscoring the need for compelling packaging.

The issue of packaging, in a private label context, has received considerable attention in the academic literature. Historically, PLBs have underinvested in packaging (Gold & Gold, 1999; Halstead & Ward, 1995), therefore creating and perpetuating a poor brand image (Beneke, 2010; Kumar & Steenkamp, 2007). However, in recent times (notably the last two decades), retailers have started to re-evaluate the importance of packaging for their PLBs in an attempt to reverse this trend (Kumar & Steenkamp, 2007; Garretson *et al*, 2002; Gold & Gold, 1999). This has led to a merging in the quality of packaging between national and private label brands (Meyers & Gertsman, 2005; Halstead & Ward, 1995).

To this end, retailers have modified their product packaging and redesigned this aspect of the offering to include the elements of colour and enticing images of the merchandise within the container (Herstein & Jaffe, 2007; Nogales & Suárez, 2005). In many cases, this has led to an appreciable increase in packaging quality, whereby some private labels are indistinguishable from NBs on the shelf (Suárez, 2005). Thus, improved packaging has helped retailers to shift (or 'upgrade') consumer perceptions away from viewing PLBs as entry-level commodities (Herstein & Tifferet, 2007; Underwood *et al*, 2001).

Shelf Space and Positioning

Amrouche and Zaccour (2007: 648) describe shelf space as "one of the retailer's most important assets". This vital resource is limited and thus allocations can provide a competitive advantage to manufacturers in brand development and revenue generation (Amrouche & Zaccour, 2007; Hwang *et al*, 2005; Suárez, 2005). From the retailer's perspective, the underlying aim of this allocation is to improve the financial performance of the store (Wiid, 2012; Buttle, 1984).

Specifically, shelf space refers to the volume allocation on the shelves, whereas product placement refers to the position that the product is displayed on the shelf (Valenzuela & Raghbir, 2009; Zimmerman *et al*, 2007; Nogales & Suárez, 2005).

According to Suárez (2005), shelf space is typically allocated to merchandise on the basis of sales. Therefore, the percentage of sales in a given category should equate to the volume of product on shelf. In a study by Curhan (1972) examining space elasticity across 500 grocery products, it was found that shelf space had an extremely strong correlation with unit sales, indicating that volume of shelf space is a clear determinant of retail success for a given brand (Curhan, 1972). In support of this, Pauwels and Srinivasan (2007), Zimmerman *et al* (2007) and Nogales and Suárez (2005) reveal that brands with increased shelf space exhibit far higher levels of visibility. According to Chandon *et al* (2009), an average brand that doubles its shelving space will achieve a 35 percent increase in re-examination and a 10 percent increase in consideration.

Conventional theory advocates a direct relationship between shelf space and the market share a product occupies, yet Suárez (2005) notes that PLBs occupy a larger amount of shelf space than market share would normally dictate. Nogales and Suárez (2005) concur, claiming shelf space allocated to private label is approximately twice that apportioned to NBs under the same circumstances. This is, in part, a result of retailers being able to implement full distribution throughout their chain of stores. This is easily achieved as retailers have control over the shelf space in-store and are incentivised to promote their own brands at the expense of NBs. Thus,

private label products may be given an advantage over rival NBs with regard to shelf space allocation.

The shelf position in which the product is displayed also has a significant effect on sales (Hwang *et al* (2004). For instance, a product which is located between eye and hand level falls within the average consumer's line of vision and, hence, raises the likelihood of the product being selected. The authors also suggest that effective positioning, such as next to the category leader, can cast the merchandise in a favourable light.

De Wulf *et al* (2005) and Suárez (2005) note that retailers purposefully allocate their private label brands in more advantageous positions on the shelves. In particular, retailers tend to place their private label brands directly to the right of the manufacturer brands they are competing with, as 90% of the population are right handed and are thus theoretically drawn to reach for the PLBs (Nogales & Suárez, 2005). This is illustrated in Figures 2.4 and 2.5, depicting the store brand (Pick n Pay No Name brand pilchards) placed to the right of a leading national brand.

Fig 2.4: Macrolevel View of Product Placement Fig 2.5: Microlevel View of Product Placement



Source: Pick n Pay (Cape Town)



Source: Pick n Pay (Cape Town)

Connected to the above, retailers are often tempted to imitate specific NBs (see earlier discussion on 'copycat' branding in section 2.2.2.3), particularly the category leaders, and then place the private label next to the popular brand to facilitate a direct comparison (Pauwels & Srinivasan, 2007; Nogales & Suárez, 2005). This strategic layout affiliation is claimed to have a positive effect on both sales and quality perception of the store's private label range.

In-store Promotions

In-store promotions are recognised as an effective tool for increasing familiarity and enhancing brand equity (Chandon *et al*, 2009; Lemon & Nowlis, 2002; Abratt & Goodey, 1990). Inman *et al* (2004) cite research by the Point-of-Purchase Advertising Institute suggesting that over two-thirds of purchase decisions are made within the store. Accordingly, manufacturers spend billions of dollars annually on in-store advertising materials. This advertising is surmised to be effective because it occurs at the final stage of the choice process – i.e. the point of purchase (Inman *et al*, 2004).

The literature suggests that in-store promotions may take the form of display promotions (including end-of-aisle stands) and price promotions (Nordfält, 2011; Pegler, 2010; Ailawadi *et al*, 2009; Bell & Ternus, 2006; Lemon & Nowlis, 2002). These activities are often decided upon at the individual store level. For example, individual outlets within a retail chain usually have some discretion over national event promotions, revamp specials and their store's birthday celebrations. Assuming this is effectively executed, these activities create a sense of belonging to the store, that improves the overall perception of the retailer's brand image (Baldauf *et al*, 2009).

As store managers are intimately aware that consumers believe PLBs to be of a lower quality than NBs, in-store promotions represent an opportunity to prove that the difference in quality between private labels and national brands may in fact be less than feared (Dick *et al*, 1996). In this respect, product profiling allows consumers to understand, and assess, the quality of products within the store, without incurring any additional cost (Baldauf *et al*, 2009).

2.3.1.3 Store Image

The characterisation of 'Brand Image' was discussed in section 2.2.1.3. Here, this concept is applied to the fascia brand of the retail chain and framed as 'Store Image'.

Ailawadi and Keller (2004) define store image as a retailer's impression in the mind of the consumer. This impression is determined by a complex combination of both functional and psychological attributes associated with the particular retailer (Ailawadi & Keller, 2004).

Indeed, defining store image entails a complexity of meanings (Burt & Carralero-Encinas, 2000). Decades ago, Martineau (1958) referred to store image as a combination of visible and intangible factors such as the 'personality' of the store. The author echoes Ailawadi and Keller's (2004) sentiments of the store image being an expression of the retailer in the shopper's mind. Berry

(1995) weighs in on the issue by illustrating store image in behavioural terms, describing this notion as a result of differential reinforcement in the context of a given set of stimuli. To this end, a multitude of authors (e.g. Hartman & Spiro 2005; Berry, 1995; Kunkel & Berry, 1968) are in agreement that store image is the culmination of ongoing reinforcement that an individual comes to associate with a given store.

According to de Giraldi *et al* (2003), consumers usually make their purchase decisions based more on the store image than on actual tangible, physical attributes. Store image therefore serves to influence the perceived quality of products that retail outlets carry and the decisions consumers make (de Giraldi *et al*, 2003).

To this end, prior research conducted within the context of grocery stores has revealed that consumers have a more positive attitude towards grocery PLBs if they have a favourable image of the particular retailer (Collins-Dodd & Lindley, 2003). Substantiating this, field experiments conducted by Richardson *et al* (1996) confirmed that store aesthetics aided in the formation of an overall perception of the retailer's private label range.

Another study, conducted by Vahie and Paswan (2006), revealed a strong relationship between store image and consumers' perception of the PLB. This is reinforced by Chowdhury *et al* (1998) in their finding that store quality, specifically, influences the consumers' view of the retailer's PLB. To this end, Vahie & Paswan (2006) recommend that emphasis be placed on operations and service excellence in order for a superior store environment to have a 'halo effect' on the PLB.

The insights discussed above are congruent with several other accounts, suggesting that ratings of PLBs are significantly higher when the store image and environment is deemed satisfactory, although the same cannot necessarily be said to be true about general merchandise i.e. NBs (Liljander *et al*, 2009; Ailawadi & Keller, 2004; Semeijn *et al*, 2004; Richardson *et al*, 1996).

2.3.2 Perceived Risks Influencing the Purchase of Private Label Brands

It has become abundantly clear that consumers proceed through different psychological processes when purchasing products. One of the elements that is referred to in scholarly literature is the perceived risk associated with purchasing PLBs (Beneke *et al*, 2012; Liljander *et al*, 2009; Mieres *et al*, 2005; Batra & Sinha, 2000). Schiffman and Wisenblit (2014) define perceived risk as "the uncertainty that consumers face when they cannot foresee the consequences of their purchase decisions", highlighting the negative influence that may result from a poor decision. Perceived risks are important as they have the ability to drastically affect consumer behaviour in terms of purchasing premium PLBs (Glynn & Chen, 2009; Richardson *et al*, 1996; Erdem *et al*, 2004). The

ensuing discussion seeks to analyse the various types of perceived risks and the impact that this may have on the consumer's purchasing behaviour of PLBs.

Traditionally, PLBs carried the stigma of substandard quality when compared to NBs (Beneke, 2010; Mieres *et al*, 2005). However, over the past two decades, a dramatic improvement of PLBs in terms of perceived image and quality has become evident (Au-Yeung & Lu, 2009; De Wulf *et al*, 2005; Dick *et al*, 1995; Fitzell, 1992). Nonetheless, it would appear that many consumers still associate PLBs with substandard quality and believe these to be second rate alternatives. This inferiority largely stems from consumers' perceived risks associated with PLBs. Previous studies consistently reveal that greater perceived risk translates directly into lower proneness (i.e. willingness) to purchase PLBs (Glynn & Chen, 2009; Erdem *et al*; 2004; Richardson *et al*, 1996; Dunn *et al*, 1986). Mitchell (1998) advocates that a retailer that can offer the lowest-risk products and stores, and has a deep understanding of the constitution of risk perception and remedies thereof, will achieve a substantial competitive advantage.

The literature strongly suggests that perceived risk is a 'multidimensional phenomena' which can be segmented into various components. Schiffman and Wisenblit (2014), Mitchell (1999), Shimp and Bearden (1982), Peter and Tarpey (1975) and Jacoby and Kaplan (1972) promote the notion that five recognised types of perceived risk exist, namely: functional/performance, physical, financial, social and psychological. Schiffman and Wisenblit (2014), Mitchell (1999) and Peter and Tarpey (1975) suggest a sixth: time risk. This categorisation is depicted in Table 2.2. It is argued that several different types exist, in different intensities, because risks vary across product categories and buying circumstances (Laforet, 2007; Statt, 1997).

Table 2.2: Conceptualisation of Different Dimensions of Perceived Risks

Srivastava and Sharma	Schiffman and Wisenblit	Mitchell	Shimp and Bearden	Peter and Tarpey	Jacoby and Kaplan
Performance	Functional	Aggregated	Performance	Performance	Performance
-	Physical	Physical	Physical	Physical	Physical
Financial	Financial	Financial	Financial	Financial	Financial
-	Social	Psycho-Social	Social	Social	Social
Psychological	Psychological	Psycho-Social	Psychological	Psychological	Psychological
-	Time	Time		Time	-

Adapted from Schiffman and Wisenblit (2014), Srivastava and Sharma (2011), Mitchell (1999), Shimp and Bearden (1982), Peter and Tarpey (1975) and Jacoby and Kaplan (1972)

Functional risk is described as the uncertainty that the outcome of a product purchase will not meet consumer expectations (Agarwal & Teas, 2001; Shimp & Bearden, 1982; Horton, 1976). It may also be expressed as a performance risk as it demonstrates the consumer's fear that a product will not perform to its promised abilities. By implication, this risk specifically illustrates a customer's suspicions of the quality of the product, and whether it can be relied upon and trusted to operate accordingly (D'Alessandro *et al*, 2012; Mieres *et al*, 2005; Mitchell, 1998).

Mieres *et al* (2006) report that PLBs are perceived to be considerably more risky than NBs, largely due to uncertain functional performance. Liljander *et al* (2009) concur, stating that consumers draw cues from handiwork, material and designs. If these are deemed to be of inferior quality, the assumption may be reached that the product will not perform according to expectation.

Product complexity has been shown to be correlated with functional risk. A study undertaken by Semeijn *et al* (2004) discovered that the more challenging it was for a manufacturer to produce a PLB, the more negatively a consumer would perceive this to be. A perfect example being fine wine (Bruwer *et al*, 2013).

Financial risk may be defined as the possibility of a monetary loss from a poor purchase choice/decision (Zielke & Dobbstein, 2007; Grewal *et al*, 1994). This definition can, however, be extended to include the risk that the product's quality does not match its price tag (Schiffman & Wisenblit, 2014; Mitchell, 1998), or that may be available at a cheaper price through another channel (Lu *et al*, 2005). Financial risk is a component of a product's (or service's) expected performance, thus it is a non-personal risk (Sweeney *et al*, 1999).

Research by Mieres *et al* (2006) suggests that financial risk has a significant negative effect on consumers' PLB purchase propensity as well as future purchase intention. Furthermore, financial risk depends on the price levels of the product category. In this respect, it tends to be higher for more expensive and higher involvement categories (such as premium wine), and lower for cheaper and lower involvement categories (such as cooking oil or butter) (Bruwer *et al*, 2013; Srivastava & Sharma, 2011; Zielke & Dobbstein, 2007; Sethuraman & Cole, 1999).

A possible perceived loss of image or status through the purchase of a particular brand or product is referred to as social risk (Zielke & Dobbstein, 2007). *Social risk* is also defined as the extent to which a customer believes that (s)he will be "negatively evaluated due to his/her product (brand) choice" (Semeijn *et al*, 2004: 8). Social risk is an important element of perceived risk as it takes into account how society influences a consumer's decision.

Zielke and Dobbstein (2007) found that different product categories possess varying degrees of social risk. For example, laundry detergent, shampoo and butter were found to entail relatively low social risk, whilst potato chips and sparkling wine were found to entail relatively high social risk. Similarly, Mieres *et al* (2006) found that when considering products such as kitchen rolls, shampoo, toasted bread and canned fish, customers were prone to purchasing PLBs as these products were not used in a social setting and, hence, had little impact on their social status. In product categories where risk of public exposure of the product is an important issue, a NB will outperform a PLB (Semeijn *et al*, 2004).

Physical risk relates to the extent to which the product may physically harm the consumer (Schiffman & Wisenblit, 2014; Mieres *et al*, 2005). As above, this also varies between product categories (Hornibrook *et al*, 2005). Food poisoning, for example, has the potential to kill consumers, whereas a clothing defect may only reduce its value.

Time risk involves the possible loss of convenience or time associated with the unsatisfactory delivery of a service or condition of a product (Schiffman & Wisenblit, 2014; Dholakia, 2001; Mitra *et al*, 1999). In a fast paced world, time risk can have a significant impact on buying situations (Mitchell, 1998), particularly in instances where the consumer is pressed for time.

Psychological risk may be defined as a consumer's disappointment in making a poor product or service selection (Ueltschy *et al*, 2004) or the "anxiety and psychological discomfort" arising from such a purchase (Srivastava & Sharma, 2011: 416). Social and psychological risks are, at times, combined and referred to as psychosocial risk. The reason for this is that in the case of low involvement and low value purchases, consumers actually struggle to distinguish between the two types of risk (Mitchell, 1998).

As alluded to above, risk intensity can vary across product categories (Mieres *et al*, 2006; Mitchell, 1998; Zielke and Dobbstein, 2007). This suggests that categories of merchandise should ideally be analysed separately so as not to intertwine and confuse the respective risk profiles.

2.3.3 Loyalty to National Brands as a Barrier to Adoption of Private Labels

As discussed in section two, loyalty is one of the fundamental concepts in brand management and consumer behaviour theory (Schiffman & Wisenblit, 2014; Nguyen *et al*, 2011; Kim *et al*, 2008; Jensen & Hansen, 2006). Brand loyalty has been defined both conceptually and operationally. On a conceptual level, the definitions of brand loyalty are predominantly described in abstract and philosophical terms, whilst on an operational level, definitions of brand loyalty focus on how to

effectively measure this phenomenon by detailing specific measures (Von Riesen & Herndon, 2011; Mellens *et al*, 1996).

Oliver (2010; 1997) is one of the seminal authors in terms of exploring brand loyalty. He described this phenomenon as “a deeply held commitment to re-buy or re-patronise a preferred product/service consistency in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour” (Oliver, 1997: 392). This view is shared by Tucker (1964) who defined brand loyalty as a “biased choice behaviour with respect to branded merchandise” (Tucker, 1964: 32). He characterised brand loyalty as a function of the regularity with which a brand has been chosen in the past, as well as the utility and benefit of the product involved (Tucker, 1964).

Brand loyalty is of fundamental importance to marketing processes owing to its ability to influence long-term success of the brand (Von Riesen & Herndon, 2011; Kim *et al*, 2008; Assael, 1998). In this respect, brand loyalty has positive effects for both consumers and organisations. From a consumer perspective, it has been reported that brand loyalty serves the role of reducing the complexity of the purchase decision-making process by removing a degree of uncertainty attached to the purchase (Matzler *et al*, 2008; Gounaris & Stathakopoulos, 2004; Chaudhuri & Holbrook, 2001; Knox & Walker, 2001; Tucker, 1964).

If a consumer is brand loyal, this necessitates a level of trust, thereby reducing the risk associated with every purchase (Matzler *et al*, 2008; Chaudhuri & Holbrook, 2001). In turn, this reduces the likelihood of post-purchase dissonance i.e. the consumer being dissatisfied with his/her purchase. Emerging market consumers, in particular, exhibit lower levels of disposable income, thus continually seeking means to minimise the risk associated with purchases (Enderwick, 2012; Nguyen *et al*, 2011; Burgess & Steenkamp, 2006).

As discussed in the preceding section, PLBs are particularly prone to perceived risk. This poses a barrier to the adoption of such brands. Connected to this is the loyalty accrued towards entrenched NBs, which have typically been consumed over the course of multiple generations within a family or community. These brands are invariably implicitly trusted and ingrained within the psyche of individuals so as to create routinised response behaviour, resulting in competing brands being given only marginal consideration (Beneke, 2010; Ailawadi *et al*, 2008; Bonfrer & Chintagunta, 2004; Garretson *et al*, 2002; Corstjens & Lal, 2000; Quelch & Harding, 1996). In this respect, the perceived risks attached to NBs are deemed to be considerably lower, and brand loyalty subsequently much stronger (De Wulf *et al*, 2005; Ailawadi *et al*, 2001; Sethuraman & Cole, 1999; Steenkamp & Dekiempe, 1997).

As conceptualised by scholars such as Lee and Back (2009), Grzeskowiak and Sirgy (2007), as well as Aydin *et al* (2005), pre-existing brand loyalty (towards NBs) has been recognised for its inhibition effect in the evaluation of alternate brands and thus used as a moderating variable in consumer behaviour path models. In this study, the effect of loyalty to established NBs will be incorporated into the conceptual model as an impediment to the adoption of PLBs.

2.3.4 Summation of the Contributory Factors in the PLB Adoption Process

This section addressed a multitude of issues. At the outset, the composition of private label brand image was delineated. This was defined as the compilation of familiarity with PLBs (acquired through, *inter alia*, traditional advertising, word of mouth communications, and brand usage experience), in-store extrinsic cues (such as packaging, shelf positioning/placement and merchandise displays), as well as store image and atmosphere. These were argued to be the 'pull' factors in enticing consumers to embrace PLBs. On the other hand, two noteworthy 'push' factors were profiled. These were the perceived risks in purchasing PLBs. Specific reference was drawn to the functional (performance) and financial (monetary) risks inherent in this process. In order to alleviate this fear, retailers have adopted remedies to ameliorate such risks by using persuasive communications, money-back guarantees, etcetera. Lastly, loyalty to entrenched national brands was raised. This, too, acts as a significant impediment to the adoption of PLBs due to the prevalence of habitual purchasing behaviour providing a momentum in favour of the sale of NBs. Retailers are therefore constantly challenged with the prospect of altering consumer mindsets in order to reduce the barriers to entry for consumers to switch to their private label range.

The following section provides the scientific underpinning of the model by considering the formulation of perceived product value as a function of three frequently cited antecedents. These relationships comprise the core of the conceptual model and represent crucial cognitive stepping stones in deciphering how consumers interpret a given brand's value proposition. These findings may ultimately shed insights on where ground is won and lost in the battle of private labels.

2.4 PERCEIVED VALUE AS A FUNCTION OF QUALITY, RISK AND PRICE

As noted above, this section endeavours to reach a consensus apropos the derivation of perceived value by considering and examining the relationship between this construct and those of perceived quality, perceived risk and perceived price. Furthermore, the interrelations between these constructs will be explored so as to develop a holistic view of the interaction effects in this context. This will be used as the foundation of the comprehensive conceptual model introduced in Chapter Three.

2.4.1 Perceived Value

Value appears to be a complex, and somewhat subjective, concept that may assume varying interpretations in different settings and amongst different audiences.

Several authors support this notion. For example, Chang and Dibb (2012), Sánchez-Fernández and Iniesta-Bonillo (2007), Day (2002) and Patterson and Spreng (1997) assert that value is an abstract concept with meanings that may change from context to context. Likewise, Huber *et al* (2001) note the concept tends to be complicated by numerous interpretations, biases and emphases.

Other authors point to the fact that it is difficult to pin down a specific definition of value because it is a dynamic and elusive construct that is prone to morphing over a period of time (Khalifa, 2004; de Chernatony *et al*, 2000; Woodruff, 1997; Jaworski & Kohli, 1993; Zeithaml, 1988; Stephens *et al*, 1987). Likewise, Day (2002) argues that although it is believed to be pivotal to core decision making, a thorough understanding of the concept and its role remains on the agenda.

Scholars such as Hu *et al* (2009), Gallarza and Saura (2006), Lusch and Vargo (2006), Snoj *et al*, (2004), Petrick (2002), McLeon (2002) and Parasuraman (1997), whilst acknowledging the vague nature of the concept portrayed in the literature, nonetheless highlight that a deeper understanding of perceived value is essential to determine how customers will react in a competitive setting. This alludes to the importance of perceived value in a range of different contexts, including the private label environment.

At an elementary level, value is argued to be a function of price and quality. Early researchers in the field, such as Zeithaml (1988) and Buzzell and Gale (1987), classified value as the quality of the product, less the direct costs incurred. However, costs were only conceptualised in monetary terms. Later researchers, such as Heskett *et al* (1997), introduced a broader perspective by considering not only technical quality but also the customer's interpretation of quality. The following equation (below) was developed to crystallise the function of value.

$$\text{Value} = (\text{Results} + \text{Process Quality}) / (\text{Price} + \text{Customer Access Costs})$$

In Heskett *et al*'s (1997) equation, results refer to the entire range of benefits extracted by the customer, whilst process quality refers to the means as to how this is received. Price is considered to be the financial sacrifice made by the customer. Access costs encapsulate all the non-monetary sacrifices such as the time, energy and effort that is undertaken to acquire the product or service on offer.

These sentiments are echoed by scholars such as Hu *et al* (1999), Raval and Grönroos (1996) and Sweeney and Soutar (2001) in their general consideration of what the purchaser has to forfeit in order to accrue the benefit of the product or service. This trade-off is therefore integral to the understanding of perceived value, with the underlying reasoning being that customers intend to reduce the input, and increase the output, in order to maximise their value attained (Chang & Dibb, 2012; Strydom & Petzer, 2010; Monroe, 2002). This is addressed in further detail below.

The common thread running through the multitude of perceived value conceptualisations is the trade-off between the 'get' (what the customer receives) and 'give' (what the customer parts with) components. Expressed more formally, the components of customer perceived product value may be characterised as the perceived costs and benefits in obtaining and then utilising the particular offering (Yang & Peterson, 2004). Ulaga and Chacour (2001: 528) define perceived benefits as "a combination of physical attributes, service attributes, and technical support available in relation to a particular use situation" while Zeithaml (1988: 14) speaks of perceived benefits as the "salient intrinsic attributes, extrinsic attributes, perceived quality, and other relevant high level abstractions".

The perceived costs, though often defined in monetary terms, also include other critical factors such as time or energy consumption, in addition to the stress which may be experienced in obtaining and/or utilising the product (Yang & Peterson, 2004). The factors which characterise these perceived costs have differential effects on a customer's perceived product value. For certain individuals, situations which decrease monetary sacrifice will increase the perceived value of the product, whereas consumers who are less price-conscious may see a product's perceived value increase due to factors such as convenience or relative ease of use (Zeithaml, 1988).

2.4.2 Perceived Price

2.4.2.1 Overview of Perceived Price

Pioneering research into the relationship between price and value was spearheaded by Zeithaml (1988). She found that certain customers rank monetary costs (a proxy for price) as their chief concern. Furthermore, Zeithaml (1988) found that customers were inclined to implement various remedies to reduce this outlay, including redeeming coupons, travelling long distances to stores which offered a more favourable price, as well as spending time researching where they could find improved deals.

Jin and Sternquist (2003) found the perception of price to be significant when making a purchase decision. They explain that price represents an extrinsic cue and offers one of the most important forms of information available to customers when making a purchase.

According to Dickson and Sawyer (1990), consumers may be assumed to have some knowledge of the price points of competing products, particularly when present at the point of purchase (Dickson & Sawyer, 1990). This gives rise to the notion of relative price, whereby a consumer is prompted to consider the price of a particular product, at a point of time, in relation to the price of similar offerings. Thus, prices may be judged subjectively and comparatively, as opposed to in isolation.

2.4.2.2 The Interaction Effect between Perceived Price and Perceived Value

Grewal *et al* (1998b), Bishop (1984), Hoffman (1984), Schechter (1984) and Zeithaml (1988), in investigating the relationship between price and value, discovered that a lower price equated to greater perceived value. In particular, Zeithaml (1988) found that consumers' sacrifice in terms of price was most relevant to their perceptions of value.

The findings of Lichtenstein *et al* (1993) are also worthy of mention. These advocate the notion that the price cue is likely to be multifaceted, thus taking on a negative or positive role in the consumer decision making process. As a result, price can assist or hinder the possibility of purchase. Dickson and Sawyer (1990) concur by adding that consumers are most heterogeneous in their reaction to price. Most consumers perceive a high price as giving up more resources for the product. As a result, a high price plays a negative role in the consumer decision making process, implying that a higher price is inversely related to purchase intent (Dickson & Sawyer, 1990). Other consumers may make the inference that a high price represents better quality, prestige and value. In this case, a high price positively affects the consumer decision making process, implying that higher price is directly related to purchase intent (Dickson and Sawyer, 1990). However, a warning is sounded by Grewal *et al* (1998b) and Rys *et al* (1987), who believe that the value measurement should never be assumed for the quantification of pricing reactions.

According to authors such as Sweeney *et al* (1999), Dickson and Sawyer (1986), Zeithaml *et al* (1985) and Helson (1964), customers do not always remember the actual prices of products. Furthermore, customers tend to reference prices in ways that are significant to them in order to arrive at a perception of value. For example, customers may base evaluation on the image presented by a particular brand (Dickson & Sawyer, 1986; Zeithaml *et al*, 1985). As such, perceived relative price is used in some studies to benchmark prices (in subjective form) against one another.

In summation, the overriding sentiment appears to be that a higher price erodes purchasing power and therefore has a detrimental effect on perceived value.

Hence, a direct negative relationship appears to exist between perceived price and perceived value.

Though price is fundamentally involved in any purchase, evidence suggests that it is fallacious to assume that this is always the chief antecedent of a customer's perceived value, and consequently, his/her willingness to buy. Thus, some researchers argue that perceived price, in isolation, is relatively insignificant when compared to other facets such as perceived quality. In further exploring the broader influences of perceived value, perceived quality will be brought to the fore in the following section.

2.4.3 Perceived Quality

2.4.3.1 Overview of Perceived Quality

Whilst the concept of quality was originally grounded in the field of manufacturing (Deming, 1986; Garvin, 1983), it has emerged during the previous three decades as an important consideration in the field of marketing (Chang & Dibb, 2012; Nguyen *et al*, 2011). Yet, according to Chowdhury and Andaleeb (2007) and Parasuraman *et al* (1985), the concept is somewhat difficult to specify – quality may indeed be in the eye of the beholder. Nonetheless, its importance to firms and customers remains paramount.

Perceived quality is inherently attached to the nature of the consumer offering. Deming (1986) demonstrated that quality was not solely a factory induced phenomenon, but rather something which could be instilled in a product throughout the firm. If successfully achieved, this could lead to increased market share and enhanced profitability (Nguyen *et al*, 2011). Crucially, Deming (1986), in conjunction with other authors such as Bergman and Klefsjö (2003) and Eriksson *et al* (1999), highlighted that quality should be focused on meeting the needs of the customer base and management efforts should therefore be honed on achieving customer satisfaction as opposed to mere technical quality.

Rowley (1998) clarifies that perceived quality is defined as the consumer's judgement about an entity's overall excellence or superiority, whereas this differs from objective quality which narrows in on an aspect or feature of the product. Thus, perceived quality relates to a customer's attitude towards the overall brand experience as opposed to merely a product's particular characteristics (Tsiotsou, 2005; Zeithaml, 1988; Olshavsky, 1985). In this respect, perceived quality may be seen

as an intangible view of a brand, which is based on certain product attributes such as performance and reliability (Bendixen *et al*, 2004; Aaker, 1996).

2.4.3.2 The Interaction Effect between Perceived Quality and Perceived Value

Despite a wealth of literature discussing the nature of perceived value, it has been identified that there is difficulty in distinguishing between perceived quality and perceived value, with many academics and practitioners equating these two concepts and even using them interchangeably (Snoj *et al*, 2004; Caruana *et al*, 2000; Crosby, 1979). However, Zeithaml (1988) used exploratory research to determine that there is a distinct difference between these two constructs and that perceived product quality and perceived product value are actually related. Multiple studies concur with Zeithaml (1988) in uncovering a correlation between perceived product quality and perceived value, including Snoj *et al* (2004), Cronin *et al* (2000), Sweeney *et al* (1999), Rangaswamy *et al* (1993) and Dodds *et al* (1991). Similar studies, such as those conducted by Beneke *et al* (2013), Garretson *et al* (2002), Grewal *et al* (1998a), Richardson *et al* (1994), Wilensky (1994) and Hoch and Banerji (1993), have confirmed this phenomenon in the context of PLBs.

Regarding the interrelationships between perceived value and the various proxies, the general consensus is that perceived product quality is causally correlated with perceived product value (Hu *et al*, 2009; Snoj *et al*, 2004; Chen & Dubinsky, 2003; Cronin *et al*, 2000).

Hence, a direct positive relationship appears to exist between perceived quality and perceived value.

The combination of effects between perceived quality, perceived price and perceived value is discussed below.

2.4.3.3 The Interaction Effect between Perceived Quality and Perceived Price

In addition to the relationship between perceived quality and perceived value, Monroe (2002) describes the interaction effect of perceived quality and perceived price, deeming these to be positively correlated. A plethora of applied studies have served to confirm this effect (Ding *et al*, 2010; Tsao, 2005; Gerstner, 1985; Monroe & Krishnan, 1985; Etgar & Malhotra, 1981; Jacoby & Olson, 1977; Shapiro, 1973; Lambert, 1972), suggesting that customers use price as an indication of the product quality when making a purchase decision.

Hence, a direct positive relationship appears to exist between perceived quality and perceived value.

In contrast, some studies have shown the relationship between price and quality to be insignificant or even negative. However, where this association does exist, the interaction cannot be generalised across product categories (Gerstner, 1985; Peterson & Wilson, 1985; Geistfeld, 1982; Riesz, 1979; Jacoby, Olson & Haddock, 1971; Morris & Bronson, 1969; Oxenfeldt, 1950). Zeithaml (1988) agrees, suggesting that there is no foregone conclusion that there is indeed an unconditional correlation between perceived price and perceived quality. Such findings are corroborated by those of previous studies (e.g. Szybillo & Jacoby, 1974 and Jacoby *et al*, 1971).

In an attempt to further explain this conundrum, Bettman *et al* (1986) found that this relationship was influenced by three factors – interpersonal differences reflecting subjectivity of assessment, the accessibility of information to customers, and the product category itself.

Yet, on the balance of probabilities, the evidence overwhelmingly suggests that there is indeed a functional relationship between perceived price and perceived quality. Pairing this relationship with the preceding discussion, it is clear that a mediation function might exist (i.e. perceived price → perceived quality → perceived value).

Hence, perceived quality appears to act as a mediator in the relationship between perceived price and perceived value.

Following the analysis of perceived price and perceived quality, the final pertinent antecedent to be evaluated in this chapter is that of perceived risk. Its relevance and influence on perceived value is evidenced below.

2.4.4 Perceived Risk

2.4.4.1 Overview of Perceived Risk

Perceived risk, and the application of such to PLBs, was initially addressed in section 2.3.2 earlier in this chapter. In the ensuing discussion, perceived risk is reintroduced and characterised as the consumer fear of unintended consequences or an unexpected loss in purchasing a product/service.

As cited widely throughout the literature, perceived risk has been found to have a direct and indirect influence on consumers' perception of value (Beneke *et al*, 2013; Batra & Sinha, 2000; Sweeney *et al*, 1999; Narasimhan & Wilcox, 1998; Wind & Thomas, 1980). This is largely attributable to the sense of loss that consumers fear when perceived risk is heightened. Thus, when perceived risk increases, so too does perceived value decrease (and vice-versa).

Hence, a direct negative relationship appears to exist between perceived risk and perceived value.

The combination of effects between perceived risk, perceived quality and perceived value is discussed below.

2.4.4.2 The Interaction Effect between Perceived Risk and Perceived Quality

In addition to the relationship hypothesised between perceived risk and perceived value, Batra and Sinha (2000) found there to be another element of uncertainty in the consumer's mind, namely quality variability. This suggests that the degree of perceived quality variability is important as it is this variability that creates greater uncertainty, doubt and hence higher perceived risk (Batra & Sinha, 2000). Hoch and Banerji (1993) support this view by stating that the consumption of PLBs in a retail store context was lower in categories where high quality variability existed. These findings postulate that there could be a possible relationship between perceived risk and perceived quality in arriving at a conceptualisation of product value.

Past research has indicated that customers depend on perceptions of quality to form perceptions about risks (Bearden & Shimp, 1982). Several authors have confirmed the validity of this relationship, strongly suggesting that perceived quality is causally correlated – in a negative orientation – with perceived risk (Beneke *et al*, 2013; Sweeney *et al*, 1999; Tan, 1999; Hawes & Lumpkin, 1986; Settle & Alreck, 1989; Bettman, 1973)

Hence, a direct negative relationship appears to exist between perceived quality and perceived risk.

In addition to the above, customer value perceptions have been seen in many cases to involve a trade-off between perceived quality and perceived risk (Argawal & Teas, 2001; Dodds *et al*, 1991; Zeithaml, 1988; Hauser & Urban, 1986). As highlighted above, Argawal and Teas (2001) further this theory by stating that perceived quality has a positive relationship with perceived value and that perceived risk has a negative relationship with perceived value. In the case of PLBs, Richardson *et al* (1996) found that perceived quality variation caused a reduction in perceived value, both directly and through perceived risk. As a consequence, reduced PLB proneness was observed. Similarly, Snoj *et al* (2004) concluded from their study that perceived product quality has a weaker influence on perceived product value when measured directly, compared to when perceived risk is included in the model. Empirical evidence therefore exists to suggest that perceived risk may perform a mediation effect between the constructs of perceived quality and perceived value (i.e. perceived quality → perceived risk → perceived value).

Hence, perceived risk appears to act as a mediator in the relationship between perceived quality and perceived value.

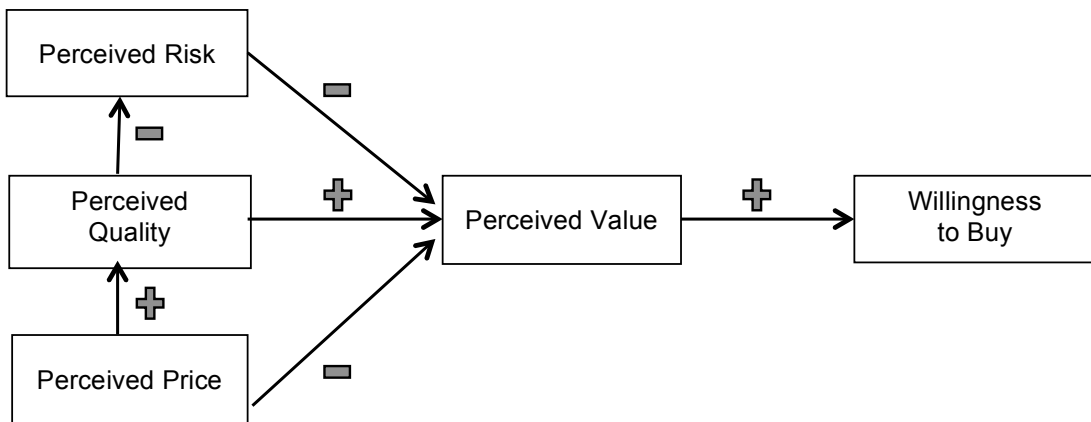
In order to highlight the interrelationships of the constructs discussed in this literature review, a graphical representation in the form of a conceptual framework is presented in Figure 2.6. The framework displays both the nature and direction of the hypothesised relationships between constructs, thus providing an overarching visual depiction of the core constructs that will be tested in the empirical component of this study and the manner in which they interact with each other.

2.4.5 Conceptual Framework for the Antecedents of Perceived Value

Figure 2.6 represents a visual summation of the interrelationships discussed in this section. The three constructs of perceived product quality, perceived price and perceived risk are shown as antecedents of the outcome perceived value.

The arrows are used to represent the presence of a relationship between the respective constructs, whilst the sign thereof signifies whether a positive or negative correlation exists.

Figure 2.6: A Visual Summation of the Core Relationships under Investigation



Adapted from Kwun and Oh (2008); Snoj *et al* (2004); Agarwal & Teas (2001); Sweeney *et al* (1999); Dodds *et al* (1991); Zeithaml (1988)

This framework proposes that perceived quality has a positive influence on perceived value. However, both perceived price and perceived risk negatively influence perceived value. The direct relationships between the antecedents of perceived price and perceived quality (positive) and perceived quality and perceived risk (negative) are also integrated into the framework.

2.4.6 Summation of the Derivation of Perceived Value

There is general consensus in the literature that customer perceived value is arguably one of the most critical determinants of purchase intent and, consequently, one's willingness to buy. This chapter attempts to create a holistic view of perceived value through a consideration of the multitude of influences associated with the construct, including perceived quality, perceived price and perceived value. Based on the findings in the literature, a framework was constructed to link together the various constructs discussed. Five direct relationships are envisaged and two mediation functions are thought to exist. This forms the basis on which PLB purchasing intent is derived in the proceeding chapters.

2.5 A NON-TRADITIONAL VIEW OF BRAND BUILDING

Sharp (2011), in his provocative book entitled "*How brands grow: What Marketers don't know*", provides a contrasting view to many of the assertions in the literature reviewed above. For example, Sharp (2011) takes issue with the traditional scholarly approach to studying brands, challenging conventional wisdom such as the development of consumer-brand relationships, segmentation analysis, the notion of absolute brand commitment and loyalty, etcetera. Instead, he asserts that a somewhat more fundamental approach to brand management is desirable.

In challenging marketing orthodoxy, Sharp's rules for optimising brand growth include placing an emphasis on route to market and adequate communication with customers, repetition of messaging to refresh and rebuild memory structures, being consistent but standing out from the crowd, as well as staying competitive and not alienating consumers in any manner (Sharp, 2011).

The research by Sharp (2011) would undoubtedly resonate with many South African consumers who are au fait with brands making promises but not achieving the basics such as maintaining stock availability, delivering competitive pricing, etcetera.

This divergence in perspectives stems from the fact that a considerable amount of branding theory has been proposed in developed markets and therefore often misses the nuances inherent within emerging markets such as South Africa. Whilst the majority of scholarly literature appears to have a strong scientific basis, the operational aspects of brand management, and realities on the ground, are often sacrificed at the altar of progressive theory building.

Inter alia, the following factors are likely to be of prominence in perpetuating the disparity between marketing orthodoxy and day-to-day retail management:

Transient brand loyalty: Due to fluctuating disposable income levels, brand loyalty may peak or wane, depending on the time of the month. For example, UISM (2012) suggests that subsequent to pay-day at the end of the month, mainstream brands are favoured. However, by mid-month, when funds are in short supply, budget brands are once again brought into the reckoning.

Brand preference nullified by location: Many South African consumers are restrained in their access to mainstream supermarket stores, instead needing to shop at local informal traders such as spaza stores (Beneke, 2010). These small-scale stores offer very limited stock availability and tend to sell poor quality merchandise, thereby eliminating a large degree of consumer choice. Moreover, in-store factors such shelf placement and positioning largely become a moot point within this informal retailing environment.

Premium brand image: Brands may serve to alienate customers by appearing sophisticated and, by implication, expensive. A marketer's view of a desirable brand image may therefore correlate with negative consumer perceptions of affordability. In a country such as South Africa, with traditionally price conscious consumers, an enticing brand image may actually serve to hinder sales of such merchandise.

Packaging limitations: Literacy rates are typically poor in many rural and peri-urban areas of South Africa (World Bank, 2014). Thus, marketing communications embedded within the packaging may effectively be lost on much of the customer base. Aggravating this situation is that South Africa has 11 official languages and English is not widely practiced outside of suburban areas. At best, this can lead to cluttered product packaging and, at worst, can result in incomprehensible marketing messages on the package.

Assessment of PLB quality may be unattainable: Marketing and economic theory generally assumes that consumers are inherently rational in their behaviour, yet consumers may seemingly behave in irrational ways. For example, PLBs, whilst although offering good value, may be automatically dismissed due to consumers' lack of knowledge and/or experience in using these products. Combined with limited accessibility to this merchandise, consumers may be deemed to shun such merchandise when, in fact, they have little conceptualisation thereof, or even opportunity to buy. Thus, mediocre penetration levels may reflect poorly on product status and development when, in reality, perceived quality has very minimal impact on the buying process.

These actualities allude to a chasm between the marketing and branding practices within different economies. Whilst there are certainly a significant number of parallels, additional complications are likely to arise in the context of emerging markets. Conventional brand theory may therefore be of limited use in certain regions of the world where infrastructure, disposable income and educational levels, as well as different consumer psyches, have a material effect on consumer response to marketing stimuli.

2.6 HIGHLIGHTED AREAS FOR FURTHER RESEARCH

Based on the literature review documented within this chapter, it is apparent that there are numerous noteworthy gaps in the extant literature which merit further investigation.

In the first instance, there is a heavy bias of private label literature in favour of developed markets, especially countries where private label penetration is particularly high (e.g. United Kingdom, Spain and Switzerland). This is somewhat intuitive as such markets provide revealing insights into why PLBs have flourished, achieving higher levels of awareness, growth and dominance than the international norm. However, markets where private label adoption has remained sluggish may also shed useful insights. Unfortunately, these have not been subject to the same amount of scrutiny and, to date, have failed to receive similar levels of academic attention. To this end, it is argued that scholarly research is merited in other regions of the world so as to expand the literature base and encourage the exposure of perspectives from further afield. In assuming this challenge, this thesis shines a spotlight on South Africa in order to understand the cognitive influences governing private label merchandise sales.

Second, there is a dearth of recent literature focusing on the antecedents of perceived value of private label brands. This work was set in motion in the nineties by Sweeney *et al* (1999), Baltas (1997), Richardson *et al* (1994) and others. However, few studies have been published in this regard in the past decade. Whilst private label success has been explored in other noteworthy aspects (e.g. income and demographic determinants of success, retail structure and economic cycles, etcetera), research is sorely lacking from a consumer-perceived value orientation. As value is deemed pivotal to business-to-consumer transactions in FMCG markets, exploring how consumers derive a notion of perceived value and act upon this is crucial to exploring the trade of various types of merchandise. An analysis of the formation of perceived value, and its role in the buying process, is very much at the heart of this study, with perceived value, as a construct, representing the centre-piece in the conceptual model illustrating the cognitive stream.

Third, in a South African context, that posits the fascinating case of a first world retail sector embedded within an emerging market economy, this dynamic environment, giving rise to a mass of retail transactions, has remained relatively under-explored from a conceptual point of view. Further to this, the primary focus of retail research within South Africa has centred on consumer satisfaction studies and understanding buying patterns exhibited by the emerging black middle class. As such, private label research has historically been neglected to a large degree. This study represents an opportunity to supplement the literature base by delving into the 'push' and 'pull' factors driving the sale of PLBs in this retail context. Moreover, it is anticipated that the results of this thesis will provide an indication to retail practitioners within South Africa where ground is being won and lost in the battle of PLB proliferation.

Hence, in keeping with section 1.5 of Chapter One, this thesis 'plugs' a gap in the literature by using a three-hold approach:

- (a) Expanding private label research from a predominantly European and North American domain into an emerging market context, thus widening the conceptual base of scholarly literature;
- (b) Focusing on a noteworthy, yet recently neglected, field of enquiry - that of perceived value formation and its application to PLB purchasing decisions
- (c) Zoning in on an under-investigated geographic region, that of South Africa, to improve understanding of the dynamics and rationale behind purchasing of FMCG merchandise, with a specific focus on PLBs.

2.7 CONCLUSION

This chapter touched on a number of pivotal themes prevalent in the extant literature. This included the distinction and hierarchy between PLBs and NBs, the virtues of selling private labels, the determinants of brand image, impediments in the adoption process, and the means through which consumers derive a value proposition in their minds. Chapter Three provides a collation and synopsis of the literature in the form of a literature synthesis. In this process, numerous underlying causal relationships are extracted and integrated with a conceptual model. This is postulated in an attempt to advance scholarly understanding of how consumers of private labels formulate a notion of perceived value, with due consideration given to the driving and inhibiting forces influencing their purchasing behaviour of such merchandise.

CHAPTER THREE: LITERATURE SYNTHESIS

3.1 INTRODUCTION

Chapter Two contained the literature review component of this thesis, discussing numerous issues related to the retail environment and purchasing behaviour of PLBs. Inter alia, these issues included the constitution of such brands and the resulting benefits afforded to both consumers and retailers, the 'push' and 'pull' factors in the cognitive stream, as well as a conceptual overview of the factors influencing a consumer's perception of product value. This chapter synthesises this content and, thereafter, presents a comprehensive conceptual model developed for empirical testing.

3.2 SYNTHESIS OF THE LITERATURE

The literature synthesis is presented through considering the derivation of perceived product value, its original and extended antecedents and, thereafter, barriers to final adoption of PLBs.

3.2.1 The Derivation of Perceived Product Value

A customer's perceived value represents an overall mental evaluation of a particular good or service (Yang & Peterson, 2004). Research by Strydom and Petzer (2010), Monroe (2002) and Heskett *et al* (1997) suggests that consumers weigh up the perceived benefits and costs of making a certain acquisition. Thus one of the prime definitions of this construct entails the ratio or trade-off between quality and price, hence representing a value-for-money conceptualisation.

Customer perceived value is arguably one of the most critical determinants of purchase intent and, consequently, one's willingness to buy (Chang & Wang, 2011; Ulaga & Chacour, 2001). Although research has shown that this construct is rather difficult to conceptualise and comprehensively measure, it seems universally accepted that if a customer perceives the value of a good or service to be relatively high, the probability (s)he will actually make a purchase is likely to increase (Monroe, 2002; Zeithaml, 1988).

Studies by Beneke *et al* (2013), Snoj *et al* (2004), Sweeney *et al* (1999), Sinha and DeSarbo (1998), Richardson *et al* (1996) and Richardson *et al* (1994) have all highlighted the integral role performed by perceived product value in the consumer decision-making process.

The conceptual framework developed by Sweeney *et al* (1999) was brought to the fore in the literature review. This framework regularly features in scholarly literature as a basis for theoretical and practical studies that consider the conceptualisation of consumer perceived value. Sweeney *et al*'s model was originally constructed for empirical examination in the Australian market using kitchen appliances as the particular product category of interest.

Several scholars have subsequently scrutinised, adapted and utilised this core framework in their respective studies. Some of these have been conceptual in nature (e.g. Sanchez-Fernandez & Iniesta-Bonillo, 2007; Snoj *et al*, 2004), whilst others have been applied in nature (e.g. Beneke *et al*, 2013; Swait & Sweeney, 2000). Moreover, various industries and contexts have been studied, such as higher education (Alves, 2011), tourism (Sanchez *et al*, 2006), financial services (Roig *et al*, 2006) and even logistics service outsourcing (Sumantri & Lau, 2010).

Figure 2.6 in the previous chapter, representing an amalgamation of the relationships discussed in section 2.4 of the literature review, depicts Sweeney *et al*'s (1999) antecedents of perceived value, culminating in a consumer's willingness to buy. This was labeled as "The Traditional Model" in their research. However, in its published form, Sweeney *et al* (1999) also considered the effect of functional and technical services quality in their model. According to Gronroos (1990), as cited by Sweeney *et al* (1999), functional service quality concerns the process or way in which the service is delivered, whilst technical service quality relates to the outcome, or what is received from the service. Expressed another way, this pertains to the 'know-how' the firm has.

However, the antecedents of functional and technical services quality appeared more pertinent to Sweeney *et al*'s study as the product category (i.e. kitchen appliances) was durable in nature, as opposed to consumable, and more complex than that of FMCG merchandise. Moreover, their merchandise set was likely to require considerably higher levels of customer service and support from sales staff regarding issues pertaining to build quality and longevity of the product, instructions for usage, after-sales service and manufacturer warranties, etc. In contrast, private label brands typically fit the profile of being low risk, low cost and low involvement in nature. Thus, most products sold under a private label are consumable items and, typically, grocery products.

Another significant contribution by Sweeney *et al* (1999) pertains to the conceptualisation of price in relative terms. As opposed to merely considering the price point, or perceived price point, the authors were the first to point to the differential between two products, or types of products. This gap is referred to as "perceived relative price". Where perceived relative price is low, consumers are more likely to revert to the national brand option due to insufficient savings to justify the switch (Cotterill & Putsis, 2001; Quelch & Harding, 1996).

In light of the above, and in the context of PLBs, this thesis hypothesises that:

Hypothesis 1

H₀: *Perceived product value does not influence consumers' willingness to buy private label branded products.*

H_A: *Perceived product value influences consumers' willingness to buy private label branded products.*

Evidence has been produced to reveal that customer perceived product value is a multidimensional and highly subjective evaluation of factors, thus gaining an understanding of the various dimensions of perceived product value becomes crucial for developing effective positioning and communication strategies (Ruiz *et al*, 2008; Snoj *et al*, 2004; Yang & Peterson, 2004; Ulaga & Chacour, 2001; Zeithaml, 1988). This is because perceived product value not only dictates how the product suite is seen in the mind of consumers, but also suggests the types of communication channels and positioning tools that a company might use in order to maximise the probability that messages are interpreted as intended (Sweeney & Soutar, 2001).

Here, it is important to understand the antecedents, or drivers, that influence the perceived value of a PLB product. According to authors such as Beneke *et al* (2013), Snoj *et al* (2004), Sweeney *et al* (1999) and Dodds *et al* (1991), these antecedents include perceived product quality, perceived relative price and perceived risk of a product. In particular, perceived value has been found to mediate the relationship between these antecedents and consumer's willingness to buy a private label branded product (Beneke *et al*, 2013; Sweeney *et al*, 1999; Dodds *et al*, 1991).

This culminated in the following interlinking (mediation) hypotheses being formulated for inclusion within the conceptual model advocated in this thesis:

Hypothesis 2_A

H₀: *Perceived product value does not mediate the relationship between perceived product quality and consumers' willingness to buy private label branded products.*

H_A: *Perceived product value mediates the relationship between perceived product quality and consumers' willingness to buy private label branded products.*

Hypothesis 2_B

H₀: *Perceived product value does not mediate the relationship between perceived relative price and consumers' willingness to buy private label branded products.*

H_A: *Perceived product value mediates the relationship between perceived relative price and consumers' willingness to buy private label branded products.*

Hypothesis 2_c

H₀: *Perceived product value does not mediate the relationship between perceived risk and consumers' willingness to buy private label branded products.*

H_A: *Perceived product value mediates the relationship between perceived risk and consumers' willingness to buy private label branded products.*

3.2.2 The Traditional Antecedents of Perceived Product Value

3.2.2.1 The Role of Perceived Product Quality

Perceived product quality, as defined by Zeithaml (1988), refers to a consumer's assessment of a product's overall excellence or superiority. This is subjective in nature and is typically based on the consumer's experience in using, and knowledge of, the product rather than the manufacturer's claims (de Chernatony, 2009; Richardson, 1997; Agarwal & Teas, 2004; Aaker, 1991). Thus, it is evident that the consumer's interpretation of quality supersedes any objective quantification thereof (Chowdhury & Andaleeb, 2007).

Although perceptions are changing, PLBs are still regarded by many consumers as a substandard alternative to their NB counterparts (Beneke, 2010; Mieres *et al*, 2006). Consumers infer PLB product quality predominantly through the use of extrinsic cues such as brand name, price and packaging (Vahie & Paswan, 2006; Chen & Dubinsky, 2003; Collins-Dodd & Lindley, 2003; Teas & Agarwal, 2000; Dick *et al*, 1996).

Perceived product quality has been found to have a positive effect on perceived product value (Hu *et al*, 2009; Snoj *et al*, 2004; Khalifa, 2004; Chen & Dubinsky, 2003; Cronin *et al*, 2000; Dodds *et al*, 1991), including within the PLB arena (Beneke *et al*, 2013; Garretson *et al*, 2002; DelVecchio, 2001). As a result, this has led to many retailers investing in the quality of their PLBs (Nies & Natter, 2012; Chaniotakis *et al*, 2010). In the context of PLBs, this thesis hypothesises that:

Hypothesis 3

H₀: *Perceived product quality does not influence the perceived product value of private label branded products.*

H_A: *Perceived product quality influences the perceived product value of private label branded products.*

3.2.2.2 The Role of Perceived Relative Price

The literature provides varying perspectives on the conceptualisation of price. Earlier definitions of price allude to a specific number, essentially that which is “given up or sacrificed to obtain a product” (Zeithaml, 1988: 10). However, authors such as Campo and Yagüe (2007), Lowe and Alpert (2007) and Zeithaml (1988) suggest that a distinction must be made between actual price and perceived price. Dickson and Sawyer (1986) demonstrate this distinction through the behaviour of a consumer who does not remember the actual product prices but instead ‘encodes’ or transforms these into a more subjective interpretation of the product’s monetary value such as ‘cheap’ or ‘expensive’. This phenomenon, whereby a consumer encodes the price, gives rise to the meaning of perceived price (Jacoby and Olson, 1977). Such a notion has been validated in the works of Rosa-Díaz (2004), Monroe and Lee (1999) and Gabor and Granger (1993).

Perceived relative price, which is used within this study, is described by Sweeney *et al* (1999: 88) as “the consumer’s perception of the product price compared to other brands of the same product with similar specifications”. Scholars such as Beneke *et al* (2013), Sweeney *et al* (1999) and Conover (1986) have incorporated this construct into their studies, measuring the effect on perceived product value. Thus, perceived relative price, in the context of this study, is conceptualised as the perception of the product’s price point in the consumer’s mind, referenced against other non-private label brands within the same merchandise category. This thesis hypothesises that:

Hypothesis 4

H₀: Perceived relative price does not influence the perceived product value of private label branded products.

H_A: Perceived relative price influences the perceived product value of private label branded products.

While some consumers may purchase a product based solely on the influence of price, for many consumers the price relative to the quality is of greater importance (Jin & Suh, 2005). Jin and Suh (2005) concluded that product price and quality are thus interrelated concepts. Likewise, Beneke (2013; 2010) found price to be a strong indicator of perceived quality. This is supported by a plethora of studies that have found perceived relative price to have a positive effect on perceived product quality (Ding *et al*, 2010; Tsao *et al*, 2005; Sweeney *et al*, 1999, Gerstner, 1985; Etgar & Malhotra, 1981). In the context of PLBs, this thesis hypothesises that:

Hypothesis 5

H₀: *Perceived relative price does not influence the perceived product quality of private label branded products.*

H_A: *Perceived relative price influences the perceived product quality of private label branded products.*

Many retailers have started to invest in the quality of their PLBs whilst maintaining a significant price differential, encouraging consumers to take note of the PLB's "superior value for money" (Beneke, 2010: 211). Monroe and Krishnan (1985) defined this relationship more clearly when they found that price, through its influence on perceived product quality, positively influenced perceived product value. This is further substantiated by Beneke *et al* (2013) and Sweeney *et al* (1999), who too found perceived product quality to mediate the relationship between perceived relative price and perceived product value. Hence, within the context of PLBs, this thesis hypothesises:

Hypothesis 6

H₀: *Perceived product quality does not mediate the relationship between perceived relative price and perceived product value of private label branded products.*

H_A: *Perceived product quality mediates the relationship between perceived relative price and perceived product value of private label branded products.*

As highlighted in section 3.2.2.2, perceived relative price has been found to have a dual effect on perceived product value. For example, a high price tag for a PLB, relative to competing products, instills a sense of quality and value, but erodes price competitiveness and thus detracts from the consumer's perception of value for money (Dodds *et al*, 1991; Monroe and Krishnan, 1985). These effects, as hypothesised, are reflected within the conceptual model.

3.2.2.3 The Role of Perceived Risk

Perceived risk first appeared in scholarly literature in the 1960's where Bauer (1960) conceptualised two determinants: uncertainty and negative consequences. Dowling (1986) further defined it as the uncertainty of desired performance, experienced by all consumers when making purchasing decisions. More recent works have found perceived risk to be multidimensional in nature, with the most common components including physical, functional, financial, social, psychological and time risk (Schiffman & Wisenblit, 2014; Beneke *et al*, 2012; Liljander *et al*, 2009; Laforet, 2007; Zielke & Dobblesstein, 2007; Meires *et al*, 2006; Chen & Dubinsky, 2003; Agarwal & Teas, 2001; Mitchell, 1998).

Two dimensions have been shown to be particularly pertinent in the acquisition and consumption of PLBs, namely, functional and financial risk, due to the focus on these attributes in similar studies (Beneke *et al*, 2013; Diallo, 2012; Wu *et al*, 2011; Liljander *et al*, 2009; Mieres, 2006; Sweeney *et al* 1999) examining PLB purchasing behaviour. Functional risk, otherwise known as performance risk, may be explained as the uncertainty that the performance of a purchased product will meet a consumer's expectations (Agarwal and Teas, 2001; Mitchell, 1998). Mieres *et al* (2006) contend that PLBs, in general, exhibit a higher degree of functional risk than their NB counterparts. Financial risk, defined as the likelihood of a monetary loss from a poor purchase choice (Zielke and Dobbelstein, 2007; Mitchell, 1998), has received similar attention, with authors such as Liljander *et al* (2009), Mieres *et al* (2006) and Sweeney *et al* (1999) suggesting that financial risk is part and parcel of the price-quality inference used by consumers when considering a private label branded product.

Customers are certainly conscious of the losses that may arise due to product failure (Sweeney *et al*, 1999), hence a product with a relatively high perceived likelihood of malfunction will lower its perceived value (Tam 2012; Narasimhan & Wilcox, 1998; Livesey & Lennon, 1993). To this end, Broydrick (1998) advocates the view that minimising perceived risk effectively contributes to superior perceived customer value. This is supported by Sweeney *et al* (1999), who found that perceived risk had a direct and negative effect on the perceived value of electrical appliances.

Chen and Dubinsky (2003) suggest that this relationship between perceived risk and perceived product value only holds when the PLB product is expensive and infrequently purchased. However, a more recent study by Beneke *et al* (2013) found the same direct and negative effect to exist with low to medium involvement and frequently purchased products, namely private label cleaning products. In the context of PLBs, this thesis hypothesises that:

Hypothesis 7

H₀: Perceived risk does not influence the perceived product value of private label branded products.

H_A: Perceived risk influences the perceived product value of private label branded products.

In addition to the relationship advocated above, researchers have found perceived risk and perceived quality to be interrelated concepts (Beneke *et al*, 2013; Chen & Dubinsky, 2003; Agarwal & Teas, 2001; Batra & Sinha, 2000; Sweeney *et al*, 1999). These studies suggest that consumers depend on perceptions of quality to form perceptions about risks. Agarwal and Teas (2001) found that it is possible to reduce functional and financial risk by positively influencing consumers' perception of quality. In addition, Chen and Dubinsky (2003) suggest that extrinsic cues, such as

the packaging, impact perceived risk by altering the consumer's perceived product quality. Therefore, as perceived product quality is enhanced, uncertainties surrounding a product should, correspondingly, be reduced (Liljander *et al*, 2009; Chen & Dubinsky, 2003; Sweeney *et al*, 1999). Thus, within the context of PLBs, this thesis hypothesises:

Hypothesis 8

H₀: *Perceived product quality does not influence the perceived risk of private label branded products.*

H_A: *Perceived product quality influences the perceived risk of private label branded products.*

In addition to the direct effect of perceived quality on perceived risk, three studies have suggested that perceived risk mediates the relationship between perceived product quality and perceived product value (Beneke *et al*, 2013; Snoj *et al*, 2004; Sweeney *et al*, 1999). In accordance with this and within the context of private label brands, this thesis hypothesises:

Hypothesis 9

H₀: *Perceived risk does not mediate the relationship between perceived product quality and perceived product value of private label branded products.*

H_A: *Perceived risk mediates the relationship between perceived product quality and perceived product value of private label branded products.*

3.2.3 The Extended Antecedents of Perceived Product Value

As espoused in section 2.3.1 of Chapter Two, the construct of Private Label Brand Image is constituted of three phenomena: Store Image, Familiarity with PLBs, and In-store Extrinsic Cues. The relationship between each element and Perceived Product Value will be discussed, in turn, below.

3.2.3.1 The Role of Store Image

Ailawadi and Keller (2004) define store image as a retailer's impression in the mind of the consumer. The impression is determined by a complex combination of both functional and psychological attributes associated with the retailer (Chang & Tu, 2005; Ailawadi & Keller, 2004; de Giraldo *et al*, 2003; Chowdhury *et al*, 1998). Researchers have studied and discussed a multitude of retailer attributes that influence overall store image, the most common including merchandise quality, store quality, store atmosphere, layout, service, convenience, price level, and assortment (Diallo, 2012; Bao *et al*, 2011a; Liljander *et al*, 2009; Jin & Suh, 2005; Ailawadi & Keller, 2004;

Semeijn *et al*, 2004; Vahie & Paswan, 2006; Collins-Dodd & Lindley, 2003; Richardson *et al*, 1994).

The inclusion of store image as a factor in the conceptual model stemmed from evidence that store image has a positive, direct effect on consumer evaluation of PLBs (Liljander *et al*, 2009; Vahie & Paswan, 2006; Semeijn *et al*, 2004; Collins-Dodd & Lindley, 2003; Richardson *et al*, 1996). In particular, these studies have found that store image has a notable effect on the perceived product quality of a PLB. Richardson *et al* (1996) suggest that if consumers find a store to be unattractive and poorly maintained, they ascribe these traits to the store's private label branded merchandise, thus diminishing the perceived product quality. In concurrence, Semeijn *et al* (2004) found that higher regard for a store correlates with an improved quality perception of its private label range. Therefore, within the context of PLBs, this thesis hypothesises that:

Hypothesis 10

H₀: *Store image does not influence the perceived product quality of private label branded products.*

H_A: *Store image influences the perceived product quality of private label branded products.*

3.2.3.2 The Role of In-store Extrinsic Cues

In-store extrinsic cues act as signposts (or markers) that influence the consumer's perception of the merchandise on offer (Cretu & Brodie, 2007; Collins-Dodd & Lindley, 2003). Although these eye-catching features, such as packaging of the product, in-store promotions and shelf placement, have been found to have little effect on the perception of NBs, their effect on PLBs is considerably more significant (Kumar & Steenkamp, 2007; Vahie & Paswan, 2006; Richardson *et al*, 1994). As such, these in-store extrinsic cues have been shown to have a material effect on the consumer's cognitive understanding of the brand and how this is perceived in quality terms (Collins-Dodd and Lindley, 2003; Baltas, 1997; Dick *et al*, 1996). Hence, if packaging is deemed to be attractive (Kuvykaite *et al*, 2009; de Chernatony & McDonald, 2003; Underwood *et al*, 2001), shelf placement optimal (Valenzuela & Raghubir, 2009; Amrouche & Zaccour, 2007; Pauwels & Srinivasan, 2007; Nogales & Gómez, 2005; Suarez, 2005) and in-store promotions effectively delivered (Ailawadi *et al*, 2009; Chandon *et al*, 2009; Lemon & Nowlis, 2002; Abratt & Goodey, 1990), this can lead to a favourable image of the brand in the consumer's mind. Therefore, within the context of PLBs, this thesis hypothesises that:

Hypothesis 11

H₀: *In-store extrinsic cues do not influence the perceived product quality of private label branded products.*

H_A: *In-store extrinsic cues influence the perceived product quality of private label branded products.*

5.2.3.3 The Role of Familiarity with Private Label Brands

Over the course of time, consumers build a mental image of brands in their minds (Aaker & Joachimsthaler, 2009). This information is derived from a multitude of sources, including traditional advertising (Arens *et al*, 2012; Yang *et al*, 2005; Agrawal, 1996), word of mouth correspondence with friends, family and colleagues (Trusov *et al*, 2008; Allsop *et al*, 2007; Brown *et al*, 2007), as well as actual experience of using the brand (Glynn & Chen, 2009; Erdem & Swait, 1998). These ongoing phenomena supplement the influences that consumers experience in an in-store environment. As such, the out-of-store influences, if positive in nature, can lead to favourable quality perceptions of the brand and hence influence the consumer's view of the private label. Therefore, within the context of PLBs, this thesis hypothesises that:

Hypothesis 12

H₀: *Familiarity with private label brands does not influence the perceived product quality of such merchandise.*

H_A: *Familiarity with private label brands influences the perceived product quality of such merchandise.*

3.2.4 The Moderation effect of Pre-existing Loyalty towards National Brands

Loyalty towards existing NB's may be seen as an impediment to the adoption of PLBs (De Wulf *et al*, 2005; Ailawadi *et al*, 2001; Quelch & Harding, 1996). As NBs boast deeply entrenched brand loyalty, owing to the fact that they have been purchased and consumed through numerous generations, this places them in an enviable and preferable position at the point of sale (Steenkamp *et al*, 2010; Beneke, 2010; Sethuraman, 2001). Therefore, despite the fact that consumers might perceive private label branded merchandise to represent superior value, strong latent loyalty to NBs could prejudice their views and preclude the translation of a favourable value perception into willingness to buy private label merchandise. Thus, a moderating effect on the perceived product value → willingness to buy relationship is envisaged.

The use of brand loyalty as a moderating variable is predated in other research studies (e.g. Lee & Back, 2009; Grzeskowiak & Sirgy, 2007; Aydin *et al*, 2005). In the context of this thesis, it is likewise hypothesised that:

Hypothesis 13

H₀: Loyalty towards existing national brands does not moderate the relationship between the perceived product value of private label brands and consumers' willingness to buy such merchandise.

H_A: Loyalty towards existing national brands moderates the relationship between the perceived product value of private label brands and consumers' willingness to buy such merchandise.

3.2.5 Comprehensive Structure

In summation, several direct and indirect relationships have been identified, connecting the constructs of store image and atmosphere, familiarity with PLBs, in-store extrinsic cues, perceived risk, perceived relative price, perceived product quality, perceived value, loyalty to NB's, as well as willingness to buy. Perceived value was found to play a crucial intermediary role in this cognitive process, with various other mediation and moderation relationships also embedded in the holistic model.

3.3 RESTATED HYPOTHESES AND COMPREHENSIVE CONCEPTUAL MODEL

The operational hypotheses developed in the literature synthesis, above, are collated and restated below. The conceptual model, integrating these hypotheses, is depicted in Figure 3.1 on page 74.

Hypothesis 1

H₀: Perceived product value does not influence consumers' willingness to buy private label branded products.

H_A: Perceived product value influences consumers' willingness to buy private label branded products.

Hypothesis 2_A

H₀: Perceived product value does not mediate the relationship between perceived product quality and consumers' willingness to buy private label branded products.

H_A: Perceived product value mediates the relationship between perceived product quality and consumers' willingness to buy private label branded products.

Hypothesis 2_B

H₀: Perceived product value does not mediate the relationship between perceived relative price and consumers' willingness to buy private label branded products.

H_A: Perceived product value mediates the relationship between perceived relative price and consumers' willingness to buy private label branded products.

Hypothesis 2_C

H₀: Perceived product value does not mediate the relationship between perceived risk and consumers' willingness to buy private label branded products.

H_A: Perceived product value mediates the relationship between perceived risk and consumers' willingness to buy private label branded products.

Hypothesis 3

H₀: Perceived product quality does not influence the perceived product value of private label branded products.

H_A: Perceived product quality influences the perceived product value of private label branded products.

Hypothesis 4

H₀: Perceived relative price does not influence the perceived product value of private label branded products.

H_A: Perceived relative price influences the perceived product value of private label branded products.

Hypothesis 5

H₀: Perceived relative price does not influence the perceived product quality of private label branded products.

H_A: Perceived relative price influences the perceived product quality of private label branded products.

Hypothesis 6

H₀: Perceived product quality does not mediate the relationship between perceived relative price and perceived product value of private label branded products.

H_A: Perceived product quality mediates the relationship between perceived relative price and perceived product value of private label branded products.

Hypothesis 7

H₀: Perceived risk does not influence the perceived product value of private label branded products.

H_A: Perceived risk influences the perceived product value of private label branded products.

Hypothesis 8

H₀: Perceived product quality does not influence the perceived risk of private label branded products.

H_A: Perceived product quality influences the perceived risk of private label branded products.

Hypothesis 9

H₀: Perceived risk does not mediate the relationship between perceived product quality and perceived product value of private label branded products.

H_A: Perceived risk mediates the relationship between perceived product quality and perceived product value of private label branded products.

Hypothesis 10

H₀: Store image does not influence the perceived product quality of private label branded products.

H_A: Store image influences the perceived product quality of private label branded products.

Hypothesis 11

H₀: In-store extrinsic cues do not influence the perceived product quality of private label branded products.

H_A: In-store extrinsic cues influence the perceived product quality of private label branded products.

Hypothesis 12

H₀: Familiarity with private label brands does not influence the perceived product quality of such merchandise.

H_A: Familiarity with private label brands influences the perceived product quality of such merchandise.

Hypothesis 13

H₀: Loyalty towards existing national brands does not moderate the relationship between the perceived product value of private label brands and consumer's willingness to buy such merchandise.

H_A: Loyalty towards existing national brands moderates the relationship between the perceived product value of private label brands and consumer's willingness to buy such merchandise.

The comprehensive conceptual model is depicted in Figure 3.1 on page 74.

3.4 CONCLUSION

This chapter provided a synthesis of the literature review, proposing a series of testable hypotheses extracted from these insights. The conceptual model, depicted in Figure 3.1, provides an integrated view of the constructs and relationships detailed above. This conceptual model was designed to develop a comprehensive understanding of the cognitive influences driving purchasing behaviour of PLBs, with the intention to validate it through applied analysis within the pilot and main studies of this thesis.

The following chapter focuses attention on the methodology for the empirical phases of this DBA study. In this respect, the focal point of the applied research will be demarcated and the procedures for data collection and the tools for data analysis profiled.

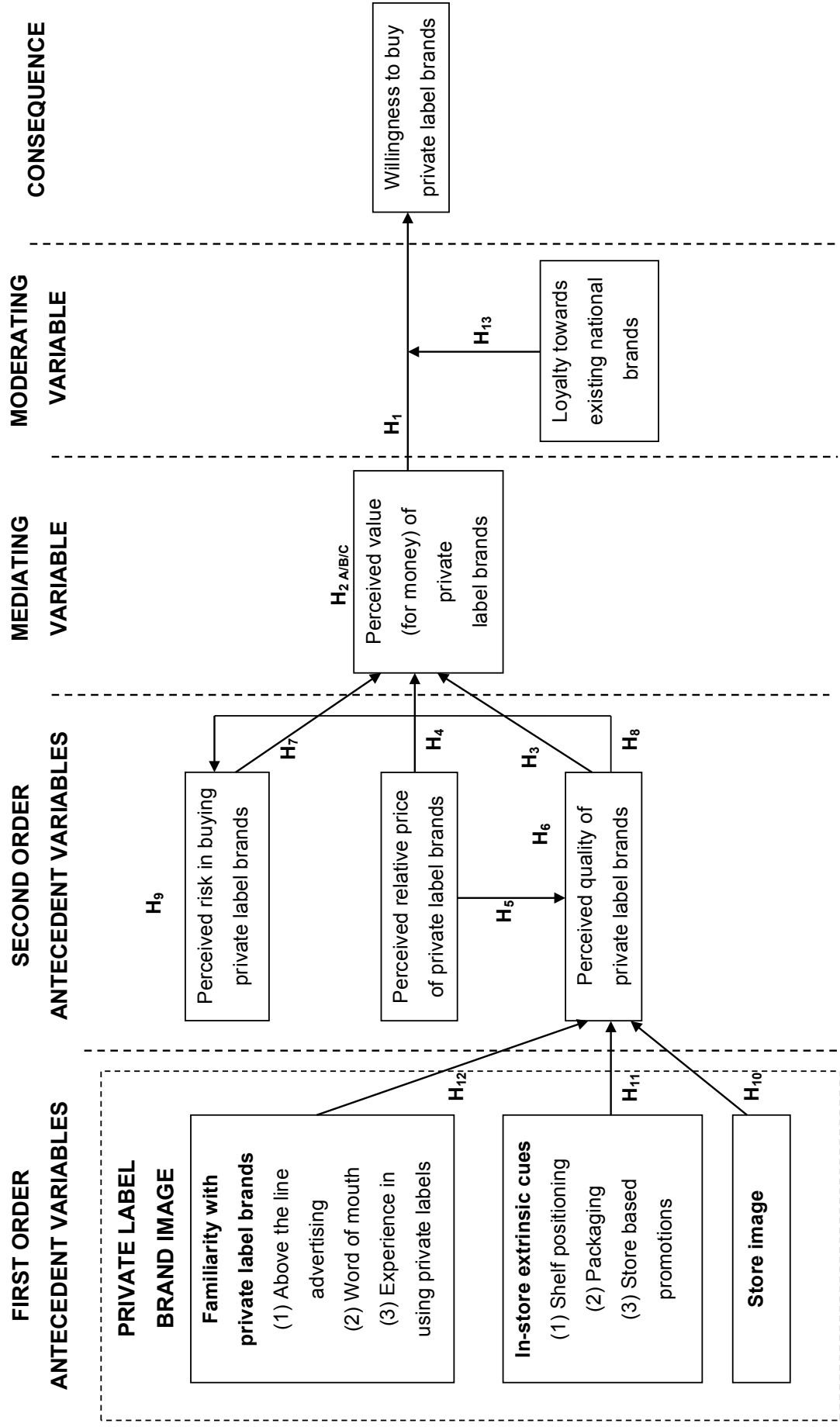


Figure 3.1: Comprehensive Conceptual Model

74 Based on relationships proposed by Beneke et al (2013), Kwun & Oh (2008), Snoj et al (2004), Sweeney et al (1999) & Zeithaml (1988)

CHAPTER FOUR: RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

An overview of the research design and methodology of this DBA thesis was introduced in section 1.4 of Chapter One. This chapter provides a detailed account of the research design and methodology and explains why various strategic decisions were taken in development of the study.

At the outset, this chapter considers the macro-level research design and philosophy, incorporating aspects relating to the time horizon, research approach and orientation of the study. The chapter then describes the sequential phases in the compilation of this thesis, namely the pilot, main and validation studies. This is followed by a consideration of the target population, taking the demographic, retail and merchandise segments into account. Subsequently, at a more granular level, the construction of the research instrument and specific data collection procedures are discussed. Finally, the techniques for analysing the data and generating constructive results are profiled.

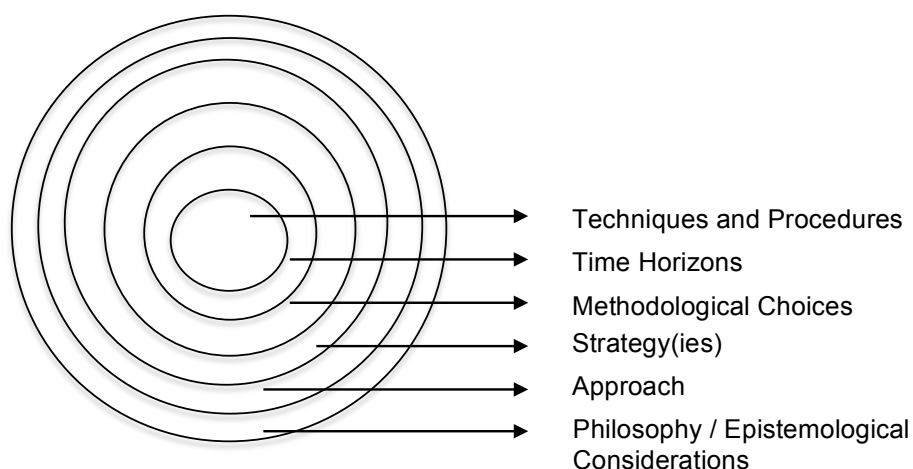
4.2 RESEARCH DESIGN

Saunders *et al* (2012) characterise the research design of a particular study through contemplating the layers of 'the research onion' (depicted in Figure 4.1 overleaf). The dimensions representing these concentric circles are delineated and applied to this study below. In doing so, the discussion draws attention to the various permutations available to the researcher, and then motivates the rationale behind the choice of a particular attribute.

The following layers, from an outward to inward position, are depicted in the onion (Figure 4.1):

- Philosophy / Epistemological Considerations (e.g. positivism, phenomenology, realism)
- Approaches (e.g. deductive versus inductive approaches)
- Strategy(ies) (e.g. experiment, survey, case study, ethnography, grounded research, etcetera)
- Methodological Choices (e.g. mono, mixed and multi methods)
- Time Horizons (e.g. cross-sectional versus longitudinal)
- Techniques and Procedures (data collection and analysis)

Figure 4.1: The Research Onion



Adapted from Saunders *et al* (2012: 128)

In the application of these layers, the discussion commences with a consideration of the outer layers, focusing on the macro-level factors such as the over-arching research principles and practices, and then proceeds to discuss the micro-level issues such as the research method choice and time horizon. The innermost layer, documenting specific techniques and procedures with which to collect and analyse the data, is discussed in a separate section of this chapter (see sections 4.7 and 4.8 later in this chapter). Correspondingly, time horizons and research choices, strategies, approaches and philosophies are addressed below.

4.2.1 Philosophy (Epistemological Considerations)

According to Saunders *et al* (2012: 127), the term 'research philosophy' relates to the "overarching development of knowledge and the nature of that knowledge". Bryman and Bell (2011) point to a number of epistemological positions in this respect, including positivism, phenomenology and realism.

Phenomenology is typically used where complex phenomena need to be explored. Here, the researcher's discretion is heavily relied upon and his/her judgment and intervention in executing the research impacts the outcome of the project (Roberts *et al*, 2011a). Various phenomena are interpreted and reported by the researcher, adding a heightened degree of subjectivity to the process (Saunders *et al*, 2012).

Positivism is, arguably, more objective in nature. This epistemological position may be described as the “application of the methods of the natural sciences to the study of social reality and beyond” (Bryman & Bell, 2011: 15). Bryman and Bell (2011: 15) contend that positivism is taken to entail the following principles:

1. Only phenomena and hence knowledge confirmed by the senses can genuinely be warranted as knowledge.
2. The purpose of theory is to generate hypotheses that can be tested and that will thereby allow explanations of laws to be assessed.
3. Knowledge is arrived at through the gathering of facts that provide a basis for laws.
4. Science must be conducted in a way that is objective and value free.
5. There is a clear distinction between scientific statements and normative statements and a belief that the former are the true domain of the scientist.

Positivism is often adopted in instances where consumer research needs to be conducted, based on a sample of research subjects, and inferences made to a larger group of individuals (Malhotra, 2010). In contrast to phenomenology, the researcher is a neutral observer and attempts to explain the status quo in an objective and scientific manner (Saunders *et al*, 2012; Welman *et al*, 2005). These characteristics are delineated in Table 4.1.

Table 4.1: A Comparison of Research Paradigms – Positivism versus Phenomenology

	Positivism	Phenomenology
Advantages	Economical collection of large amounts of data	Facilitates understanding of how and why
	Large samples permit generalisation to populations	Enables researcher to respond to changes that occur during the research
	Precise data, easily comparable	Examines totality of situation
	Theoretical framework for the research at the outset	Facilitates more comprehensive understanding of phenomena
	Studies are replicable	
	Easier for researcher to retain control of the research process	

Disadvantages	Inflexible – research often cannot be amended once data collection has started	Data collection can be time consuming
	Weak at understanding social processes	Data analysis is complex
	Reductionist – simplification of reality	Interpretation of data may be difficult
	Seldom understands the meanings that people attach to social processes	Researcher has to cope with the uncertainty that clear patterns may not emerge
	Ignores many variables	Generally perceived as less credible by firms' public organisations and non-researchers

Source: Saunders *et al* (2012), cited in Roberts *et al* (2011a: 318)

This study is firmly grounded in the scholarly literature. Based on an existing conceptual framework, this thesis aims to augment and apply it to a new context. In doing so, this study considers a strict number of constructs (variables) and the relationships between them. In this respect, a number of influences in PLB purchasing behaviour are defined in a manner so as to focus on the consumer's perspective of value formation and the supplementary influences in this process, resulting in an intention (or not) to buy the merchandise. These influences are mapped out in the conceptual model depicted in Figure 3.1. Hence, a reductionist approach was assumed to specify the most pertinent factors, acknowledging that fully integrating every conceivable consumer motivation into the model remained unrealistic. For this reason, a positivist paradigm – in contrast to a phenomenological paradigm – was deemed optimal for this particular study.

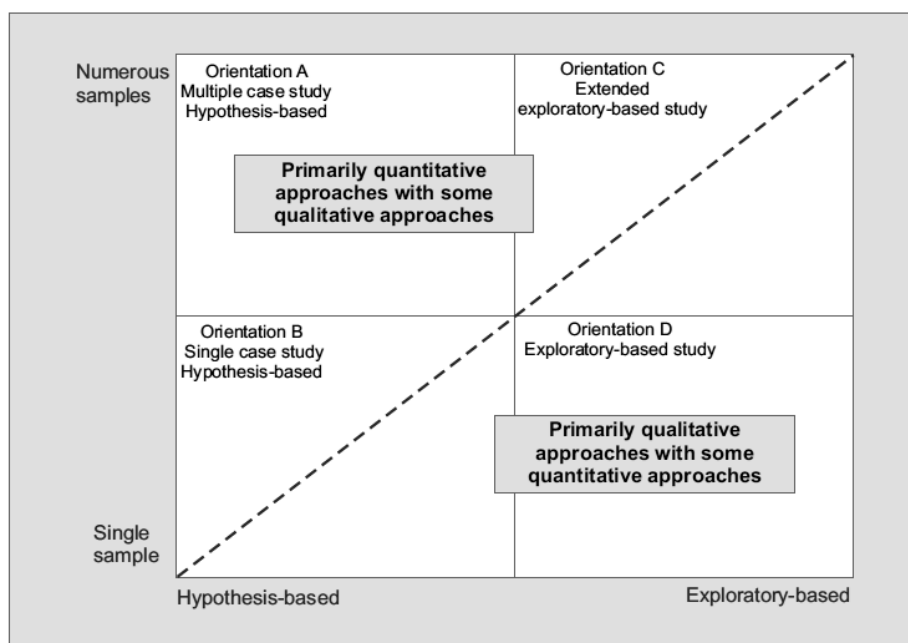
Realism is argued to lie on the continuum between positivism and phenomenology (Saunders *et al*, 2012). According to Bryman and Bell (2011), this epistemological position acknowledges a reality independent of the senses – one which is accessible to the researcher's tools and theoretical speculations. To this end, realism is focused on the pursuit of finding an external reality. Apart from the practical limitations in assuming this position, another drawback manifests itself in that realism is not forward looking (Purna, 2013). Hence, realism may be used to describe current or past situations, but is not predictive. Thus, this paradigm was deemed unlikely to yield benefits in understanding and predicting consumer behaviour based on motives and latent needs.

Based on the above considerations, a positivist paradigm was chosen, opting in favour of a causal conceptual framework to guide the applied component of the study. In this respect, the numerous hypothesised relationships were statistically analysed to arrive at specific conclusions in a scientific context. Hence, the presence, and intensity, of the embedded relationships were explored in an attempt to expand the theory in this field of enquiry.

Figure 4.2 depicts the four quadrants representing the research orientation. This study clearly fell into the Orientation A typology for three key reasons, namely:

1. Several hypotheses, linked to the embedded relationships in the conceptual model, were developed and empirically tested.
2. The aforementioned hypotheses were subjected to statistical procedures, with a reliance on quantitative data analysis.
3. A large sample of respondents was generated through a consumer survey, with the results being extrapolated to the population under consideration.

Figure 4.2: Research Orientations Framework



Source: Roberts *et al* (2011b: 81)

4.2.2 Approach

As noted earlier, a scientific research approach is critical for in-depth scholarly research, such as that contained within a DBA thesis. A hypothetico-deductive research approach was adopted in this research study, using a reductionist stance to investigate the specified research question. According to Malhotra *et al* (2008), a hypothetico-deductive approach provides a scientific basis to answering the research question by formulating a theoretical framework and interlinking variables to deduce a certain outcome. This study is framed by considering the drivers and inhibitors of PLB purchasing intent and, in doing so, widening the body of knowledge on consumer motivation and behaviour in the context of this research field.

The over-arching principle of a hypothetico-deductive research approach is that it is heavily focused on addressing a pre-defined research question and ensures that the results rigorously address the presence of a particular set of circumstances, without exploring supplementary issues (Saunders *et al*, 2012). Inter alia, the research approach was chosen as sufficient literature existed to guide the research, cause-effect relationships appeared to exist between key variables pertinent to the study, and a specific gap in the knowledge base (as highlighted in section 1.5 of Chapter One) was evident, thereby positioning the study accordingly.

The alternative to the above was an inductive approach, in which phenomena are observed and conclusions interpreted on the basis of the information collected (Malhotra *et al*, 2008). However, such a stance is typically aimed at theory building or explaining conditions where no prior intelligence exists. As this particular study is heavily based on the scholarly literature and aims to make an incremental contribution by advancing the knowledge base in the area of PLB research, a deductive approach was strongly preferred. Hence, a radical approach (e.g. developing a new branch of theory or providing a disparate form of segmentation analysis) was not required in this instance.

4.2.3 Strategy(ies)

Saunders *et al* (2012) highlight a number of different research strategies. These include experiments, surveys, case studies, action research, grounded theory, ethnography, and archival research. Whilst it may be argued that all these strategies hold the potential to add value to a given research project, it is impractical to make use of each and every one in a simultaneous setting. Hence, a trade-off scenario exists. This study primarily made use of a survey research strategy to collect data from the various research subjects and participants.

Malhotra *et al* (2008: 101) characterises a survey as “a structured questionnaire given to a sample of a population and designed to elicit specific information from respondents”. Surveys are useful for market segmentation, establishing consumer profiles, determining product image, measurement and positioning, and for conducting price perception analysis (Malhotra *et al*, 2008). Thus, the survey method appeared to be highly compatible with furthering the stated objectives of this thesis. Furthermore, survey research to collect data for model testing is extremely prevalent within PLB literature (e.g. Beneke *et al*, 2013; Bao *et al*, 2011b; Lupton *et al*, 2010; Glynn & Chen, 2009; Batra & Sinha, 2000; Richardson *et al*, 1996).

Experimental, case study and ethnographic strategies were considered as alternatives to the above. These, however, posed some unfortunate limitations.

An experimental design requires an intervention (i.e. change in conditions) of some sort in order for the 'before' and 'after' effects to be measured (Malhotra *et al*, 2008). This was deemed incompatible with the objectives of this study, which aimed to measure the inline contributory effects of certain cognitive factors in arriving at a purchasing decision. Deliberately manipulating the environment would have brought the scientific measurement of the model into question and invalidated the sequential mapping process. An experimental design also suffers from the serious limitation in that exogenous variables (i.e. those effects thought not to influence causality) are very difficult to isolate and eliminate from the research process. Hence, many experimental studies take place in a simulated or laboratory setting. As a behavioural model forms the underpinning of this study, distinct factors are identified and scientifically measured, leading the researcher to be reasonably certain that other (exogenous) influences are not subconsciously being infused into the cognitive stream. Whilst the model cannot be guaranteed to be foolproof in taking all conceivable variables into account, the scientific development of both the model and the research instrument limit the risk of confusion and uncertainty in the applied research process.

A case study strategy, for example focusing on the characteristics of a particular retail company, also suffers noteworthy drawbacks in the context of this research. Whilst often used in social science research to reflect a real-world context, a case study significantly narrows the scope of the research by focusing on an organisation or umbrella grouping of special interest (Yin, 2013). According to Welman *et al* (2005: 193), "usually the objective of a case study is to investigate the dynamics of some single bounded system, typically of a social nature, for example an organisation, a family, a group, a community, or participants in a project, a practice [...] or an institution". Hence, in case study research, the unit of analysis is often limited to a single, or few, entities that exhibit almost identical characteristics and may be described as a natural grouping. In contrast, survey research considers the unit of analysis (an individual) as a unique entity, not necessarily affiliated with a particular organisation (Bryman & Bell, 2011). Scrutinising a particular company and its individual characteristics (e.g. market dominance, management structure, financial performance, etcetera) would have served to limit the impact of the research to the broader academic community.

An ethnographic strategy, using grounded research principles, was also considered as an option for this research project. Such a strategy would have entailed visiting consumers in their own communities to understand the motivations behind why varying types of FMCG brands are bought. Tasks may have included gaining access to their kitchen shelves to ascertain what brands are found within the home, as well as accompanying the household grocery shopper into supermarket stores in an attempt to better understand decisions made at the point of sale.

However, an exploratory study of this nature would have made minimal impact on the progression of knowledge, as there are a number of seminal papers in this area of research (e.g. Beneke *et al*, 2013; Bao *et al*, 2011b; Lupton *et al*, 2010; Glynn & Chen, 2009; Batra & Sinha, 2000; Richardson *et al*, 1996). The intention of this study is therefore to serve as a building block, and expand upon the work of leading scholars in the subject area, albeit in an emerging market context. Ignoring this work would therefore have been disadvantageous. Furthermore, due to the precarious security situation in South Africa, this would have added an element of danger to the research. Many of the informal settlements have high crime rates and researchers' personal security would be at risk if entering such areas without requisite protection.

4.2.4 Methodological Choices

Saunders *et al* (2012) specify three particular research choices: mono method, mixed method and multi method. The first entails a unified form of empirical analysis by concentrating on a single research method, whereas the latter two include an infusion of different methods. In this respect, a multi method choice utilises more than one method, but within either a quantitative or a qualitative research domain. A mixed method choice contains methods from both qualitative and quantitative dimensions and then applies these in tandem to produce a set of results.

This study primarily adopted a quantitative approach to test causal relationships and therefore examine the sequence of events that drive purchasing behavior of PLBs. Specific statistical techniques, as discussed in section 4.8.3, were utilised to achieve this. This is common practice in developing, and testing, conceptual models reflecting consumers' notions and latent motives (DeVault, 2013; Hair *et al*, 2010; Henseler *et al*, 2010). A qualitative approach was implemented at the tail end of this thesis in the form of the validation study. Here, feedback on the research generated to this juncture of the study was solicited from key role-players in FMCG retailing and academic quarters.

The pilot and main studies, comprising the majority of the empirical analysis, remain firmly grounded in a quantitative domain. The validation study, aimed at supplementing the pilot and main studies, assumed the form of a panel survey to interrogate the main study results. Thus, a mixed method choice prevails. This is preferable as it allows for a comprehensive perspective to be attained through rigorous applied research, ensuring meticulous model development and testing, and the exposure of these findings to a panel of experts in the form of a validation study. Hence, both exploratory and confirmatory elements are embraced, as noted in section 4.2.3 above.

4.2.5 Time Horizons

Saunders *et al* (2012) points to two distinct time horizons – that of cross-sectional and longitudinal research. This study comprises a cross-sectional investigation into the adoption of PLBs in Cape Town, South Africa. A cross-sectional study is defined by Berndt and Petzer (2011: 343) as a study “conducted at a specific point in time and therefore reflecting conditions only at the time of survey deployment”. In contrast, a longitudinal study is conducted through a period of time as a series of interconnected studies are used to assess changes at different time points (Berndt & Petzer, 2011). The researcher is therefore able to see developments and changes over a particular time horizon.

A cross-sectional time horizon was favoured for several reasons. First, cross-sectional studies are frequently employed in the areas of psychology, consumer and social science research (Cherry, 2013; Rindfleisch *et al*, 2007). This is largely due to the fact that core consumer characteristics and motives (such as the desire to maximise utility and to comply with social norms) do not fundamentally change over a short period of time. Second, modeling influences in the form of a conceptual model typically requires a cross-sectional approach. Thus, as these relationships are assessed at a particular time point, the variable of time needs to remain static (Hall, 2008; Welman *et al*, 2005). Third, longitudinal research in large-scale studies – outside the corporate environment – is both expensive and often logistically impractical (Berndt & Petzer, 2011). Monitoring the perceptions and intentions of five hundred consumers, on multiple occasions, over a timeframe of several months or years could be argued to be beyond the scope of a DBA thesis and would certainly have required a very large budget and a team of researchers. For these reasons, a cross-sectional survey was the preferred option for this type of research project.

4.3 RESEARCH PHASES

At the outset of the research project, a proposal was constructed to provide a roadmap for the study, which established a research question, aim and objectives. Moreover, a tentative theoretical framework was constructed to guide the research and provide an overview of the conceptual constructs to be incorporated into the empirical component of the thesis.

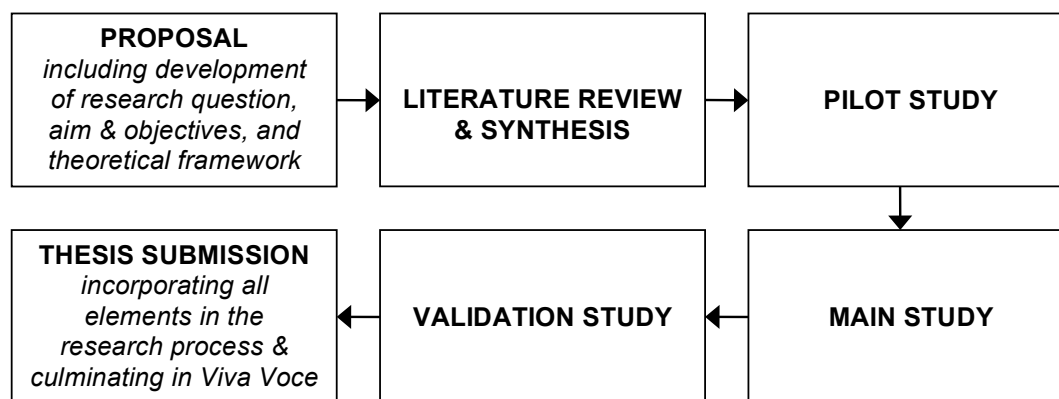
Upon successful completion of the proposal, a review of the literature was initiated. This necessitated the analysis of both popular and scholarly literature for the purpose of conceptualising and substantiating the comprehensive theoretical model predicting consumer purchasing behaviour of PLBs. In particular, the task of conducting the literature review and synthesis was imperative in expanding the elementary theory introduced in the proposal and ensuring that a relevant set of

influences was factored into the conceptual model.

After finalisation of the research hypotheses and predictive model, a pilot study was commissioned to test the basic theory. This served the purpose of validating the core model and ensuring that the chosen research method was indeed fit for purpose. Then the full-scale main study was executed, followed by a validation study once the findings from the main study had been processed. The validation study thus enabled a further layer of analysis to corroborate the outcomes generated.

The integration of these stages into the holistic research process is depicted in Figure 4.3. The pilot, main and validation studies are then discussed, in turn, thereafter.

Figure 4.3: Sequential Stages in the Research Process



4.3.1 Pilot Study

A pilot study represents the first opportunity, post literature review, to conduct empirical research. In the case of this thesis, the pilot study tested the basic theory proposed in the literature synthesis to ascertain the applicability of the base model and to investigate whether the deployment of the survey was adequate in the envisaged format. Consequently, the outcome of the pilot study was used to inform, and validate, the design of the main study. In this respect, the method of questionnaire deployment, wording on the questionnaire, and the constructs identified for further consideration were put to the test. The intention was thus to provide relevant feedback in refining the approach taken, and ensuring that the basic theory was academically mature and applicable in the context of this DBA study. However, these results were not assumed to be definitive and it would certainly have been premature to extrapolate these to a broader segment (i.e. beyond the confinements of the sample) at this tentative stage of the research.

4.3.2 Main Study

The main study followed the pilot study and constituted the main source of data and analysis within this DBA thesis. Whereas the aim of the pilot study was to test the basic theory and survey deployment approach, the main study was executed with the intention of generating results to comprehensively analyse the conceptual model and ascertain further evidence of the existence of the hypothesised relationships. In the case of using a structural equation model, as in this thesis, each relationship in the model is linked to a specific hypothesis, which is tested to affirm or refute the presence of the causal relationship. Thus, the eleven relationships in the model are, respectively, paired to the eleven operational hypotheses. Furthermore, segmentation analysis was performed in the main study to identify differences between demographic cohorts. The data collection and sampling procedures for the main study are specifically detailed within section 4.7, later in this chapter, whilst the data analysis techniques applied are covered in section 4.8 thereafter.

Insights gleaned from this phase of the research were of prime importance to the thesis, and represented the backbone of the findings leading to the set of conclusions and recommendations documented in Chapter Eight.

4.3.3 Validation Study

The validation study acted as a means to critically assess and objectively review the outcome of the main study. Here, the findings were presented to a panel of academic and industry experts, selected by means of a judgment sample, in order to ascertain their thoughts on issues pertinent to this thesis. Not only did this represent an opportunity to gain independent advice from these quarters on the validity of the findings up until this point, but also served to add further value in terms of decoding unexplained phenomena.

Sixteen individuals were invited to participate as panel members in the validation study, of which twelve accepted the invitation. The composition of the panel is listed in section 7.2 of Chapter Seven, including senior industry professionals throughout South Africa, as well as senior academics at the University of Cape Town.

This group of individuals brought both an industry and academic perspective to the study and allowed the results to be assessed from both these vantage points. The author was careful not to intertwine the results from the main and validation studies, as the former was objective in nature

and the latter was subjective in nature. To this end, the validation study functioned as an additional layer to inspect the primary results, with the benefit of hindsight. Thus, the main and validation studies are presented separately (in Chapters Six and Seven, respectively) and, hence, intentionally not merged so as to 'contaminate' the original set of findings.

4.4 DEFINING THE SCOPE AND PARAMETERS OF THE APPLIED RESEARCH

4.4.1 Defining a Demographic Segment

As mentioned at the outset of this thesis (see sections 1.2 and 1.3 of Chapter One), middle class consumers comprise the research subject focus of this study. There are several reasons for this particular focus. First, this is a burgeoning consumer segment within the South African population that is increasingly flexing its financial muscle and being drawn to the attention of FMCG retail leadership (Deloitte, 2013; UISM, 2013). Second, research has revealed that the emerging middle class has shown an unequivocal propensity towards purchasing PLBs (Beneke, 2010). This is largely due to the financial pressure experienced by this cohort, brought about by the economic recession, as well as their desire to make ends meet through adding value items to their shopping baskets (Buthelezi, 2013; Tiger Brands, 2012). Third, this cohort enjoys abundant access to the supermarket outlets that trade in private labels (Thomas White Consulting, 2011), thus ensuring they are constantly exposed to, and have the wherewithal and inclination to buy, such brands.

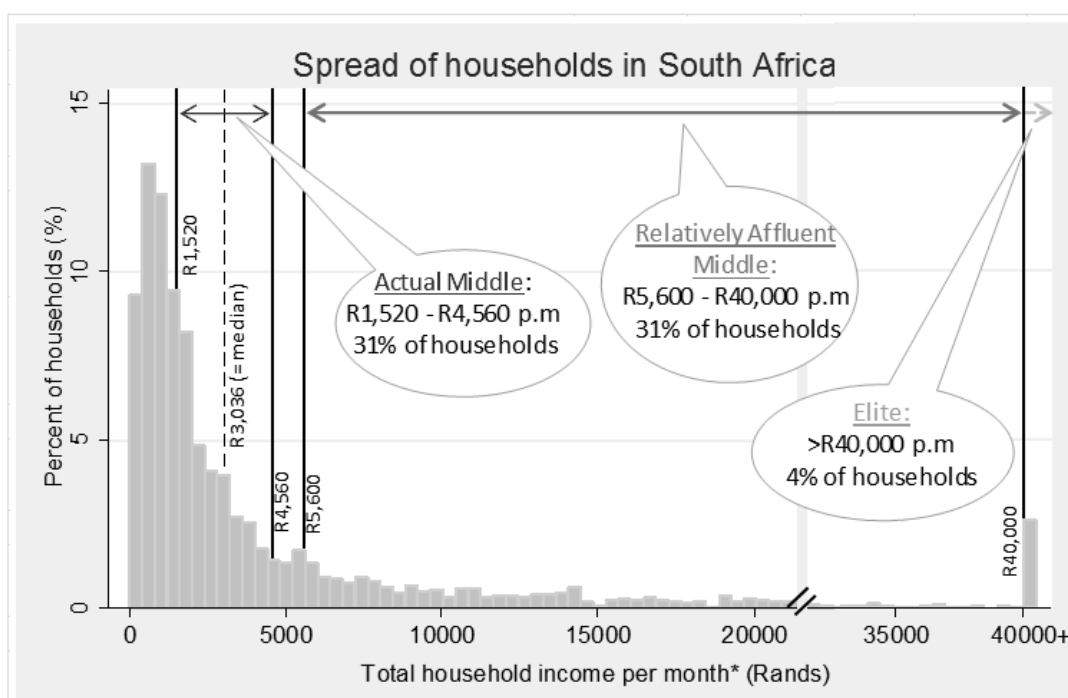
The precise definition of 'middle class' in South Africa is subject to some debate. This is encapsulated below.

The most prominent source of lifestyle and socio-economic segmentation in South Africa, extensively used by the marketing fraternity, is that supplied by the South African Audience Research Foundation (SAARF). Although no single, accepted, definition of 'middle class' exists, according to the foundation, LSM 6 to 9 consumers may be considered suitably 'middle class'. The lower threshold (i.e. LSM 6) was identified as LSM 1 to 5 consumers are typically classified as living in rural areas, whereas middle class consumers tend to congregate in urban and peri-urban areas and, as such, these dwellers have access to a plethora of retail establishments.

Table C.1, in Appendix C, includes the latest profile of LSM clusters, focusing on LSM 7 to 10, and reflecting the predominant demographic characteristics, media consumption and general amenities enjoyed by these individuals (SAARF, 2012).

The classification of LSM 6 to 10 as “middle class” in household income terms appears congruent with that advocated by Visagie (2013). He suggests that despite a very broad spectrum of consumers who may be technically labeled as ‘middle class’, it is the relatively affluent middle, with a corresponding household income of Rand 5 600 to Rand 40 000 per month, who best fit the profile (Visagie, 2013). This is depicted in Figure 4.4 beneath. Poorer households exhibit fundamentally different characteristics, and limited opportunities, as evidenced by SAARF (2012). This cohort should therefore not be confused with their more affluent compatriots.

Figure 4.4: Income Segmentation of South African Households

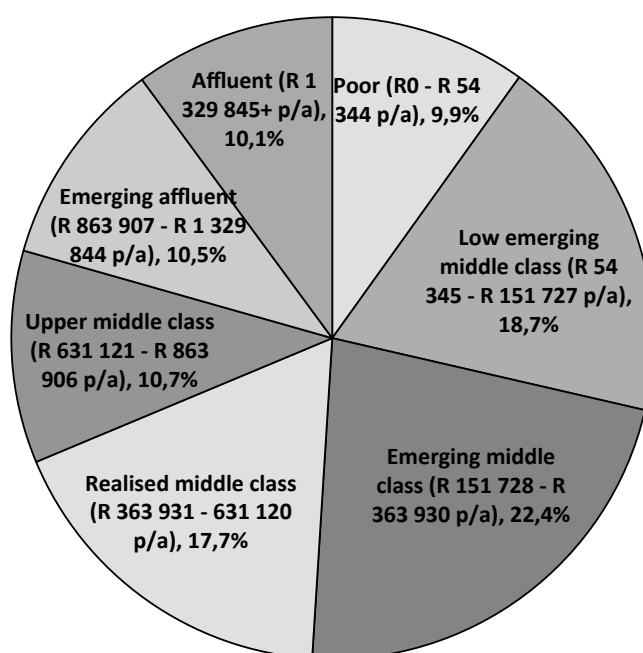


Source: Visagie (2013)

The Universities of Stellenbosch (SUN) and South Africa (UNISA) have also contributed to the debate in separate studies. The former used a minimum monthly income per capita of Rand 4 100 to denote middle class status (TMO, 2013). According to the most recent national census data (Statistics SA, 2011), there is an average household size of 3.52 individuals in the Western Cape (5.565 million people / 1.581 million households). Using age segmentation provided by Statistics SA (2013) in their mid-year population estimates survey, a ratio of approximately 1.79 adults of working age (16-65), per child, was prevalent in the Western Cape. Therefore, by assuming an average of two income earners per household ($3.52 \times 0.601 \text{ adult proportion} \approx 2.11$), the SUN study points to a minimum household income of approximately Rand 8 200 in order to be considered middle class. In the UNISA study, commissioned by the Bureau of Market Research,

three distinct categories of middle class were defined. As seen in Figure 4.5, these were the “low emerging middle class” (with a midpoint of Rand 103 032 household income p/a, R 8 586 p/m), the “emerging middle class” (with a midpoint of Rand 257 832 household income p/a, R 21 486 p/m) and the “realised middle class” (with a midpoint of Rand 497 520 household income p/a, R 41 460 p/m). Collectively, these three segments constituted 58.8% of the total market, highlighting their enormous spending power (Bureau of Market Research, 2013).

Figure 4.5: Distribution of Household Income by Designated Groups



Source: Adapted from Bureau of Market Research (2013)

Taking the four studies profiled above into consideration, it is evident that households emerge into ‘middle class’ status with a household income of approximately Rand 8 000 per month and exit this bracket into ‘super rich’ territory with incomes exceeding roughly Rand 40 000 per month.

A filter question was therefore added to the survey to ensure that prospective respondents met these criteria and were indeed members of the demarcated middle class demographic. In order to allow for acceptable margins of error, a five percent buffer was added to the end points in this range. Hence, an absolute household income range of Rand 7 500 to Rand 42 000 per month was implemented.

4.4.2 Defining the Retail Segment

Pick n Pay Group is one of the largest FMCG retailers on the African continent, with a turnover of Rand 59.2 billion, second in stature only to the Shoprite group. As of 2013, the group operated 409 Pick n Pay branded stores comprised of hypermarkets, supermarkets and franchised stores (Pick n Pay, 2013). Correspondingly, the group employs a large staff complement. According to a recent financial report, employees numbered 49 000 during 2010, although subsequent retrenchment and downsizing programmes have had an impact on this number (Pick n Pay, 2012).

The Pick n Pay shopper may be viewed as the quintessential middle class consumer in South Africa. Accordingly, the retail chain specifies a focus on LSM 4 to 10 consumers, with their 'heartland' being the upper LSM's (Pick n Pay, 2009). Pick n Pay stores are predominantly situated in urban and peri-urban areas, within reach of large swathes of middle class consumers, notably the LSM 6 to 10 cohorts (Thomas White Consulting, 2011).

The former CEO and founder of the chain, Mr Raymond Ackerman, is seen as a consumer champion and a figure of admiration by many aspirant South Africans. His personal image and that of the Pick n Pay brand are intertwined, giving rise to status appeal that has assisted the retailer in attracting a large contingent of discerning customers into its chain of stores (Ackerman & Prichard, 2005). Moreover, Pick n Pay's PLBs vie with Shoprite as the most recognized private label portfolio in the country (Beneke, 2010). As highlighted in Table A.1 of Appendix A, the store currently operates a tiered range of PLBs. The mid tier brand is that of PnP, featuring run-of-the-mill packaging, yet relatively high quality merchandise at competitive price points. Examples of these products, on shelf, are depicted in Figures 4.6 and 4.7. The merchandise features a clear linkage to the fascia brand (i.e. Pick n Pay) and is therefore, unmistakably, a Pick n Pay private label. The PnP range is positioned at a LSM 7 to 10 audience and, hence, attracts a middle class consumer base. Further information may be gleaned from the tables in Appendix A, featuring a comparative profile of FMCG private label brands in South Africa.

As a chain of stores, Pick n Pay therefore meets the criteria of attracting middle class consumers and trading private labels that cater to this market segment. The PnP brand was chosen as it is instantly recognisable as a private label and epitomises the Pick n Pay brand imagery and appeal.

4.4.3 Defining the Merchandise Category

Private label branded breakfast cereal was chosen as the product category for specific consideration in this study. This includes all the variants within the category, including Bran

Flakes, Corn Flakes, Oat Bran, Instant Oats and Muesli. The rationale for placing this specific merchandise under the microscope may be summarised as follows:

First, the category contains a number of consumer brands (Kellogg's, Nestle, Bokomo, Jungle Oats, etcetera), which have stimulated a high degree of competition and culminated in a financially viable, well developed product category (Pioneer Foods, 2013; Tiger Brands, 2013). Within this, PLBs have carved a niche, but have shied away from aggressively competing at the top end with Kellogg's, the undisputed category leader. Private labels within this category therefore conform to the traditional fighter brand role played by such labels in the industry (Kumar & Steenkamp, 2007).

Second, the penetration rate of 20% is marginally, although not substantially, higher than the national average (18%) (Nielsen, 2011). This ensures consistency in approach with other PLBs throughout South Africa.

Third, in terms of category size, breakfast cereal resides within the second largest segment of private label merchandise (proceeding staples), that of dry groceries. The breakfast cereal category, as a whole, is valued at approximately Rand 6.5 billion, with a growth rate of 2 percent per annum (Pioneer Foods, 2013; Euromonitor, 2013). This ensures prominence of the product category and confirms that consumers are indeed regular users of such products.

Fourth, due to the fact that breakfast cereal is a category that has stood the test of time, retailers have been in a position to enhance the quality of their offerings, through trial and error, and have developed products of comparable quality to the mainstream NBs. Thus, the product category exhibits a low degree of intra-category variation which, again, makes the merchandise type attractive as a private label range (Hsu & Lai, 2008; Hoch & Banerji, 1993).

Last, and with specific reference to Pick n Pay, the broad base appeal of the product category is matched by the retailer's ambition to showcase and grow its private label range. Thus, due to its prominent shelf placement and positioning, the PnP range of breakfast cereal has achieved considerable exposure to Pick n Pay shoppers and is available throughout Pick n Pay's extensive network of stores. In other words, the merchandise set is both readily accessible to middle class consumers and becoming increasingly familiar to such shoppers.

All of the above criteria strongly suggest that private label branded breakfast cereals and, in particular, that of the PnP range, are indeed suitable for scrutinising as an 'average' PLB on the market in South Africa. Figures 4.6 and 4.7 picture the PnP range of cereal on shelf.

Figure 4.6: Category Leader (Kellogg's) alongside PnP (Private Label) Breakfast Cereal



Source: Pick n Pay, Cape Town

Figure 4.7: Bokomo (National Brand) alongside PnP (Private Label) Breakfast Cereal



Source: Pick n Pay, Cape Town

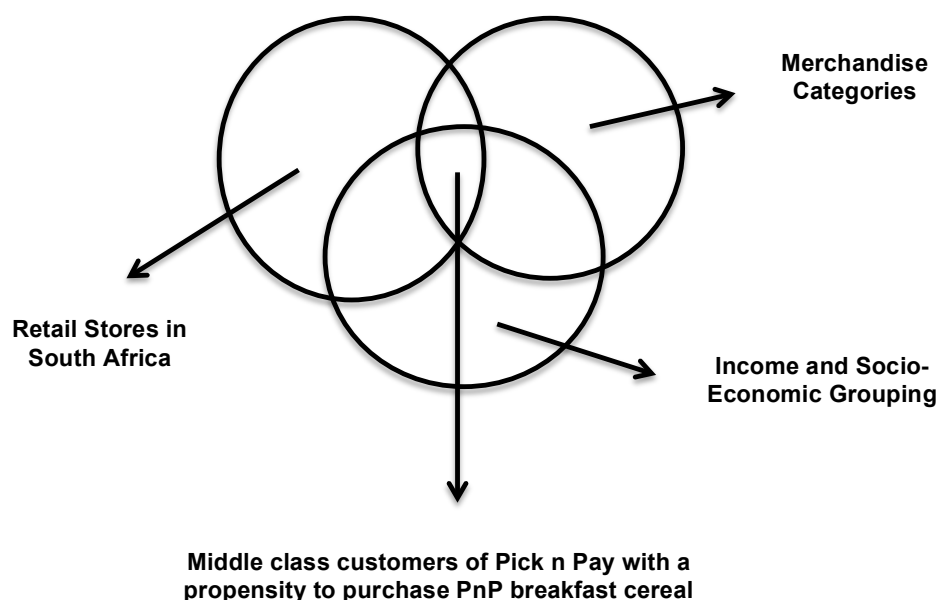
It should be noted that a single product category was chosen as there is a significant body of evidence to suggest that different product categories are associated with varying consumer risk profiles (Sinha & Batra, 1999). This was extensively detailed in section 2.3.2 of Chapter Two. Furthermore, when analysing the specific influences of consumer behaviour in the form of a conceptual model, best practice appears to necessitate refining the scope by focusing on a distinct product category in each instance (Padel & Foster, 2005), as evidenced in multiple works (e.g.

Chaniotakis *et al*, 2010; Lympelopoulos *et al*, 2010; Steichen & Terrien, 2009; Fandos & Flavián, 2006). Hence, each particular iteration of the model should, ideally, be characterised by placing the spotlight on a homogenous product set. Combining complementary product categories, whilst tempting in a practical sense, may therefore serve to distort the results (Padel & Foster, 2005). To this end, this research study elected to focus on a unified product category, that of breakfast cereals.

4.4.4 Establishing the Focal Point

Based on the above discussion, Figure 4.8 specifies the focal point of the study. This is the intersection of the three circles reflecting the set of FMCG retail chains operating in South Africa, the consumer base (as characterised by income and socio-economic status), as well as the spectrum of merchandise categories carried by the respective supermarket chains. As indicated in the area of overlap, middle class Pick n Pay customers, with a propensity to adopt PnP branded breakfast cereal, are of prime interest in this context. This particular market segment therefore formed the focal point of the study and constituted the target population for in-depth investigation.

Figure 4.8: Visual Summation of the Target Population of the Study



In order to provide an extra layer of assurance, a profile of cereal purchasers in Cape Town and throughout South Africa, as well as a profile of Pick n Pay customers from the same two regions, was constructed to ascertain demographic compatibility. This was not only of significance with respect to the analysis of the survey data, but also useful in order to anticipate any mismatches with respect to data collection procedures (i.e. deployment of the questionnaire). Table 4.2 compares the gender, age and household income profiles of cereal purchasers and Pick n Pay shoppers in Cape Town, whilst Table 4.3 makes the same comparison at a national level.

Table 4.2: Comparative Demographics – Cape Town

Demographics Variables	Cereal Purchaser	Pick n Pay Shoppers
Gender (%)		
Male	33.21	45.65
Female	66.79	54.35
Age (Years)		
Mean	41.55	39.13
Standard Deviation	14.65	16.07
Household Income (Rand)		
Mean	10 675.48	13 656.17
Standard Deviation *	9 057.94	120 997.69

Source: All Media and Product Survey (2013)

By way of explanation, cereal purchasers and Pick n Pay shoppers within Cape Town exhibit similar characteristics with respect to some, but not all, variables.

There is a heavy bias towards female purchasers of cereal (33% male versus 67% female), which is less pronounced in the case of Pick n Pay shoppers (46% male versus 54% female). Cereal buyers are very similar in age to Pick n Pay shoppers (on average, 42 years of age versus 39 years of age) and show similar degrees of variability, as indicated by their respective standard deviations. The mean monthly household income for cereal buyers is somewhat less (Rand 10 675) than that for Pick n Pay shoppers (Rand 13 656).

Table 4.3: Comparative Demographics – National

Demographics Variables	Cereal Purchaser	Pick n Pay Shoppers
Gender (%)		
Male	39.25	48.85
Female	60.75	51.15
Age (Years)		
Mean	39.96	37.63
Standard Deviation	15.39	15.89
Household Income (Rand)		
Mean	9 437.44	12 713.89
Standard Deviation *	8 972.74	127 330.26

Source: All Media and Product Survey (2013)

** It should be noted that large standard deviation reduces the reliability of this statistic and makes the true mean value of household income somewhat difficult to assess.*

A similar scenario is presented at a national level. As evidenced in the case above, there is a bias towards females in both instances (cereal purchasers: 39% male versus 61% female; Pick n Pay shoppers: 49% male versus 51% female), although to a less exaggerated extent than seen in Cape Town. Again, very similar means in age were observed – 40 years with respect to cereal purchasers and 38 years with respect to Pick n Pay shoppers, with almost identical variances. The mean monthly household income for cereal buyers is marginally less (Rand 9 437) than that for Pick n Pay shoppers (Rand 12 714). This, too, was found to be the case in Cape Town.

In summation, similar findings were established in both Cape Town and nationally. Females dominate the buying of cereal, with the balance of Pick n Pay shoppers more equal. The mean age of cereal and Pick n Pay shoppers ranged from 38 to 42, signifying that, on average, it is the older individuals that are responsible for the household shopping. Lastly, the mean household income range was between Rand 9 437 and Rand 13 656 in all instances, underscoring that the middle class do indeed purchase breakfast cereal and shop at Pick n Pay outlets.

The results presented above lend credence to the notion that the positioning of Pick n Pay's 'PnP' private label is indeed aligned with the demographics of middle class consumers. Hence, PnP branded breakfast cereal, as purchased by the demographic cohort identified, was upheld as the focal point of this research study.

4.5 DESIGN AND CONSTRUCTION OF THE SURVEY RESEARCH INSTRUMENT

In order to acquire data with which to test the conceptual model, a research instrument in the form of a questionnaire was required (Berndt & Petzer, 2011). A questionnaire was developed for data collection in the pilot and main studies, with a common foundation used in both iterations.

The final questionnaire (included in Appendix B) was designed to comply with the criteria of a paper-based survey administered directly to the target population. As per Malhotra *et al* (2008), the reasons for distributing a questionnaire through a survey approach include that it offers:

- A quick response
- Relatively low costs
- Distribution which is less time consuming
- Limited potential for interviewer bias
- A platform to create diverse and flexible questions
- High respondent control

Generally speaking, consumers engaged in a busy shopping area are in a hurry. As suggested by Malhotra *et al* (2008), in order to combat against respondent fatigue, a relatively short and easy to complete questionnaire is most effective. The design was thus consciously kept concise. In this respect, the questionnaire used in the pilot study was a single page in length, whereas the main study version was three pages in length. Both featured three distinct sections.

The first section of the questionnaire featured the university branding and researcher details, followed by instructions and a placement area for a unique reference number (an identifier assigned to each questionnaire).

The second section of questions represented the heart of the questionnaire. These questions assumed the form of a Likert scale, as utilised by Sweeney *et al* (1999) and Beneke *et al* (2013), with the individual scale items designed to measure the significance of the various factors that might affect a consumer's notion of value, and his/her willingness to buy the PLB in question. These specific scales are elaborated on in the section below.

The third section of the questionnaire requested key demographic details from respondents. This included the respondent's gender, age grouping, and household income level. Due to the sensitivities of racial segregation in South Africa, and researchers' reluctance to capture this information without strong cause, the respondent's ethnicity was not probed.

The study used a multi-item scale, specifically a 7-point Likert scale. Though considered, it was deemed non-essential to include a “not applicable” option. This was primarily due to the fact that the hurried nature of the survey environment, that of a busy retailing environment, may have resulted in a significant number of respondents not giving adequate thought to answering questions and, instead, preferring to elect “not applicable” without due consideration.

The chief reason for using a Likert scale was that prior studies, measuring similar constructs, have effectively made extensive use of this type of scale. These works include Dodds *et al's* (1991) "*Effects of price, brand, and store information on buyers' product evaluation*", Sweeney and Soutar's (2001) "*Consumer perceived value: The development of a multiple item scale*", as well as Beneke *et al's* (2013) "*The influence of perceived product quality, relative price and risk on customer perceived value: A study of private label merchandise*".

In an attempt to enhance the scientific standing of the study, the responses solicited from survey were in accordance with specific measurement scales. These scales were sourced from a variety of sources, including Bruner's (2013) "*Marketing Scales Handbook*", as well as journal articles that mirrored the incorporation of constructs used within this DBA study's conceptual model.

The first tranche of questions (i.e. questions 2 to 18), designed to collect data for the constructs of perceived quality, perceived relative price, perceived risk and perceived value, were included in both questionnaires. The main study questionnaire expanded upon this by including questions relating to the constructs of in-store extrinsic cues, familiarity with PLBs, store image and loyalty to existing NBs. The first section (containing preliminary information and screening questions) and third section (containing respondent demographic questions) were common to both pilot and main study iterations of the questionnaire.

Table 4.4 provides a list of the scale items featured in the main study questionnaire, the sources of these, as well as the relevant Cronbach Alpha (reliability) statistics derived from the pilot study (see Chapter Five).

Table 4.4: An Overview of the Measurement Scales utilised in the Questionnaire

Constructs and Scale Items	Adapted from...	Cronbach Alpha in Pilot Study*
Willingness to Buy <i>I would seriously consider buying these products.</i> <i>I will probably purchase these products at the store.</i> <i>There is a strong likelihood that I will purchase this merchandise.</i>	Diallo (2012) Sweeney <i>et al</i> (1999) Dodds <i>et al</i> (1991)	0.94
Perceived Product Value <i>This merchandise represents good value for money.</i> <i>At the price shown, this merchandise is economical.</i> <i>These products are a good buy.</i>	Sweeney <i>et al</i> (1999) Dodds <i>et al</i> (1991)	0.85
Perceived Relative Price <i>This merchandise is reasonably priced compared to mainstream cereal brands.</i> <i>This merchandise is more affordable than mainstream cereal brands.</i> <i>These are well priced products.</i>	Beneke <i>et al</i> (2013) Sweeney and Soutar (2001)	0.86
Perceived Product Quality <i>This merchandise is defective in some way.</i> <i>The quality of these products does not last.</i> <i>The merchandise is of low quality.</i>	Bao <i>et al</i> (2011) Sweeney and Soutar (2001) Grewal <i>et al</i> (1988)	0.63
Perceived Risk (Two dimensions) Functional risk <i>The quality of this merchandise is suspicious.</i> <i>The ingredients used in the manufacturing of these products are suspicious.</i> Financial risk <i>Buying this merchandise is not worth the money spent.</i> <i>Buying this merchandise is not a wise way to spend one's money.</i>	Diallo (2012)	0.87
Store Image <i>The store offers high levels of service and convenience.</i> <i>The atmosphere of the store is conducive to shopping.</i> <i>The physical environment is visually appealing.</i> <i>The store enjoys a favourable reputation.</i> <i>The store sells products that I would want to buy.</i>	Reardon <i>et al</i> (2011) Semeijn <i>et al</i> (2004) Chowdhury <i>et al</i> (1998)	Not applicable
In- and Out-of-Store Influences Familiarity with Private Labels <i>I feel inclined to talk about these products with family, friends and colleagues.</i>	Levy and Gendel-Guterman (2012) Fuchs <i>et al</i> (2010) Zhou <i>et al</i> (2010)	Not applicable

<p><i>I am aware of advertising of these products in magazines & newspapers and on television and radio.</i></p> <p><i>I have experience in buying and using such products.</i></p> <p>In-store Extrinsic Cues</p> <p><i>Attractive packaging makes the product more appealing to me.</i></p> <p><i>In-store promotions act as an enticement to buy the product.</i></p> <p><i>I am more likely to buy noticeable and conveniently placed products on the supermarket shelf.</i></p>	<p>Pham and Avnet (2004)</p> <p>Bloch <i>et al</i> (2003)</p> <p>Richardson <i>et al</i> (1994)</p>	
<p>Loyalty to National Brands (e.g. Kellogg's)</p> <p><i>I consider myself loyal to Kellogg's breakfast cereal.</i></p> <p><i>Kellogg's would be my first choice of breakfast cereal.</i></p> <p><i>I would not buy other brands if Kellogg's is available at the store.</i></p> <p><i>I am willing to pay a higher price for Kellogg's than I would for other brands.</i></p>	<p>Moreau <i>et al</i> (2011)</p> <p>Yoo <i>et al</i> (2000)</p>	<p>Not applicable</p>

* All published studies reported original Cronbach Alpha's exceeding 0.7.

As evidenced in Table 4.4 above, all scales included in the questionnaire were based on those previously implemented in reputable studies. The original Cronbach Alpha values for all scales exceeded 0.7. This was further validated by the usage of five of these scales in the pilot study, with almost all Cronbach Alpha's therein exceeding 0.7. The exception to this being the scale used to measure the construct of Perceived Product Quality, featuring a Cronbach Alpha of 0.63. Arguably, this may still be deemed acceptable due to 0.7 not being an absolute cut-off and emerging markets, such as South Africa, being afforded some margin in the assessment of scale reliability (Burgess & Steenkamp, 2006).

A copy of the comprehensive main study questionnaire may be found in Appendix B. A shortened version, as explained previously, was used for the pilot study. The specific pilot study scale items are explicitly documented in section 5.3 of Chapter Five.

4.6 PILOT STUDY: SAMPLE DESIGN AND DATA COLLECTION PROCEDURE

The methodology of the pilot study was heavily based upon that prescribed for the main study, the description of which may be found in the proceeding section.

In compliance with the criteria listed in section 4.4, the target population consisted of middle class supermarket shoppers between 21 and 65 years of age (excluding full-time students), resident in Cape Town, who had actively purchased a private label product within the last six months.

As highlighted previously, a survey design was advocated to collect the data for the pilot and main studies. The advantages of this method include quick responses, relatively low costs and a high degree of respondent control (Malhotra *et al*, 2008). Two field workers, familiar with private label merchandise and market research, were enlisted to assist in this process.

Before full deployment of the questionnaire was executed, a pre-test of the questionnaire was conducted on a set of 20 individuals. These were predominantly colleagues and associates of the researcher, all of whom fulfilled the demographic criteria applied to soliciting respondents in the full scale survey. The feedback and responses were considered to ensure that any errors or inconsistencies within the questionnaire were recognised and eliminated before official fieldwork commenced.

Thereafter, a mall intercept approach was employed to collect data from suitable respondents at two suburban Pick n Pay supermarket stores in Cape Town. At the outset of the interview process, respondents were shown images of PnP private label cereal brands in order to ensure clarity of thought and to remind them of their prior experiences in buying and/or using such brands. Furthermore, respondents were made aware of the fact that their responses would remain anonymous at the point of publishing the results, thereby encouraging honesty in the completion of the questionnaire.

Due to the relatively small sample size, no requirement for demographic segmentation of pilot study results, and no intention to extrapolate the outcome to a broader population segment at this particular stage of the research, a simple random sampling technique was adopted. This allowed for quick and efficient data collection by the field workers, a common reason why this sampling approach is frequently applied in 'people on the street interviews' and mall intercept scenarios (Malhotra *et al*, 2008). In conducting the survey, 165 questionnaires were administered, of which 152 were completed and deemed usable for data analysis purposes.

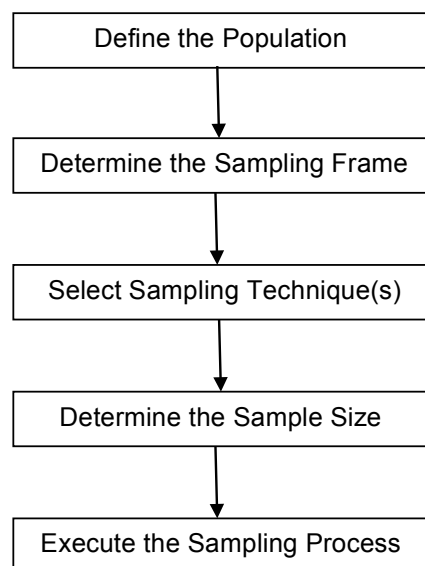
The data was captured from the questionnaires and manually entered in Microsoft Excel, where its integrity was enhanced through the removal of obviously erroneous values. Thereafter, descriptive statistics were run. The data was then transferred into SmartPLS 2.0, substituting “-1” in the case of missing values to instruct the software package to treat them accordingly, again maximising the integrity of the data. Here, path modelling techniques were applied. As discussed in section 4.8.4, Partial Least Squares (PLS) analysis was chosen for analysing the data, as this is a suitable predictive statistical technique that allows the researcher to explore the significance and strength of relationships within the conceptual model (Henseler *et al*, 2010). Moreover, it allows causality of relationships between variables to be inferred (Hair *et al*, 2011; Chin, 1998).

4.7 MAIN STUDY: SAMPLE DESIGN AND DATA COLLECTION PROCEDURE

As documented above, the main study forms the centerpiece of the empirical component of this thesis. This consists of a cross-sectional consumer survey to ascertain PLB purchasing intentions and behaviour. Collecting data in a scientific manner is of pivotal importance to the methodology, particularly in light of the advanced statistical techniques that were used to analyse the data.

The broad stages of the sampling process are depicted in Figure 4.9 and discussed subsequently.

Figure 4.9: Systematic Stages in the Sampling Process



Source: Malhotra *et al* (2008: 267)

The target population in this study is defined as middle class consumers in residence within Cape Town, South Africa. Cape Town is a major metropolis in the Republic of South Africa and home to approximately 3.7 million inhabitants, crossing the demographic spectrum (Statistics SA, 2012).

As highlighted in section 4.3.2, the survey was administered, using filter questions upfront to ensure that only respondents who exhibited certain characteristics (for example, were of middle class status and possessed familiarity with FMCG private label brands) were eligible for inclusion in the study.

The mall-intercept method was used to reach respondents within the retail trading environment. Shopping centres that were medium to large in size, and frequented by middle class consumers, were made eligible for selection. Figure 4.10 provides a graphic depiction of the Applied Sampling Process, including specific shopping malls identified as prospective sampling units. The benefit of this approach is that respondents were engaged in a designated retail environment at, or near to, the point of purchase of a requisite PLB. Although it may have been advantageous to take advantage of a Customer Relationship Management (CRM) database in order to select respondents entirely at random, it appeared that none of the major supermarket chains had a comprehensive loyalty programme featuring customer profiles and contact details. Even if this were to be available to the researcher, privacy concerns would likely have acted as a barrier to adoption and thus impeded usage of such a database.

A three-tier hybrid sampling technique was used. First, a shopping mall in each of the four districts in Cape Town (namely the Southern Suburbs, Northern Suburbs, Atlantic Seaboard and Cape Peninsula) was randomly selected from the list depicted in Figure 4.10. Second, a different day of the week to collect samples from each mall was randomly determined. Third, a systematic sample was drawn from each of the designated four malls on the chosen day, as specified below.

Mall management of the chosen malls was approached to determine the expected footfall (X) on the day in question. A total sample size of 400 to 500 was originally envisaged (as discussed below), equating to a sample subset of 100 to 125 respondents within each mall. Assuming a conservative initial target of 100 respondents per mall, the aim was therefore to sample every $(X/100)^{\text{th}}$ customer through an entrance. A randomly generated number between 1 and 100 was selected to commence the process and then every $(X/100)^{\text{th}}$ customer, thereafter, was solicited. This process sought to ensure that the sample was randomly generated and, ultimately, to allow the results to be extrapolated to the Cape Town metropolitan area. The applied process, as well as the challenges encountered therein, are documented within section 6.2 of Chapter Six.

As noted above, a sample size ranging between 400 and 500 respondents, in total, was foreseen to be an adequate for the purposes of this study. A sample of this magnitude enables path modeling to be effectively achieved (Hair *et al*, 2010) and should serve to minimise skewness and kurtosis tendencies within the data (Malhotra *et al*, 2008). Moreover, the Central Limit Theorem suggests that as the sample size grows, it tends towards a normal distribution. This increases the likelihood of being able to use conventional parametric statistical techniques (Cooper & Schindler, 2011; Downing & Clark, 2010).

The questionnaire was administered by a small team of trained field workers, familiar with the product category and appropriate marketing research principles. This method of distribution allowed for any misunderstandings to be addressed during the deployment process.

As in the pilot study, the questionnaire was designed in a format to assess the constructs, and the corresponding relationships, presented within the conceptual model. Furthermore, the questionnaire was kept as concise as possible, so as to maximise respondent participation and minimise interviewee fatigue (Malhotra *et al*, 2008). However, scientific rigour was not be compromised in this respect and scales were only shortened if these did not compromise the integrity of the data collected.

The parameters of the sampling process, as applied to this DBA thesis, are summarised in Table 4.5.

Table 4.5: Parameters of the Sampling Process

Sampling Frame	Middle class residents in Cape Town who purchase FMCG private label brands
Sampling Units	Shopping malls in Cape Town, South Africa
Sampling Elements	Patrons of shopping malls in Cape Town
Extent	Southern Suburbs, Northern Suburbs, Atlantic Seaboard and Cape Peninsula in the greater Cape Town metropolitan area
Sampling Technique	Three-tier hybrid sampling technique using four geographic areas and drawing a random systematic sample from a pre-selected mall, on a randomly selected (but different) day, in each location.
Sampling Size	400 - 500 respondents
Time	February 2014

Adapted from Malhotra *et al* (2008: 267)

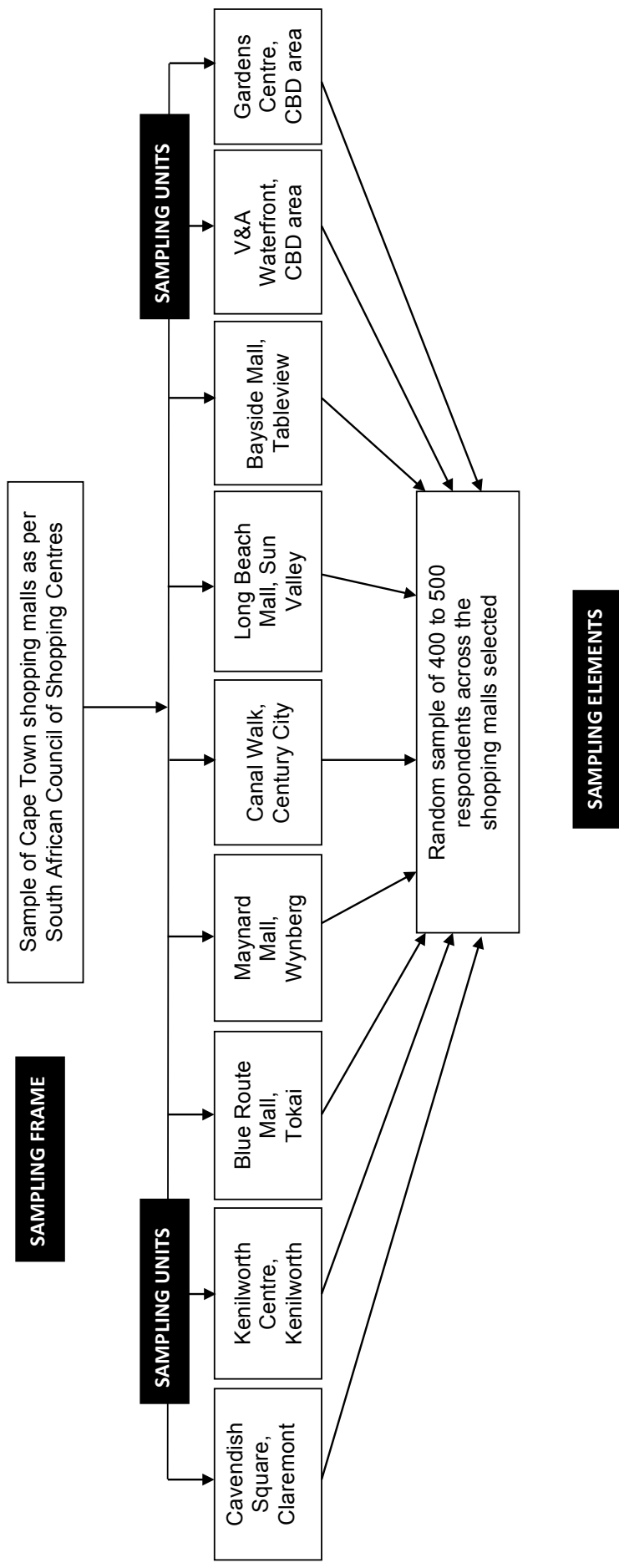


Figure 4.10: Illustration of the Applied Sampling Process

4.8 DATA ANALYSIS TECHNIQUES AND SOFTWARE

In order to make sense of the data collected, various forms of analysis were required. This section discusses the issues of scale purification, descriptive and segment-based statistical analysis, as well as the practice of path modeling. Lastly, this section discusses the statistical analysis software that was used to compute the data.

4.8.1 Scale Purification

Scale purification was achieved through testing item reliability by means of Cronbach's Alpha co-efficient (Cooper & Schindler, 2011). This ensured that the scale exhibits proven reliability and deemed fit for use in academic research projects, such as this DBA thesis, where a high degree of accuracy is required. Confirmatory Factor Analysis was utilised to assess construct validity (Cooper & Schindler, 2011). This technique measures how closely the individual scale items are aligned to the overall construct, ensuring that all scales items are matched with the purpose of the construct, therefore reflecting the same phenomena. If the reliability and validity of scales are in order, the results from the data analysis may reasonably be considered robust and credible. In this case, once the scales were suitably purified, the statistical analysis of the data was initiated.

4.8.2 Descriptive Statistical Analysis

At the outset of the survey analysis, an overview of the composition of the sample was provided through basic descriptive statistics reflecting the demographic characteristics of respondents. Thereafter, further descriptive statistics (e.g. mean, minimum value, maximum value and standard deviation) relating to each of the constructs (for example, the degree of risk exhibited by respondents towards purchasing private label merchandise) were showcased in order to provide an indication of the extent to which respondents felt about the various attributes probed in the survey. This served to provide a snapshot view of how the 'average' respondent rated a particular attribute in the questionnaire.

4.8.3 Segmentation-based Statistical Analysis

In order to compare designated groups within the sample, more advanced statistical techniques are required. Analysis of Variance (ANOVA) is one such technique that may be used to determine whether a fundamental difference exists between the mean values of various cohorts. Normalised data is, however, required for the usage of ANOVA, whilst data

that doesn't adhere to this criterion may be subjected to the non-parametric equivalent, the Kruskal Wallis test (Black, 2012; Hair *et al*, 2010).

In the case of this thesis, segmentation based analysis was implemented in an attempt to discover whether the construct means differed substantially across segmentation groups, as outlined in research objectives 4 to 6 in section 1.3 of Chapter One. The unit of analysis, in this instance, being the consumer of PLBs and the unit of description relating to the demographic composition of the individual (i.e. characteristics of gender, age and household income level).

Tukey's HSD (Honestly Significant Difference) post-hoc test was performed thereafter, with the intention of understanding exactly which groups differed from the calculated mean. Here, ANOVA/Kruskal Wallis was able to inform the researcher of whether any groups did actually deviate, statistically, from the mean, whereas Tukey's posthoc test was responsible for pinpointing precisely which groups differed (Black, 2012; Hair *et al*, 2010). Thus, inherent differences in responses between designated groups were exposed.

In motivating sub-group analysis, it is important to note that many consumer based studies probe for differences in beliefs, mindsets, risk profiles and purchasing behaviour at the demographic level (Lin, 2002; Beane & Ennis, 1987; Slama & Tashchian, 1985). This is often achieved according to gender, age, education level, as well as socio-economic status (Kotler & Keller, 2011; Wedel & Kamakura, 2000). Segmenting the sample in this manner can therefore lead to interesting and valuable findings, which might otherwise have remained undiscovered (Lin, 2002; Slama & Tashchian, 1985).

There are numerous instances of demographic segmentation being applied to consumer sub-groupings in the academic literature. For example:

- Beneke *et al* (2013) scrutinised the effect of core demographics on perceived risk in the purchasing of PLBs in South Africa.
- Sethuraman and Cole (1999) investigated whether annual household income and family size affected private label consumption patterns in the United States.
- Ricciuto *et al* (2006) considered the socio-demographic influences on food purchasing among Canadian households.
- Sorce *et al* (2005) investigated age in online buying behaviour in the United States of America.

- Shiu and Dawson (2001) applied demographic segmentation to shoppers in traditional markets and supermarkets in Taiwan.
- Laroche *et al* (2000) looked at gender differences in in-store information search strategies in the Chinese gift market.

Furthermore, Stafford (1996) utilised demographic discriminators of service quality in the banking industry in the United States and, in a very similar study, Alfansi and Sargeant (2000) considered the relationship between demographics and desired customer benefits in the Indonesian banking sector.

Thus, there appeared to be a wide-ranging precedent in applying demographic segmentation to cohorts of consumers within the sample. It was thought that this micro level analysis might identify individual differences at a sub-group level, which may prove beneficial in understanding the nuances of consumer behaviour and, ultimately, adoption of PLBs in South Africa.

4.8.4 Path Analysis

Path analysis was used to test the linkages (i.e. causal relationships) within the conceptual model, as adopted in the original private label proneness framework developed by Richardson *et al* (1996). Partial Least Squares (PLS) analysis is an extension of Multiple Linear Regression, with a proven track record in exploring such relationships (Henseler & Chin, 2010; Reinartz *et al*, 2009). According to Henseler *et al* (2010), PLS is based on Structural Equation Model (SEM) principles, although pure covariance-based SEM still remains the gold standard for theory confirmation and comparisons between alternative models. However, the demands placed by SEM on data are more onerous and emerging markets, which exhibit high degrees of heterogeneity, are often better suited to more flexible techniques such as PLS. PLS, for example, is less affected by data that does not adhere to a high degree of normality (Hair *et al*, 2010).

Whilst there are parallels between the two techniques, SEM is typically used in confirmatory studies where there is little variation between the 'old' and 'new' models (Hair *et al*, 2010). In this study, there are a number of significant modifications, meaning that a more exploratory (as opposed to confirmatory) approach would be appropriate. Thus, this study is primarily engaged in the function of model building, therefore necessitating a prediction reliance, as only the core relationships in the proposed model have been tested in other such studies (most notably Sweeney *et al*, 1999). In advancing the Sweeney *et al* (1999) study, this

research sought to modify a) the geographic context (Australia → South Africa), b) the merchandise setting (kitchen appliances → private label branded Fast Moving Consumer Goods) and c) the peripheral theory (additional antecedents and other effects). PLS therefore appeared more suitable for path modeling in this instance. SmartPLS 2.0, a German software package, was selected to perform the PLS analysis.

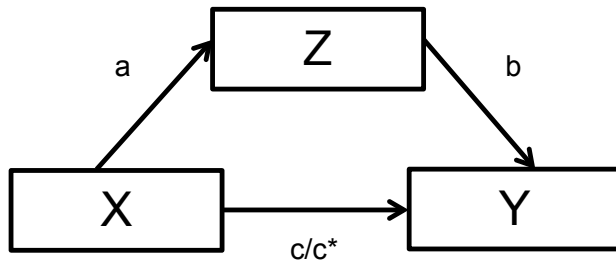
The application of Partial Least Squares analysis appears well entrenched in marketing research literature. In a paper by Hair *et al* (2012), the authors found that there were 204 PLS based articles published in the top 30 marketing journals over the last three decades, with 51 such studies appearing in 2010 alone. This signifies an increasing tendency to adopt PLS as a path modeling technique. One particular advantage over SEM, as pointed out by Hair *et al* (2011), is that it allows for the exploration of new relationships and, in particular, identifying key “driver” constructs. Thus, PLS has a strong applied focus and its predictive algorithm is optimised for model building and adaptation. These are characteristics highly compatible with the stated aim and objectives of this DBA thesis.

It is also worth noting that PLS has been adopted in various disciplines such as chemistry, economics, medicine, psychology, and pharmaceutical science where predictive linear modeling, especially with a large number of predictors, is necessary (de Jong, 1993). PLS has thus been shown to possess versatility and rigour beyond the behavioural sciences.

4.8.3.1 Exploring Mediation Effects

A mediator is an intervening variable that is present for the relationship between a dependent and independent variable (Baron & Kenny, 1986). This is depicted in Figure 4.11. As illustrated in the conceptual model, the construct *perceived value of private label brands*, was tested for mediation in the course of this research project. Full mediation exists where there is no significant relationship straight between the dependent and independent variables, but only through the two indirect pathways. In contrast, partial mediation exists where all pathways (the direct relationship and indirect relationships) are statistically significant (Baron & Kenny, 1986).

Figure 4.11: Schematic Depiction of a Mediating Effect

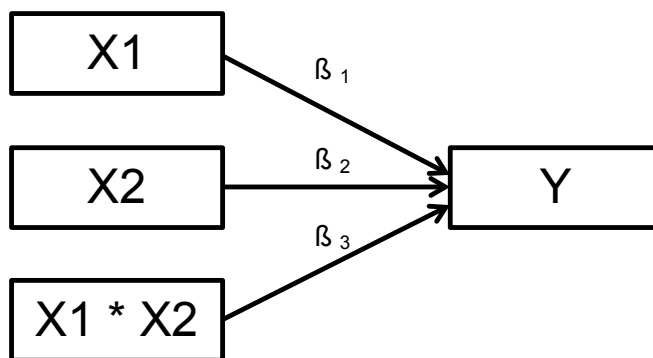


As explained by Baron & Kenny (1986), paths a and b are direct effects. The mediated effect of X leads to Y through Z is called the indirect effect. The indirect effect represents the portion of the relationship between X and Y that is mediated by Z. Full mediation exists if X significantly affects Z (path a), Z significantly affects Y (path b) and a previous significant of X on Y (path c) is longer significant when Z is controlled (path $c^*=0$). Partial mediation exists if X significantly affects the Z (path a), Z accounts for some (not necessarily significant) of the X-Y relationship (path b) and path c^* is less significant than for path c.

4.8.3.2 Exploring Moderation Effects

A moderator is a third variable that changes the direction and/or strength of the relationship between an independent variable and a dependent (Baron & Kenny, 1986). This is depicted in Figure 4.12. During the course of this research project, the construct *loyalty towards national brands* was tested for moderation power over the relationship between *perceived value* of private label brands and *willingness to buy* them.

Figure 4.12: Schematic Depiction of a Moderating Effect



Moderation would occur if the interaction variable, $X1 * X2$ was significantly different to zero.

4.8.5 Statistical Analysis Software

SPSS (formerly known as Statistical Package for the Social Sciences), and manufactured by IBM, is a statistics analysis package used for a range of tasks, including elementary data analysis (e.g. producing descriptive statistics), as well as executing advanced multivariate statistical techniques grounded in probability theory. SPSS was utilised for the descriptive and segmentation-based statistical analysis in this thesis. The software package is able to perform this core analysis, as well as output the data in multiple formats (e.g. tables, graphs, etcetera). SPSS remains widely used within the academic fraternity and is highly applicable for studies grounded in business management and social sciences. The current version is IBM SPSS Statistics 22.0. Further information may be found at URL: <http://www-01.ibm.com/software/za/analytics/spss>.

SmartPLS 2.0, a German engineered software package using a graphical user interface for path modeling purposes, was utilised for exploring the relationships between the latent variables and assessing the structural integrity of the conceptual model. This software has been extensively used for published studies in the areas of private label and other forms of consumer research, including previous journal articles and conference papers written by the author of this thesis. Further information on SmartPLS 2.0 may be found at URL: <http://www.smartpls.de>.

4.9 RELIABILITY AND TRANSFERABILITY OF THE RESULTS

Reliability refers to the accuracy and consistency of a measurement, whereas validity relates to the extent to which the measurement captures reality (Cooper & Schindler, 2011). Ensuring high levels of reliability and validity is crucial for a scientific study such as a DBA thesis. The implementation of these checks in the pilot and main studies is discussed in section 4.8.1 above, addressing scale refinement and purification. The reliability of the validation study was enhanced through the development of a structured research instrument comprising specific questions and validity was maintained through inviting selected academic and industry experts in the field of marketing and retail management onto the panel. In terms of transferability, the results of the DBA thesis are argued to be representative of the geographic scope of the study (i.e. middle class consumers in Cape Town, South Africa). The reasonably large sample size, and the usage of probability sampling to generate a representative sample across the geographic spectrum, act as enablers to allow the results to be generalised beyond the sample drawn.

4.10 CONCLUSION

This chapter described the various aspects of the research design and methodology, with the latter half of the chapter focused on the sequential steps planned for acquiring data to test the applicability and structural integrity of the proposed conceptual model. The development and design of the research instrument (i.e. the questionnaire) was discussed, including the use of various measurement scales in order to scientifically quantify consumer responses. After this, the sampling plan was discussed, detailing how the 400 to 500 respondents for the main study would be sourced in a representative manner. Lastly, the chapter considered the various tools of analysis, with a particular focus on path modeling and how this may be effectively applied in a multigroup scenario.

Chapter Five provides the results generated through the pilot study. The basic theory is tested in this phase of the research, which serves to inform the subsequent phase of this thesis, the main study (Chapter Six).

CHAPTER FIVE: PILOT STUDY

5.1 INTRODUCTION

In this chapter, the core relational model is examined in the form of a pilot study to ascertain its validity in the context of private label FMCG merchandise. This prefaces the main study where the core model (as originally proposed by scholars such as Sweeney *et al*, 1999), together with the various extensions advocated in this thesis, are presented for comprehensive empirical testing.

The primary purpose of this pilot study is to determine the influence of perceived product quality, perceived relative price and perceived risk, respectively, on customer perceived product value and, ultimately, the willingness of the consumer to buy private label breakfast cereal in Cape Town, South Africa.

The holistic conceptual model was presented in the literature synthesis, including the antecedent component of Private Label Brand Image (incorporating familiarity with such merchandise, in-store extrinsic cues and store image), as well as the postcedent component of loyalty towards established NBs. These, however, will not be tested in the pilot study as they form an extension of the core theory. Thus, only the base model will be examined as these represent the core motivations, as indicated in the literature, in assessing the attraction of PLBs.

The aim of the pilot study is stated as follows:

- To examine the antecedents of perceived value of private label breakfast cereal and the impact this effect has on consumers' willingness to buy such merchandise.

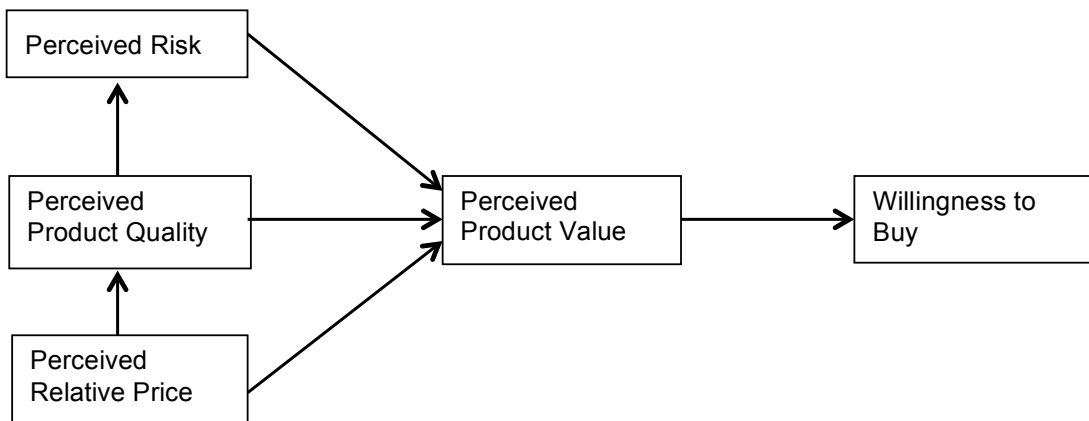
Based on this aim, the following objectives are stated:

- To examine the effect of perceived quality on the perceived value of private label breakfast cereal.
- To examine the effect of perceived risk on the perceived value of private label breakfast cereal.
- To examine the effect of perceived relative price on the perceived value of private label breakfast cereal.
- To examine the relationship between perceived value of private label breakfast cereal and consumer willingness to buy such merchandise.
- To analyse whether perceived value performs a mediation role in the relationships stated above.

5.2 CONCEPTUAL MODEL

Figure 5.1 represents a visual summation of the relationships hypothesised in the base model (i.e. excluding the antecedent *brand image of private labels* and the postcedent *loyalty to existing national brands*). Hence, now incorporating the final construct of *willingness-to-buy*, this is a replication of the framework included in section 2.4.5 at the end of Chapter Two. The placement of this sub-section within the comprehensive conceptual model is illustrated in Figure D.1 in Appendix D. The shaded area represents the core model (as depicted in Figure 5.1 and tested in the pilot study) whereas the additional components featured in the comprehensive model are greyed out.

Figure 5.1: Conceptual Model of Hypothesised Relationships



Adapted from Kwun and Oh (2008); Snoj *et al* (2004); Agarwal & Teas (2001); Sweeney *et al* (1999); Dodds *et al* (1991); Zeithaml (1988)

The conceptual model proposes that perceived product quality has an influence on consumer perceived product value, perceived relative price influences customer perceived product value, and perceived risk has an influence on perceived product value. These relationships, in turn, influence the association between perceived product value and willingness to buy.

In addition to these direct relationships, the interrelationships between perceived product quality and perceived relative price, as well as between perceived product quality and perceived risk, have been included in the model. It is believed that these relationships also have an effect on the influences on perceived product value and willingness to buy. Hence, this pilot study aims to confirm whether the relationships originally proposed, and tested, by Sweeney *et al* (1999) are applicable in the context of this research.

Based on the set of hypotheses developed in Chapter Three, the sub-set of hypotheses one to nine, relating to the inter-relationships between the constructs highlighted above, are highlighted for empirical testing in this pilot study and restated below:

Hypothesis 1

H₀: Perceived product value does not influence consumers' willingness to buy private label branded breakfast cereal.

H_A: Perceived product value influences consumers' willingness to buy private label branded breakfast cereal.

Hypothesis 2_A

H₀: Perceived product value does not mediate the relationship between perceived product quality and consumers' willingness to buy private label branded breakfast cereal.

H_A: Perceived product value mediates the relationship between perceived product quality and consumers' willingness to buy private label branded breakfast cereal.

Hypothesis 2_B

H₀: Perceived product value does not mediate the relationship between perceived relative price and consumers' willingness to buy private label branded breakfast cereal.

H_A: Perceived product value mediates the relationship between perceived relative price and consumers' willingness to buy private label branded breakfast cereal.

Hypothesis 2_C

H₀: Perceived product value does not mediate the relationship between perceived risk and consumers' willingness to buy private label branded breakfast cereal.

H_A: Perceived product value mediates the relationship between perceived risk and consumers' willingness to buy private label branded breakfast cereal.

Hypothesis 3

H₀: Perceived product quality does not influence the perceived product value of private label branded breakfast cereal.

H_A: Perceived product quality influences the perceived product value of private label branded breakfast cereal.

Hypothesis 4

H₀: Perceived relative price does not influence the perceived product value of private label branded breakfast cereal.

H_A: Perceived relative price influences the perceived product value of private label branded breakfast cereal.

Hypothesis 5

H₀: Perceived relative price does not influence the perceived product quality of private label branded breakfast cereal.

H_A: Perceived relative price influences the perceived product quality of private label branded breakfast cereal.

Hypothesis 6

H₀: Perceived product quality does not mediate the relationship between perceived relative price and perceived product value of private label branded breakfast cereal.

H_A: Perceived product quality mediates the relationship between perceived relative price and perceived product value of private label branded breakfast cereal.

Hypothesis 7

H₀: Perceived risk does not influence the perceived product value of private label branded breakfast cereal.

H_A: Perceived risk influences the perceived product value of private label branded breakfast cereal.

Hypothesis 8

H₀: Perceived product quality does not influence the perceived risk of private label branded breakfast cereal.

H_A: Perceived product quality influences the perceived risk of private label branded breakfast cereal.

Hypothesis 9

H₀: Perceived risk does not mediate the relationship between perceived product quality and perceived product value of private label branded breakfast cereal.

H_A: Perceived risk mediates the relationship between perceived product quality and perceived product value of private label branded breakfast cereal.

5.3 SYNOPSIS OF PILOT STUDY METHODOLOGY

The methodology of this pilot study is in accordance with that prescribed for the main study (presented in Chapter Six) and serves as a forerunner to test the validity of the approach. The sample design and means of analysis for the pilot study were extensively discussed in the preceding chapter, with a synopsis provided below.

Before the pilot study was commenced, the questionnaire was pre-tested on a sample of 20 individuals who matched the profile of the required respondents, thus ensuring that any errors or inconsistencies were recognised and eliminated. Thereafter, a simple random sample of 152 respondents was generated by two fieldworkers, using a mall-intercept approach, within two suburban Pick n Pay grocery stores in Cape Town. The questionnaire consisted of (a) filter questions to ensure that the correct target population was included; (b) demographic questions to assess the composition of the sample; as well as (c) semantic differential scales in order to measure the constructs in the conceptual model (listed in Table 5.1). As addressed in the preceding chapter, SmartPLS 2.0 was used to analyse the data through PLS path analysis.

Table 5.1: Scale Items to Measure Respondents' Perceptions

	Strongly Disagree				Strongly Agree			
2. This merchandise is reasonably priced compared to other mainstream brands.	1	2	3	4	5	6	7	
3. This merchandise is more affordable than other mainstream brands.	1	2	3	4	5	6	7	
4. These are well priced products.	1	2	3	4	5	6	7	
5. This merchandise is defective in some way.	1	2	3	4	5	6	7	
6. The quality of these products does <u>not</u> last.	1	2	3	4	5	6	7	
7. The merchandise is of low quality.	1	2	3	4	5	6	7	
8. The quality of this merchandise is suspicious.	1	2	3	4	5	6	7	
9. The ingredients used in the manufacturing of these products are suspicious.	1	2	3	4	5	6	7	
10. Buying these products is a waste of money.	1	2	3	4	5	6	7	
11. Buying this merchandise is <u>not</u> worth the money spent.	1	2	3	4	5	6	7	

12. Buying this merchandise is <u>not</u> a wise way to spend one's money.	1	2	3	4	5	6	7
13. This merchandise represents good value for money.	1	2	3	4	5	6	7
14. Considering the shelf price, this merchandise is economical.	1	2	3	4	5	6	7
15. These products are a good buy.	1	2	3	4	5	6	7
16. I would seriously consider buying these products.	1	2	3	4	5	6	7
17. I will probably purchase these products at the store.	1	2	3	4	5	6	7
18. There is a strong likelihood that I will purchase this merchandise.	1	2	3	4	5	6	7

* The question numbering commenced with two, as the first question posed asked respondents if they had, in fact, purchased a PLB within the past six months.

** Questions 5 to 7 were reverse coded in the data analysis and thus the scale order effectively rotated.

5.4 SAMPLE COMPOSITION

In terms of gender composition, it was found that 104 respondents, comprising 68.4% of the total 152 responses, were female and that the remaining 48 respondents (31.6% of the total) were males. This high number of female respondents could be attributable to the notion that this demographic cohort are traditionally responsible for conducting the shopping for household products. Respondents were also classified according to their age groups. The study found that 35 respondents (23%) were between ages 21 and 30, 56 respondents (37%) were between 31 and 40, 19 respondents (13%) were between ages 41 and 50, and the remaining 42 respondents (28%) were over 50 years of age.

The sample therefore attained responses across the working age spectrum, but specifically excluded those individuals still likely to be at school, college or university.

The last demographic probed was the respondents' household income per month. Here, 40 respondents (26%) selected less than R 10 000 per month, 28 respondents (18%) selected between Rand 10 000 and Rand 20 000 per month, 26 respondents (17%) earned between Rand 20 001 and Rand 30 000 per month, and 58 respondents (38%) earned more than Rand 30 000 per month. Thus, there was a bias towards relatively affluent households, mirroring middle class demographics in South Africa.

The means and standard deviations for each scale item, as well as the overall scale, are detailed in Table 5.2.

Table 5.2: Mean and Standard Deviation Values for Scales and Scale Items

Scale Item	Mean	Standard Deviation
Perceived Product Quality	4.662	1.327
Question 5	4.592	1.294
Question 6	4.421	1.407
Question 7	4.974	1.281
Perceived Relative Price	5.283	1.161
Question 2	5.447	1.126
Question 3	5.270	1.162
Question 4	5.132	1.194
Perceived Risk	2.448	1.340
Question 8	2.928	1.415
Question 9	2.267	1.197
Question 10	2.178	1.277
Question 11	2.467	1.409
Question 12	2.401	1.401
Perceived Product Value	5.090	1.303
Question 13	5.211	1.370
Question 14	5.072	1.202
Question 15	4.987	1.337
Willingness-to-buy	5.017	1.439
Question 16	5.138	1.357
Question 17	4.980	1.440
Question 18	4.934	1.521

The table above provides key metrics (i.e. the mean and standard deviation) for the individual scale items, as well as that for the summated scale. Based on the overall mean for perceived product quality, which is 4.662, it can be concluded that most respondents “agree” with scale items 5 to 7. Regarding perceived relative price, the overall mean of 5.283 indicates that most respondents “strongly agree” with scale items 2 to 4. Perceived risk has an overall mean of 2.448, meaning that most respondents “disagree” with the scale items 8 to 12. Perceived product value has an overall mean of 5.090, which indicates that most respondents “strongly agree” with scale items 13 to 15. Lastly, the overall mean for willingness-to-buy is 5.017 and it may thus be concluded that most respondents “strongly agree” with scale items 16 to 18.

5.5 VALIDITY AND RELIABILITY OF SCALES

5.5.1 Confirmatory Factor Analysis

Confirmatory Factor Analysis was conducted in order to assess the validity of the constructs within the model. The function within SmartPLS 2.0 was used for this purpose, with the output being a table of factor loadings. In standard statistical packages such as SPSS, Bartlett’s Sphericity or Levene’s test may be generated, however this is not a metric utilised by SmartPLS 2.0.

Table 5.3 shows the factor loadings of each item on a construct in the model. In order for an item to successfully load onto a construct, the value should exceed 0.7 (Hair *et al*, 2010). The table clearly shows that the items of every construct loaded successfully onto a single factor, which can be seen within the highlighted blocks in the table. The notable exception is q8 (0.69). However this was retained as the value was very close to the prescribed threshold. Therefore, all constructs used in the hypothesised model were considered valid.

Table 5.3: Factor Loadings

	Perceived Relative Price	Perceived Product Quality	Perceived Risk	Perceived Product Value	Willingness to Buy
q2	0.8839	0.3042	-0.3761	-0.5265	0.3729
q3	0.8735	0.2140	-0.3155	-0.5629	0.4097
q4	0.8922	0.4122	-0.3839	-0.5681	0.4959
q5	0.0796	0.7065	-0.4170	0.2414	0.2450
q6	0.2762	0.8434	-0.5906	0.4302	0.3864
q7	0.4251	0.7053	-0.2974	0.4207	0.4010
q8	-0.3537	-0.4124	0.6900	-0.4290	-0.3904
q9	-0.3117	-0.4736	0.7705	-0.4315	-0.3677
q10	-0.3001	-0.5113	0.8567	-0.4411	-0.4523
q11	-0.3673	-0.5096	0.8841	-0.4471	-0.4576
q12	-0.3398	-0.4842	0.8599	-0.4346	-0.4375
q13	-0.5936	0.4416	-0.4321	0.8413	0.5536
q14	-0.5753	0.3698	-0.3908	0.8868	0.5677
q15	-0.4836	0.4858	-0.5625	0.8917	0.6432
q16	0.5015	0.4741	-0.5302	0.7066	0.9467
q17	0.4308	0.4379	-0.4793	0.5986	0.9498
q18	0.4481	0.4031	-0.4485	0.5955	0.9311

5.5.2 Item Total Reliability

Internal consistency and reliability of the model was measured by conducting an Item Total Reliability analysis of the constructs. The Cronbach Alphas of each construct are displayed in Table 5.4. In order for a construct to be internally consistent and reliable, its Cronbach Alpha value must be above 0.6, preferably 0.7 (Burgess & Steenkamp, 2006; Field, 2005). Thus, all values met the prescribed minimum criteria.

Table 5.4: Cronbach Alpha Values and Items per Construct

Construct	Cronbach Alpha	Number of Items
Perceived Product Quality	0.6263	3
Perceived Relative Price	0.8616	3
Perceived Risk	0.8715	5
Perceived Product Value	0.8449	3
Willingness-to-Buy	0.9374	3

Table 5.4 indicates that all five constructs' Cronbach Alpha's are greater than 0.6, with four exceeding 0.8. Thus, as stated above, all five constructs were deemed internally consistent and reliable.

At this point in the study, it was concluded that the scales were both valid and reliable, hence enabling the next phase of the task – the path modelling analysis.

5.6 TESTING THE MODEL

Structural equation modelling, using Partial Least Squares (PLS) analysis, was conducted in order to test the conceptual model depicted in Figure 5.1. The PLS outputs included below provide the t-values (Figure 5.2) and path coefficients (Figures 5.3) for the hypothesised relationships. In the following section addressing the measurement model, convergent and discriminant validity is assessed. Thereafter, the structural model is scrutinised and the outcome of the hypothesised relationships derived.

5.7 MEASUREMENT MODEL

5.7.1 Convergent Validity

In order to test the convergent validity of the model, Average Variance Extracted (AVE) figures should be analysed. AVE measures the amount of variance explained by an unobserved construct in relation to the variance due to random measurement error. The adequate threshold for this measurement is considered to be 0.5 (Hair *et al*, 2010; Vasilecas *et al*, 2005). Thus, a construct with an AVE greater than 0.5 may be assumed to explain a significant proportion of the variance in the model.

Table 5.5 reflects the AVE figures for all the constructs included in the model. As the values range from 0.5693 to 0.8884, this indicates that convergent validity holds within the model.

Table 5.5: Average Variance Extracted (AVE)

Construct	Average Variance Extracted
Perceived Product Quality	0.5693
Perceived Relative Price	0.7801
Perceived Risk	0.6650
Perceived Product Value	0.7693
Willingness-to-Buy	0.8884

5.7.2 Discriminant Validity

According to Fornell-Larcker (1981), discriminant validity within the model is maintained if the loading of a construct on its allocated construct is higher than its cross loadings on all other constructs. The loading of a construct on its allocated construct is calculated by taking the square root of the AVE pertaining to that construct.

The loading of a construct on its allocated construct is displayed by the bold figures in Table 5.6. It can be seen that for all the constructs, the loading of each construct on its allocated construct is higher than its cross loadings on all other constructs. Therefore discriminant validity within the model holds.

Table 5.6: Cross Loadings for each Construct in the Pilot Study Model

	Perceived Product Quality	Perceived Product Value	Perceived Relative Price	Perceived Risk	Willingness-to-Buy
Perceived Product Quality	0.7545				
Perceived Product Value	0.4985	0.8771			
Perceived Relative Price	0.3643	-0.6264	0.8832		
Perceived Risk	-0.5880	-0.5348	-0.4091	0.8155	
Willingness-to-Buy	0.4671	0.6762	0.4904	-0.5181	0.0

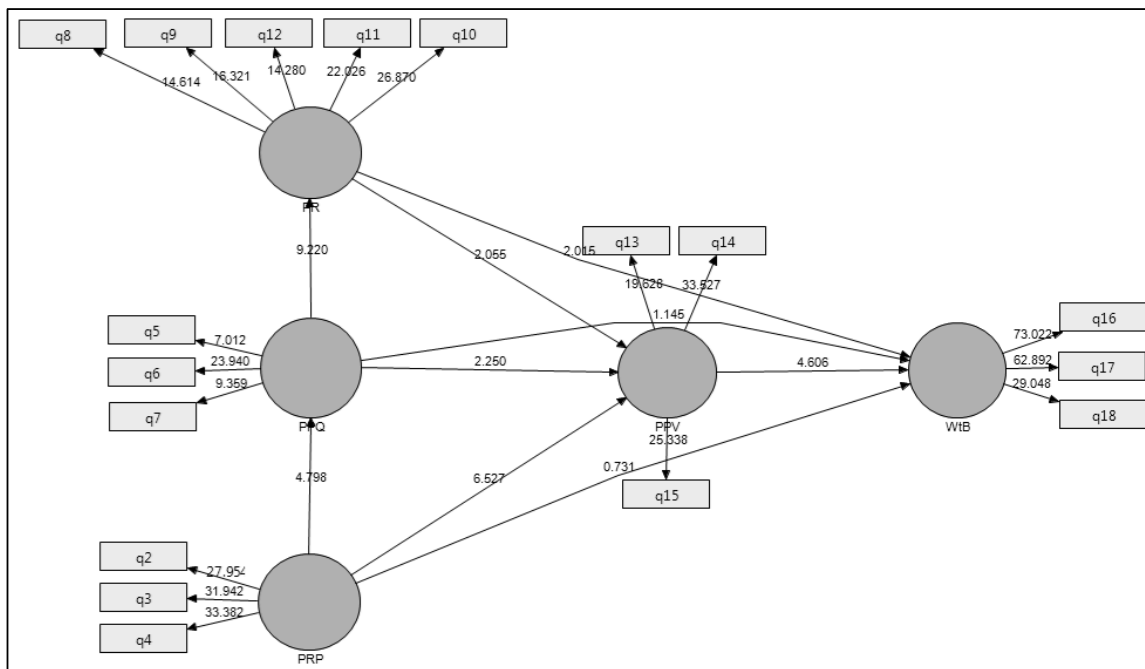
Based on the above analyses, it is contended that the pilot study model holds for both convergent and discriminant validity.

5.8 STRUCTURAL MODEL

5.8.1 T-Values

Figure 5.2 displays the relevant t-values that pertain to each hypothesised relationship, including the indirect relationships between variables of interest in the model. T-test analysis plays an important role in evaluating whether or not significant relationships exist between the constructs in the model (Hair *et al*, 2010). In this case, two tailed t-tests were assessed and measured at the 1 percent, 5 percent and 10 percent significance levels.

Figure 5.2: Structural Model: T-values



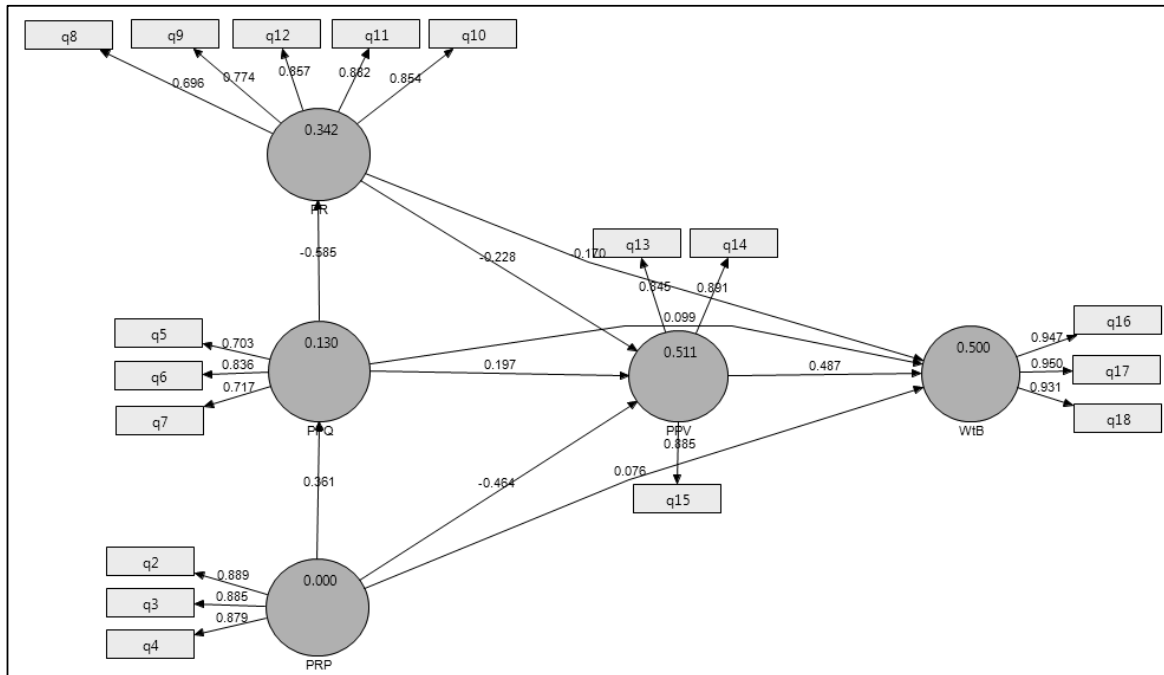
Key: PPQ = Perceived Product Quality; PPV = Perceived Product Value; PR = Perceived Risk; PRP = Perceived Relative Price; WtB = Willingness to Buy

It can be seen in Figure 5.2 above that all the direct relationships are significant at the 5 percent significance level (t-value > 1.96), with four of the six significant at the 1 percent level (t-value > 2.58). The notable exceptions are perceived risk on perceived product value and perceived product quality on perceived product value. The indirect relationships are discussed in the consideration of mediating factors in section 5.9 below.

5.8.2 Path Coefficients

Figure 5.3 provides a display of the path coefficients between the variables of interest, including the indirect effects in the form of potential mediators. These path coefficients determine the strength and directional nature of the respective relationships (Hair *et al*, 2010).

Figure 5.3: Structural Model: Path Coefficients



Key: PPQ = Perceived Product Quality; PPV = Perceived Product Value; PR = Perceived Risk; PRP = Perceived Relative Price; WtB = Willingness to Buy

In Figure 5.3 it can be seen that the path coefficient between perceived product value and willingness-to-buy is 0.487. This indicates a very strong positive relationship between the two constructs. A strong negative relationship (-0.464) also exists between perceived relative price and perceived product value. However, a moderate positive relationship (0.197) occurs between perceived product quality and perceived product value, and a moderate negative relationship (-0.228) connects perceived risk and perceived product value. The indirect relationships, as encapsulated within the PLS graph above, are discussed in the consideration of mediating factors in section 5.9 below.

An R^2 value of 0.500 for the dependent variable, willingness-to-buy, reflects that 50.0 percent of variance in this latent variable is explained by the contributing factors included as antecedents in the model. This statistic is considered to be relatively high for a PLS model (Henseler *et al*, 2010).

5.9 ASSESSMENT OF HYPOTHESES

Hypothesis 1

H_0 : *Perceived product value does not influence consumers' willingness to buy private label branded breakfast cereal.*

H_A : *Perceived product value influences consumers' willingness to buy private label branded breakfast cereal.*

The above PLS output indicates a significant relationship between perceived product value and willingness-to-buy, with a t-value of 4.606. This influence is a positive one due to the path coefficient of 0.487, meaning that an increase in perceived product value is likely to lead to an increase in consumers' willingness to buy such products. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 1 percent significance level and it can be concluded that perceived product value strongly influences consumers' willingness to buy private label branded breakfast cereal.

Hypothesis 2_A

H_0 : *Perceived product value does not mediate the relationship between perceived product quality and consumers' willingness to buy private label branded breakfast cereal.*

H_A : *Perceived product value mediates the relationship between perceived product quality and consumers' willingness to buy private label branded breakfast cereal.*

The relationships between perceived product quality and perceived product value, between perceived product value and willingness-to-buy, as well as between perceived product quality and willingness-to-buy, have t-values of 2.250, 4.606 and 1.145 respectively. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) and it can be concluded that perceived product value is a full mediator (at the 5 percent level) of the relationship between perceived product quality and the consumer's willingness to buy private label branded breakfast cereal.

Hypothesis 2_B

H_0 : *Perceived product value does not mediate the relationship between perceived relative price and consumers' willingness to buy private label branded breakfast cereal.*

H_A : *Perceived product value mediates the relationship between perceived relative price and consumers' willingness to buy private label branded breakfast cereal.*

The relationships between perceived relative price and perceived product value, between perceived product value and willingness-to-buy, as well as between perceived relative price and

willingness-to-buy, have t-values of 6.527, 4.606 and 0.731 respectively. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) and it can be concluded that perceived product value is a full mediator (at the 5 percent level) of the relationship between perceived relative price and a consumer's willingness to buy private label branded breakfast cereal.

Hypothesis 2c

H_0 : *Perceived product value does not mediate the relationship between perceived risk and consumers' willingness to buy private label branded breakfast cereal.*

H_A : *Perceived product value mediates the relationship between perceived risk and consumers' willingness to buy private label branded breakfast cereal.*

The relationships between perceived risk and perceived product value, between perceived product value and willingness-to-buy, as well as between perceived risk and willingness-to-buy, have t-values of 2.055, 4.606 and 2.015 respectively. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) and it can be concluded that perceived product value is a partial mediator (at the 5 percent level) of the relationship between perceived risk and a consumer's willingness to buy private label branded breakfast cereal.

Hypothesis 3

H_0 : *Perceived product quality does not influence the perceived product value of private label branded breakfast cereal.*

H_A : *Perceived product quality influences the perceived product value of private label branded breakfast cereal.*

The PLS output indicates a significant relationship between perceived product quality and perceived product value due to the t-value of 2.250. This relationship is a positive one, based on the path coefficient of 0.197. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 5 percent significance level and it can be concluded that perceived product quality influences the perceived product value of private label branded breakfast cereal.

Hypothesis 4

H_0 : *Perceived relative price does not influence the perceived product value of private label branded breakfast cereal.*

H_A : *Perceived relative price influences the perceived product value of private label branded breakfast cereal.*

The PLS output indicates a significant relationship between perceived relative price and perceived product value, with a t-value of 6.527. In addition, this influence is a negative one due to the path coefficient of -0.464. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 1 percent significance level and it can be concluded that perceived relative price strongly influences the perceived product value of private label branded breakfast cereal.

Hypothesis 5

H_0 : *Perceived relative price does not influence the perceived product quality of private label branded breakfast cereal.*

H_A : *Perceived relative price influences the perceived product quality of private label branded breakfast cereal.*

The PLS output indicates a significant relationship between perceived relative price and perceived product quality, based on the t-value of 4.798. The path coefficient is 0.361, which indicates a positive relationship. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 1 percent significance level and it can be concluded that perceived relative price strongly influences the perceived product quality of private label branded breakfast cereal.

Hypothesis 6

H_0 : *Perceived product quality does not mediate the relationship between perceived relative price and perceived product value of private label branded breakfast cereal.*

H_A : *Perceived product quality mediates the relationship between perceived relative price and perceived product value of private label branded breakfast cereal.*

The relationships between perceived product quality and perceived product value, between perceived product quality and perceived relative price, as well as between perceived relative price and perceived product value, have t-values of 2.250, 4.798 and 6.527, respectively. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) and it can be concluded that perceived product quality is a partial mediator (at the 5 percent level) of the relationship between perceived relative price and a consumer's perceived product value of private label branded breakfast cereal.

Hypothesis 7

H_0 : *Perceived risk does not influence the perceived product value of private label branded breakfast cereal.*

H_A : *Perceived risk influences the perceived product value of private label branded breakfast cereal.*

The PLS output indicates a significant relationship between perceived risk and perceived product value due to the t-value of 2.055. This relationship is a negative one, based on the path coefficient of -0.228. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 5 percent significance level and it can be concluded that perceived risk negatively influences the perceived product value of private label branded breakfast cereal.

Hypothesis 8

H_0 : *Perceived product quality does not influence the perceived risk of private label branded breakfast cereal.*

H_A : *Perceived product quality influences the perceived risk of private label branded breakfast cereal.*

The relationship between perceived product quality and perceived risk is significant, based on the t-value of 9.220. The path coefficient is -0.585, which implies a negative relationship. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 1 percent significance level and it can be concluded that perceived product quality strongly (and negatively) influences the perceived risk of private label branded breakfast cereal.

Hypothesis 9

H_0 : *Perceived risk does not mediate the relationship between perceived product quality and perceived product value of private label branded breakfast cereal.*

H_A : *Perceived risk mediates the relationship between perceived product quality and perceived product value of private label branded breakfast cereal.*

The relationships between perceived risk and perceived product value, between perceived product quality and perceived risk, as well as between perceived product quality and perceived product value, have t-values of 2.055, 9.220 and 2.250 respectively. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) and it can be concluded that perceived risk is a partial mediator (at the 5 percent level) of the relationship between perceived product quality and a consumer's perceived product value of private label branded breakfast cereal.

5.10 SUMMATION OF FINDINGS AND RESEARCH IMPLICATIONS

The pilot study found that perceived product value has a very strongly positive influence on a consumer's willingness to buy private label merchandise. Perceived risk and perceived relative price were found to exhibit negative relationships with perceived product value, whilst perceived product quality was found to possess a positive relationship with the dependent variable.

The study also identified further relationships between the constructs that precede perceived product value in the cognitive process. Perceived relative price is positively related to perceived product quality, while perceived product quality is strongly negatively related to the perceived risk of private label merchandise. In addition, a plethora of mediation effects were found to exist. Full mediation, whereby the direct relationship is not significant but the two indirect relationships are significant, was found to exist in the case of perceived product value mediating the relationship between perceived product quality and willingness to buy and, again, with perceived product value mediating the relationship between perceived relative price and willingness to buy. Thus, perceived product value is deemed to be a crucial intermediary step in the cognitive process outlined in the model, leading to a consumer's willingness to buy private label merchandise.

Partial mediation, whereby the complete set of direct and indirect relationships are significant, was found to exist in three instances: (a) perceived product value mediating the relationship between perceived risk and willingness to buy; (b) perceived product quality mediating the relationship between perceived relative price and perceived product value and, lastly, (c) perceived risk mediating the relationship between perceived product quality and perceived product value.

In summation, it was determined the results closely correspond to those documented by Beneke *et al* (2013) and Sweeney *et al* (1999). This serves to validate the core relationships underpinning the model proposed on the final page of the literature synthesis (Chapter Three), signaling the base model is indeed fit for purpose.

This pilot study highlights that perceived product value is paramount in the decision process. Pricing, as a key variable, requires considerable attention due to its dual role in signaling both quality and value for money to the consumer (Dodds & Monroe, 1985). Although low pricing erodes an image of quality, it creates the perception that the merchandise represents better value for money, with the converse also being true. Relative pricing between NBs and PLBs thus needs to be significant in order for the savings to justify the tradeoff in opting for a 'lesser' brand (Yang & Peterson, 2004). However, marketing practitioners should remain aware of 'stuck in the middle' pricing whereby the price is not low enough to generate a sale, yet sends a signal of inferior quality, relative to the category leaders (Zielke & Dobbelstein, 2007).

Finally, perceived risk was found to have a negative effect on the value proposition of private label merchandise. In South Africa, it is well known that many emerging class consumers are not always in a position to assume the risk of brand failure. Hence, there is a tendency to opt for safer, tried-and-trusted NBs, that are invariably more expensive than their private label counterparts

(Beneke, 2010). This conundrum is evident in the negative relationship between perceived risk and perceived product value.

5.11 CONCLUSION

This chapter commenced by restating the hypotheses derived from the literature synthesis in Chapter Three. These hypotheses were developed as the building blocks of the comprehensive conceptual model designed to understand PLB purchasing motivations and inhibiting forces in this respect. The pilot study assessed the core structure of this model, validating its applicability and allowing for the model extensions, as proposed by this thesis, to be implemented on a solid conceptual foundation.

More specifically, the design, layout and wording of the questionnaire proved to be quite adequate, and the data collection method suitably sound, thus adding credibility to the deployment of an augmented version of the research instrument in the main study. Moreover, the theory was upheld as being conceptually rigorous and appropriate with respect to the merchandise category of private label breakfast cereal. The basis for the main study was thus confirmed and no major revisions implemented.

Chapter Six advances the research project by initially providing descriptive statistics to summarise the data at a foundation level, and then delving into rigorous statistical analyses to extract meaningful insights from the consumer survey. In doing so, the conceptual model presented at the end of Chapter Three will be meticulously tested, at both a broad and sub-group level, and the outcomes used to definitively infer cognitive reasoning and subsequent purchasing behaviour.

CHAPTER SIX: MAIN STUDY

6.1 INTRODUCTION

In this chapter, the comprehensive relational model is examined through a consideration of the stated hypotheses in the literature synthesis. Additionally, the segmentation variables of age, gender and household income are applied to each measurement variable within the model so as to ascertain differences between the respective demographic groupings. Such insights allow the researcher to discriminate between various consumer segments and thus allow the marketer to tailor offerings and marketing communications to each of these segments.

A pilot study was previously conducted and documented in Chapter Five. This served to validate the core model – i.e. the influences of perceived quality, perceived risk and perceived relative price on the perceived value of PLBs, the effect of perceived value on willingness to buy such brands, as well as the determination of whether perceived value performs a mediation role in the defined relationships.

The holistic conceptual model, as presented in the Chapter Three, includes the first order construct of Private Label Brand Image (incorporating the elements of familiarity with such merchandise, in-store extrinsic cues and store image), as well as the postcedent component encompassing loyalty towards established NBs. In addition to the core model described in the preceding paragraph, these additional components collectively represent the comprehensive conceptual model, aimed at understanding the influences which shape consumers' purchasing behaviour of breakfast cereal sold under a private label.

The research question, as originally conceived in Chapter One, is restated below:

What is the extent of the influence exerted by the identified drivers of perceived value of private label breakfast cereal – namely price, perceived risk and perceived quality? Moreover, what is the nature of the role played by the antecedent brand image, as well as the postcedent of loyalty to established national brands, in this process? Lastly, do the demographic variables of age, gender and household income have a significant bearing on these particular factors?

Aligned with this, and as specified in Chapter One, the research aim for the main study is:

To examine the antecedents of perceived value of private label branded breakfast cereal, as determined by middle class consumers, and the impact this effect has on their willingness to buy such merchandise. Furthermore, the study aims to assess the impact of key demographic variables on the intensity of the cognitive processes described above.

Consequently, the following seven research objectives are designated for exploration in the main study. This is heavily based on the framework provided in the first chapter of this thesis, except with the original first objective now sub-divided into objectives one and two stated below.

1. To consider the effect of Private Label Brand Image (comprising of familiarity with the merchandise, in-store extrinsic cues and store image) on the perceived quality of breakfast cereal sold under a private label brand.
2. To consider the effect of perceived quality, perceived risk and perceived relative price on the perceived value of private label breakfast cereal.
3. To examine the relationship between perceived value of private label breakfast cereal and consumers' willingness to buy these brands.
4. To analyse whether loyalty towards national brands moderates the relationship between the perceived value of private label breakfast cereal and consumers' willingness to buy these brands.
5. To assess the impact of the demographic variable of age on the phenomena described above (i.e. objectives 1 to 4).
6. To assess the impact of the demographic variable of gender on the phenomena described above (i.e. objectives 1 to 4).
7. To assess the impact of the demographic variable of income level on the phenomena described above (i.e. objectives 1 to 4).

6.2 SYNOPSIS OF MAIN STUDY METHODOLOGY

The main study methodology was described in detail within sections 4.3.2 and 4.7 of Chapter Four.

In Chapter Four, a consumer survey approach was advocated, whereby the research instrument (included as Appendix B) would be deployed to 400 to 500 respondents in four shopping centres representing a diverse range of individuals who met the requirements of middle class consumers. To this end, shopping malls in four prominent districts of Cape Town were selected – Liberty Promenade (Mitchells Plain in the Southern Suburbs), Long Beach Mall (Noordhoek in the Cape Peninsula), Canal Walk (Century City in the Northern Suburbs) and Gardens Centre (Gardens on

the Atlantic Seaboard). These malls are geographically identified on the map of Cape Town included as Appendix E.

The following dates were utilised for questionnaire deployment, ensuring rotating days for data collection:

- Thursday, 13th February & Friday, 14th February 2014: Liberty Promenade, Mitchells Plain
- Monday, 17th February & Tuesday, 18th February 2014: Long Beach Mall, Noordhoek
- Wednesday, 19th February & Thursday, 20th February 2014: Canal Walk, Century City
- Tuesday, 25th February & Wednesday, 26th February 2014: Gardens Centre, Gardens

The field workers were requested, by Pick n Pay, to avoid month end as foot traffic was at its peak level at this point and the inconvenience factor may thus have served to irritate customers.

In accordance with the principles stipulated in Chapter Four, the following schedule was constructed and used for drawing a representative sample of respondents.

Table 6.1: Data Collection Schedule

Shopping Mall	Est. Monthly Footfall (patrons)	Est. Daily Footfall (patrons)	Random Starting Number	Original Systematic Sampling Metric	Realised Sampling Metric
Canal Walk	1.9 million	63 333	38	$(63\,333 / 125) = 506.7$	50
Gardens	1.1 million	36 666	59	$(36\,666 / 125) = 293.3$	29
Long Beach	800 000	26 666	27	$(26\,666 / 125) = 213.3$	21
Mitchells Plain	600 000	20 000	64	$(20\,000 / 125) = 160$	16

Source: Mall Management & Corporate Financial Statements

The original procedure, described in Chapter Four, was adjusted very slightly when the impracticalities of only surveying every 507th customer (in the case of Canal Walk) was realised. In order to ensure consistency, whilst adhering to the prescribed systematic sampling method, these numbers were all divided by a factor of ten. The reduction in this order of magnitude was applied across all shopping malls from the outset. Thus, using Canal Walk as an example, the 38th patron was approached and every 50th customer thereafter.

In total, a sample size of 482 respondents was realised. This equated to a response rate of 96.4% as 500 questionnaires were originally printed and assigned for completion.

Two field workers, stationed within the selected Pick n Pay supermarket aisles containing the selection of breakfast cereals, were utilised to physically collect the data. Although the questionnaires were designed for self-administration, in a handful of instances the field workers were required to intervene and administer the questionnaires in the form of an interview. Owing to the fact that the majority of the questionnaire was assessed in the pilot study, and the full set of questions pre-tested prior to the execution of the main study, no major problems were encountered in the deployment and completion of the questionnaires.

Upon completion of the data collection, the responses were manually captured into a Microsoft Excel spreadsheet and the data systematically checked to eliminate obvious errors. The data was then transferred into SPSS and SmartPLS 2.0 for statistical computation. In a few instances involving missing responses, these were flagged appropriately by coding the cell with “-1” to signify that particular question had not been completed by the respondent.

6.3 COMPOSITION OF SAMPLE

As highlighted above, the realised sample consisted of 482 respondents throughout the Cape Town metropolitan area. Three distinct segmentation variables were collected – age, gender and household income. The sample was skewed in favour of female respondents (57.3 percent versus 42.7 percent male respondents), younger individuals (particularly 21 to 40 year olds, constituting 75.1 percent of the sample) and middle income (i.e. R 10 001 to R 20 000) consumers who comprised just over half of the respondents (50.3 percent) surveyed. The precise composition of the sample, according to these demographics, is described in Appendix F.

6.4 DESCRIPTIVE STATISTICS AND DATA NORMALITY ANALYSIS

Before embarking upon inferential statistical analysis, it was important to get an overview of the data. In this respect, Table 6.2 presents the elementary metrics for each scale item (question) included in the questionnaire.

It should be noted that questions five, six and seven, as featured in the questionnaire, were reverse coded in order to remove the negative orientation of the scale items. This is consistent with the approach taken in the pilot study. Therefore, the inverse (true) scale of Perceived Product Quality is included below. In the current form, as expressed in Table 6.2, a higher value equates to a higher perception of product quality.

Table 6.2: Descriptive Statistics – General Item Analysis

	N	Minimum	Maximum	Mean	Median	Std Deviation
Question 2	482	1.00	7.00	5.3983	5	1.19033
Question 3	482	1.00	7.00	5.4129	6	1.20363
Question 4	482	1.00	7.00	5.3631	5	1.20762
Question 5	482	1.00	7.00	5.8257	6	1.47703
Question 6	482	1.00	7.00	5.7552	6	1.49226
Question 7	482	1.00	7.00	5.7033	6	1.54259
Question 8	482	1.00	7.00	2.1100	2	1.40179
Question 9	482	1.00	7.00	2.0747	2	1.35053
Question 10	482	1.00	7.00	2.0851	2	1.37206
Question 11	482	1.00	7.00	2.0622	2	1.35270
Question 12	482	1.00	7.00	5.0124	5	1.27337
Question 13	482	1.00	7.00	5.0228	5	1.28703
Question 14	482	1.00	7.00	4.9357	5	1.29207
Question 15	482	1.00	7.00	4.7925	5	1.48817
Question 16	482	1.00	7.00	4.7614	5	1.55131
Question 17	482	1.00	7.00	4.7178	5	1.59497
Question 18	482	1.00	7.00	5.6971	6	1.19230
Question 19	482	1.00	7.00	5.4917	6	1.35449
Question 20	482	1.00	7.00	5.6743	6	1.14433
Question 21	482	1.00	7.00	5.0643	5	1.64841
Question 22	482	1.00	7.00	5.2573	6	1.70976
Question 23	482	1.00	7.00	5.6494	6	1.33071
Question 24	482	1.00	7.00	5.4896	6	1.22215
Question 25	482	1.00	7.00	5.5809	6	1.14204
Question 26	482	1.00	7.00	5.4813	6	1.20492
Question 27	482	1.00	7.00	5.6660	6	1.10303
Question 28	482	1.00	7.00	5.7988	6	1.05116
Question 29	482	1.00	7.00	2.6452	2	1.74003
Question 30	482	1.00	7.00	2.6763	2	1.76799
Question 31	482	1.00	7.00	2.3589	2	1.53335
Question 32	482	1.00	7.00	2.3983	2	1.66630

The spread of data, for each item in the questionnaire, was subjected to testing for normality. Table 6.3 contains the results of the tests for Skewness and Kurtosis. According to Pallant (2013: 59), the skewness value provides “an indication of the symmetry of the distribution” whilst the Kurtosis value provides “information about the ‘peakedness’ of the distribution”. A value very close to zero, in both instances, signifies that the data is almost perfectly normalised (Pallant, 2013).

Table 6.3: Basic Data Normality Analysis

	N	Skewness		Kurtosis	
	Statistic	Statistic	Standard Error	Statistic	Standard Error
Question 2	482	-.882	.111	1.369	.222
Question 3	482	-.814	.111	.988	.222
Question 4	482	-.726	.111	.793	.222
Question 5	482	-1.450	.111	1.512	.222
Question 6	482	-1.275	.111	.857	.222
Question 7	482	-1.221	.111	.621	.222
Question 8	482	1.477	.111	1.692	.222
Question 9	482	1.455	.111	1.698	.222
Question 10	482	1.563	.111	2.153	.222
Question 11	482	1.607	.111	2.415	.222
Question 12	482	-.321	.111	.087	.222
Question 13	482	-.372	.111	.177	.222
Question 14	482	-.246	.111	-.091	.222
Question 15	482	-.359	.111	-.365	.222
Question 16	482	-.446	.111	-.292	.222
Question 17	482	-.396	.111	-.459	.222
Question 18	482	-1.371	.111	2.726	.222
Question 19	482	-1.316	.111	1.986	.222
Question 20	482	-1.244	.111	2.490	.222
Question 21	482	-.855	.111	-.067	.222
Question 22	482	-1.039	.111	.237	.222
Question 23	482	-1.273	.111	1.743	.222
Question 24	482	-1.070	.111	1.689	.222
Question 25	482	-.928	.111	1.326	.222
Question 26	482	-.991	.111	1.483	.222
Question 27	482	-.850	.111	1.286	.222
Question 28	482	-.852	.111	1.332	.222
Question 29	482	1.149	.111	.253	.222
Question 30	482	1.131	.111	.203	.222
Question 31	482	1.446	.111	1.483	.222
Question 32	482	1.321	.111	.825	.222

In the case of this study, there appears to be varying degrees of negative skewness (i.e. responses congregated at the upper end of the measurement scale), as well as fluctuating levels of Kurtosis. In order to comprehensively understand the distribution of the data, advanced tests for establishing data normality were employed. These provided definitive results for testing the status of normality of data within the sample.

Using the Kolmogorov-Smirnov and Shapiro-Wilk tests reflected in Table 6.4, the following hypothesis was used to ascertain whether the distribution was significantly normalised or not:

H_0 : The data is normally distributed.

H_A : The data is not normally distributed.

Table 6.4: Advanced Data Normality Analysis

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Degs Freedom	Significance	Statistic	Degs Freedom	Significance
Question 2	.188	482	.000	.887	482	.000
Question 3	.191	482	.000	.893	482	.000
Question 4	.183	482	.000	.900	482	.000
Question 5	.261	482	.000	.774	482	.000
Question 6	.258	482	.000	.795	482	.000
Question 7	.263	482	.000	.798	482	.000
Question 8	.264	482	.000	.771	482	.000
Question 9	.256	482	.000	.775	482	.000
Question 10	.265	482	.000	.766	482	.000
Question 11	.259	482	.000	.763	482	.000
Question 12	.166	482	.000	.925	482	.000
Question 13	.150	482	.000	.923	482	.000
Question 14	.159	482	.000	.931	482	.000
Question 15	.149	482	.000	.936	482	.000
Question 16	.148	482	.000	.932	482	.000
Question 17	.132	482	.000	.933	482	.000
Question 18	.231	482	.000	.829	482	.000
Question 19	.221	482	.000	.840	482	.000
Question 20	.228	482	.000	.844	482	.000
Question 21	.204	482	.000	.883	482	.000
Question 22	.224	482	.000	.849	482	.000
Question 23	.228	482	.000	.838	482	.000
Question 24	.205	482	.000	.865	482	.000
Question 25	.205	482	.000	.874	482	.000
Question 26	.195	482	.000	.874	482	.000
Question 27	.196	482	.000	.872	482	.000
Question 28	.196	482	.000	.858	482	.000
Question 29	.290	482	.000	.810	482	.000
Question 30	.284	482	.000	.813	482	.000
Question 31	.292	482	.000	.787	482	.000
Question 32	.283	482	.000	.785	482	.000

a. Lilliefors Significance Correction

In the case of this study, we can safely reject the null hypothesis at the five percent significance level for all scale items and conclude that the data is not normally distributed across the board. Thus, non-parametric tests were used for all inferential analysis purposes (Pallant, 2013).

6.5 SAMPLE SEGMENTATION BY AGE, GENDER AND HOUSEHOLD INCOME

In order to determine if varying responses to the questions may be attributed to the demographics of age, gender and household income, three non-parametric segmentation tests were conducted.

The following hypothesis was postulated to ascertain the outcome of the extent to which the demographic classification influenced the response received from the survey participants:

H_0 : *The medians across all segmentation groups are equal.*

H_A : *At least one of the medians differs significantly from the other segmentation groups.*

The Kruskal Wallis test (the non-parametric equivalent of ANOVA) was utilised for the variables of age and household income, where there were more than two categories of response. The Mann-Whitney U-Test (the non-parametric equivalent of independent sample t-tests) was used in the case of gender (Pallant, 2013). A composition of the aggregate item scores, with reference to each demographic cluster, is contained in Appendix G.

The results are included in Tables 6.5, 6.6 and 6.7, with significant values (at the five percent level) highlighted in bold text.

Table 6.5: Kruskal Wallis Test by Age Group Segmentation

	Chi-Square	Degrees of Freedom	Significance
Question 2	10.967	4	.027
Question 3	8.122	4	.087
Question 4	10.485	4	.033
Question 5	38.453	4	.000
Question 6	51.405	4	.000
Question 7	42.486	4	.000
Question 8	53.678	4	.000
Question 9	45.340	4	.000
Question 10	27.744	4	.000
Question 11	25.242	4	.000
Question 12	15.165	4	.004
Question 13	10.000	4	.040
Question 14	15.112	4	.004
Question 15	18.686	4	.001

Question 16	22.990	4	.000
Question 17	27.555	4	.000
Question 18	27.255	4	.000
Question 19	32.407	4	.000
Question 20	18.653	4	.001
Question 21	59.863	4	.000
Question 22	78.260	4	.000
Question 23	50.995	4	.000
Question 24	23.809	4	.000
Question 25	8.860	4	.065
Question 26	19.436	4	.001
Question 27	25.176	4	.000
Question 28	12.384	4	.015
Question 29	46.969	4	.000
Question 30	42.990	4	.000
Question 31	25.266	4	.000
Question 32	29.927	4	.000

Table 6.5, above, utilised the Kruskal Wallis test to ascertain whether age played a role in determining a consumer's response. In all cases, except for question three, differences between age cohorts were found to exist. Thus, the null hypothesis of equality can be safely rejected at the five percent significance level and the conclusion reached that age does indeed influence how consumers responded to the questions posed.

Table 6.6: Kruskal Wallis Test by Household Income Segmentation

	Chi-Square	Degrees of Freedom	Significance
Question 2	2.552	3	.466
Question 3	2.166	3	.539
Question 4	2.946	3	.400
Question 5	14.649	3	.002
Question 6	19.759	3	.000
Question 7	22.322	3	.000
Question 8	8.539	3	.036
Question 9	9.927	3	.019
Question 10	8.656	3	.034
Question 11	6.431	3	.092
Question 12	0.736	3	.865
Question 13	0.939	3	.816
Question 14	5.538	3	.136
Question 15	4.198	3	.241
Question 16	7.064	3	.070
Question 17	8.863	3	.031

Question 18	4.704	3	.195
Question 19	11.880	3	.008
Question 20	17.578	3	.001
Question 21	51.224	3	.000
Question 22	60.896	3	.000
Question 23	21.206	3	.000
Question 24	10.838	3	.013
Question 25	12.046	3	.007
Question 26	24.207	3	.000
Question 27	12.738	3	.005
Question 28	10.261	3	.016
Question 29	46.664	3	.000
Question 30	48.557	3	.000
Question 31	19.496	3	.000
Question 32	34.678	3	.000

Table 6.6, above, also made use of the Kruskal Wallis test in order to ascertain whether household income played a role in determining a consumer's response. In the vast majority of cases (22 out of the 32 instances or 68.8 percent), household income was found to be a noteworthy factor. Thus, the null hypothesis of equality can be safely rejected at the five percent significance level and the conclusion reached that household income does indeed influence how consumers responded to the questions posed.

Table 6.7: Mann-Whitney U-Test by Gender Segmentation

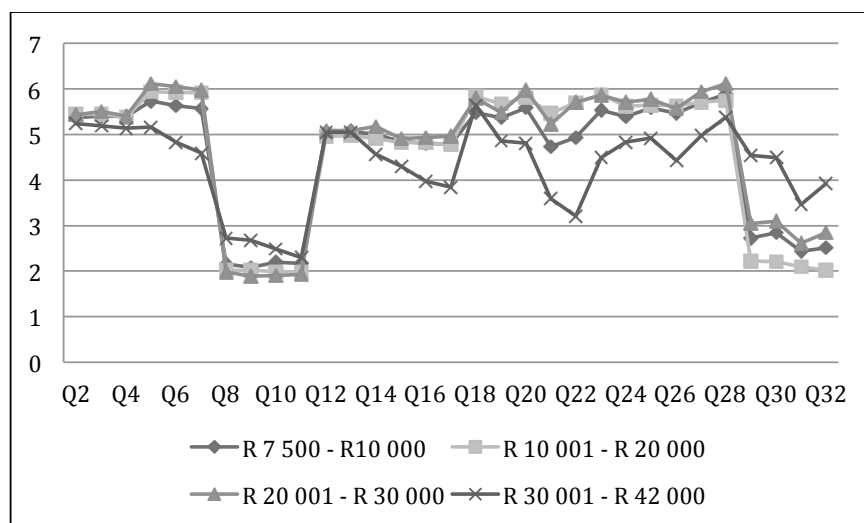
	Mann-Whitney U	Wilcoxon W	Z Statistic	Significance
Question 2	24906.500	46227.500	-2.419	.016
Question 3	25463.500	46784.500	-2.031	.042
Question 4	24840.000	46161.000	-2.457	.014
Question 5	24241.500	45562.500	-2.929	.003
Question 6	25050.500	46371.500	-2.348	.019
Question 7	25256.000	46577.000	-2.201	.028
Question 8	25026.500	63252.500	-2.388	.017
Question 9	26017.500	64243.500	-1.695	.090
Question 10	25348.000	63574.000	-2.164	.030
Question 11	25117.000	63343.000	-2.329	.020
Question 12	24048.000	45369.000	-2.985	.003
Question 13	24486.000	45807.000	-2.681	.007
Question 14	24344.000	45665.000	-2.778	.005
Question 15	24204.000	45525.000	-2.851	.004
Question 16	24082.500	45403.500	-2.930	.003
Question 17	24838.000	46159.000	-2.417	.016

Question 18	24826.500	46147.500	-2.492	.013
Question 19	25621.000	46942.000	-1.929	.054
Question 20	24687.000	46008.000	-2.591	.010
Question 21	25506.500	46827.500	-1.978	.048
Question 22	26545.500	47866.500	-1.278	.201
Question 23	24654.000	45975.000	-2.592	.010
Question 24	26575.500	47896.500	-1.276	.202
Question 25	27203.500	48524.500	-.844	.399
Question 26	27019.000	48340.000	-.969	.332
Question 27	26658.000	47979.000	-1.220	.223
Question 28	26840.000	48161.000	-1.098	.272
Question 29	27273.000	65499.000	-.793	.428
Question 30	27024.500	65250.500	-.962	.336
Question 31	26750.000	64976.000	-1.162	.245
Question 32	26562.500	64788.500	-1.290	.197

In Table 6.7, the Mann-Whitney U-test, corroborated by the Wilcoxon test, were implemented to ascertain whether a significant difference was created by gender classification. As with the Kruskal Wallis test, the Mann-Whitney U and Wilcoxon tests are non-parametric in nature and thus able to process data that does not adhere to stringent standards of normality. In 19 of the 32 cases (59.4 percent), the items were found to be influenced by the gender of the respondent. Thus, the null hypothesis of equality can be safely rejected at the five percent level and the conclusion reached that gender does indeed influence how consumers responded to the questions posed.

Figures 6.1, 6.2 and 6.3 depict the aggregate scores for each question according to the *a priori* segmentation variables of household income, gender and age.

Figure 6.1: Household Income by Aggregate Item Scores

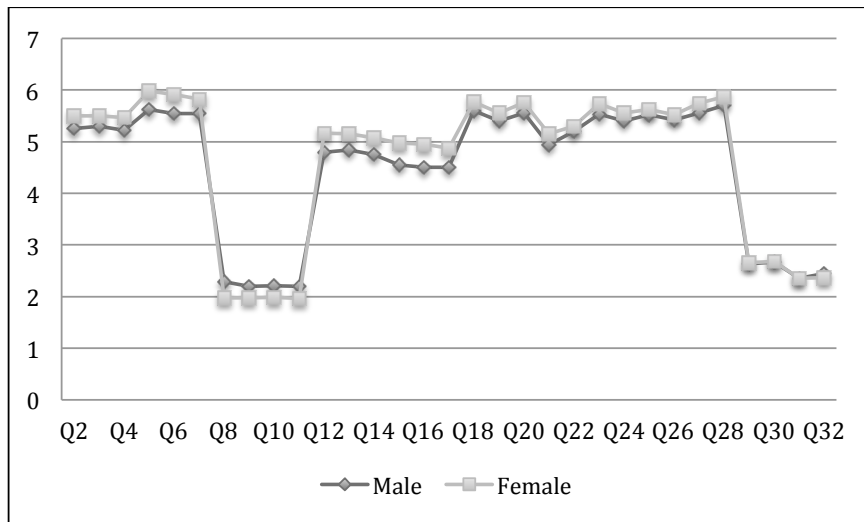


The aggregate scores for each question, mapping the general responses from individuals in the respective household income segments, are represented by the series of lines in the graph above (Figure 6.1). It may be seen that the profiles for three of the four cohorts (Rand 7 500 to Rand 10 000; Rand 10 001 to Rand 20 000; Rand 20 001 to Rand 30 000) follow a very similar trajectory. However, these digress quite substantially from that of the Rand 30 001 to Rand 42 000 cohort.

The highest income group appears to exhibit a more negative attitude towards private labels than the other groups. With respect to relative price, value, quality and willingness to buy, Rand 30 001 to Rand 42 000 respondents were more pessimistic in their views of the merchandise under consideration. They also exhibited a higher risk profile, instead favouring NBs such as Kellogg's, the category leader. Furthermore, their views of Pick n Pay, as the retailer, were considerably less flattering than those recorded from the other cohorts.

However, this should be interpreted with caution as the Rand 30 001 to Rand 42 000 segment comprises a rather small percentage of the sample (only 7.7 percent). It is therefore possible that the responses from a few individuals may serve to skew the results in an exaggerated manner.

Figure 6.2: Gender by Aggregate Item Scores

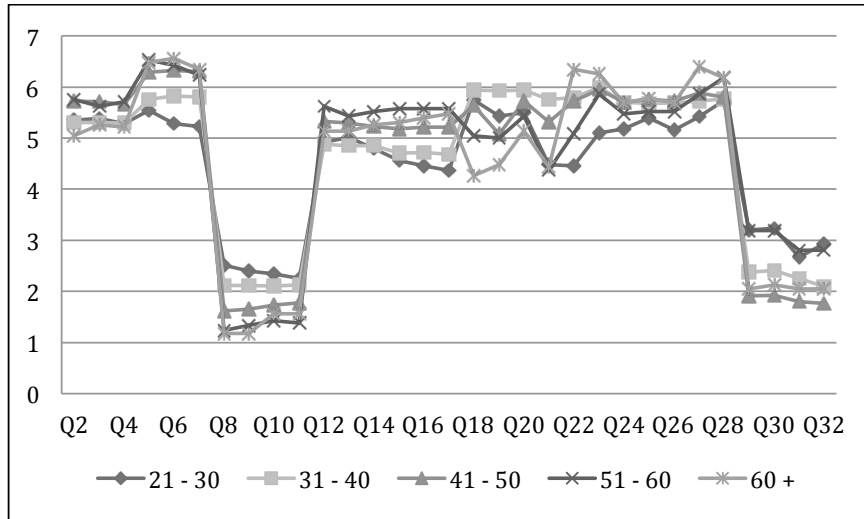


The aggregate scores for each question, mapping the general responses from individuals in the respective gender segments, are represented by the series of lines in the graph above (Figure 6.2).

The response patterns for the two genders, although statistically different, appear somewhat similar at first glance. However, with respect to relative price, value, quality and willingness to buy, female respondents were more assertive in their favourable views of the merchandise under

consideration. They also exhibited a lower risk profile in buying these brands. Hence, their receptivity towards PLBs was deemed superior to that evidenced from their male counterparts.

Figure 6.3: Age by Aggregate Item Scores



The aggregate scores for each question, mapping the general responses from individuals in the respective age segments, are represented by the series of lines in the graph above (Figure 6.3).

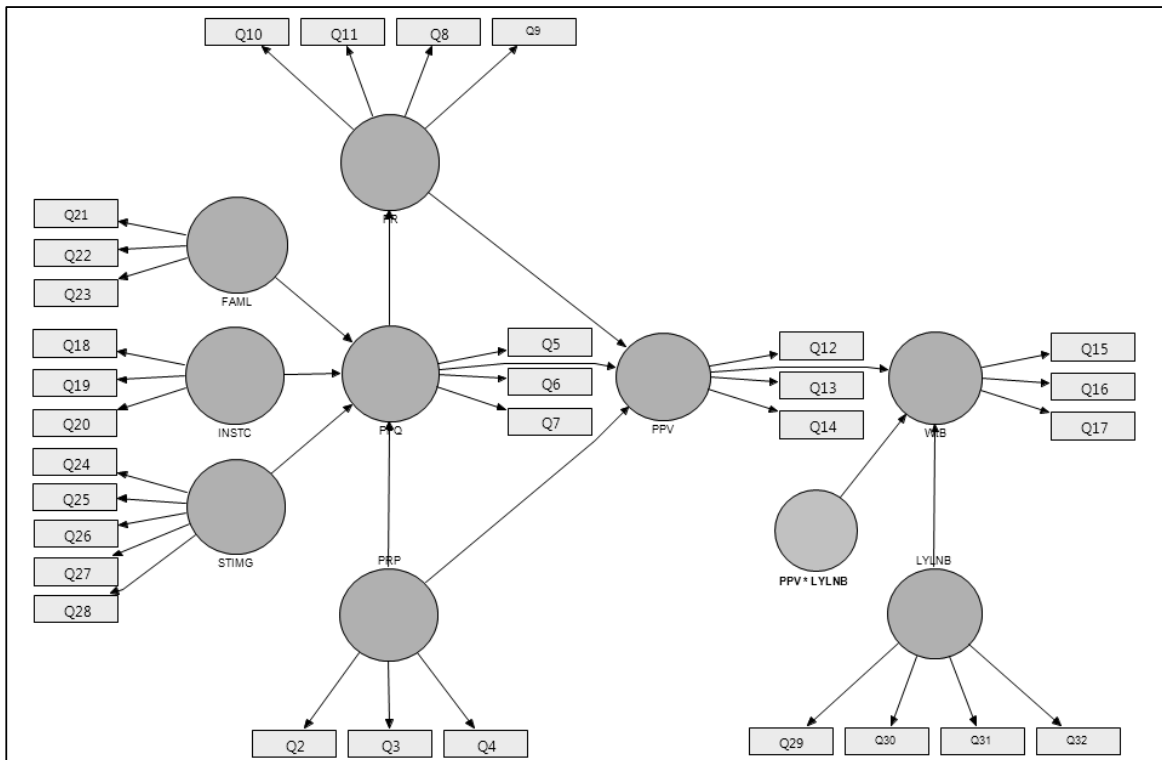
The response patterns for the different age segments follow a broadly consistent trajectory. Yet, it is abundantly clear that nuances between the different cohorts remain. Respondents aged upwards of 60 generally perceived the merchandise in a favourable light, revealing some of the highest levels of quality, lowest levels of risk, and the highest performance ratings of Pick n Pay as a chain of retail stores. They were also amongst the least likely to favour Kellogg’s as their preferred choice of breakfast cereal. Conversely, the mirror opposite response mapping was observed within the 21 to 30 age group, suggesting that younger consumers are considerably less enthusiastic about these PLBs. Indeed, it is interesting to note that the younger cohorts of age 21 to 30 and age 31 to 40 score the lowest on perceived product quality and the highest on perceived risk in buying private label branded breakfast cereal. Accordingly, both of these cohorts score the lowest amongst all age brackets with respect to perceived value and willingness to buy. It therefore appears as though younger consumers may have an inherent inclination towards purchasing national branded breakfast cereal, as opposed to private label alternatives.

As stated in the household income segmentation analysis, the results should be interpreted with some degree of caution due to the small sample sub-sets of respondents aged 51 to 60 (4.4 percent) and those aged upwards of 60 (4.8 percent). As noted previously, it is therefore possible that the responses of a few individuals may serve to skew results in an exaggerated manner.

6.6 COMPREHENSIVE CONCEPTUAL MODEL AND EMBEDDED HYPOTHESES

The comprehensive conceptual model, designated for empirical testing in the main study, is depicted in Figure 6.4. This is a SmartPLS 2.0 replication of the model presented in Chapter Three (page 74) and represents a visual summation of the entire set of relationships hypothesised in the literature synthesis.

Figure 6.4: The Comprehensive Conceptual Model as mapped in SmartsPLS 2.0



The following set of hypotheses, as integrated into the comprehensive conceptual model, are therefore presented for testing in the main study. Whilst the pilot study only considered a sub-set of these (i.e. hypotheses one to nine), the complete set of hypotheses (i.e. hypotheses one through thirteen) is designated for testing in this component of the DBA study.

Hypothesis 1

H_0 : Perceived product value does not influence consumers' willingness to buy private label branded products.

H_A : Perceived product value influences consumers' willingness to buy private label branded products.

Hypothesis 2_A

H₀: Perceived product value does not mediate the relationship between perceived product quality and consumers' willingness to buy private label branded products.

H_A: Perceived product value mediates the relationship between perceived product quality and consumers' willingness to buy private label branded products.

Hypothesis 2_B

H₀: Perceived product value does not mediate the relationship between perceived relative price and consumers' willingness to buy private label branded products.

H_A: Perceived product value mediates the relationship between perceived relative price and consumers' willingness to buy private label branded products.

Hypothesis 2_C

H₀: Perceived product value does not mediate the relationship between perceived risk and consumers' willingness to buy private label branded products.

H_A: Perceived product value mediates the relationship between perceived risk and consumers' willingness to buy private label branded products.

Hypothesis 3

H₀: Perceived product quality does not influence the perceived product value of private label branded products.

H_A: Perceived product quality influences the perceived product value of private label branded products.

Hypothesis 4

H₀: Perceived relative price does not influence the perceived product value of private label branded products.

H_A: Perceived relative price influences the perceived product value of private label branded products.

Hypothesis 5

H₀: Perceived relative price does not influence the perceived product quality of private label branded products.

H_A: Perceived relative price influences the perceived product quality of private label branded products.

Hypothesis 6

H₀: Perceived product quality does not mediate the relationship between perceived relative price and perceived product value of private label branded products.

H_A: Perceived product quality mediates the relationship between perceived relative price and perceived product value of private label branded products.

Hypothesis 7

H₀: Perceived risk does not influence the perceived product value of private label branded products.

H_A: Perceived risk influences the perceived product value of private label branded products.

Hypothesis 8

H₀: Perceived product quality does not influence the perceived risk of private label branded products.

H_A: Perceived product quality influences the perceived risk of private label branded products.

Hypothesis 9

H₀: Perceived risk does not mediate the relationship between perceived product quality and perceived product value of private label branded products.

H_A: Perceived risk mediates the relationship between perceived product quality and perceived product value of private label branded products.

Hypothesis 10

H₀: Store image does not influence the perceived product quality of private label branded products.

H_A: Store image influences the perceived product quality of private label branded products.

Hypothesis 11

H₀: In-store extrinsic cues do not influence the perceived product quality of private label branded products.

H_A: In-store extrinsic cues influence the perceived product quality of private label branded products.

Hypothesis 12

H₀: Familiarity with private label brands does not influence the perceived product quality of such merchandise.

H_A: Familiarity with private label brands influences the perceived product quality of such merchandise.

Hypothesis 13

H₀: Loyalty towards existing national brands does not moderate the relationship between the perceived product value of private label brands and consumer's willingness to buy such merchandise.

H_A: Loyalty towards existing national brands moderates the relationship between the perceived product value of private label brands and consumer's willingness to buy such merchandise.

6.7 VALIDITY AND RELIABILITY OF SCALES

6.7.1 Confirmatory Factor Analysis

Confirmatory Factor Analysis was conducted in order to assess the validity of the constructs in the model (Hair *et al*, 2010). Table 6.8 shows the factor loadings of each item on a construct in the model. In order for an item to successfully load onto a construct, the value should exceed 0.7 (Hair *et al*, 2010).

Table 6.8 clearly shows that the items of every construct loaded successfully onto a single factor, which can be seen within the highlighted blocks in the table. The notable exception, in this respect, is the loading of question nineteen, which has a loading of 0.62 on its designated construct, that of in-store extrinsic cues. Due to the proximity of this parameter to the 0.7 threshold, and the fact that the construct only featured three items in its original form, the decision was taken to retain this item. Eliminating item 19 (worded in the questionnaire as "*In-store promotions act as an enticement to buy the product*") would have served to reduce the convergent validity, as discussed in section 6.9.1. Therefore, all loadings on the constructs used in the conceptual model were ultimately deemed fit for usage in the ensuing statistical analysis.

Table 6.8: Factor Loadings

	FAML	INSTC	LYLNB	PPQ	PPV	PR	PRP	STIMG	WtB
Q2	0.1990	0.1657	-0.1969	0.3774	-0.6159	-0.4361	0.9641	0.2398	0.5523
Q3	0.1810	0.1593	-0.2000	0.3700	-0.5759	-0.4211	0.9590	0.2460	0.5337
Q4	0.2532	0.1986	-0.2162	0.4249	-0.6208	-0.4584	0.9527	0.2487	0.5852
Q5	0.2567	0.0448	-0.3141	0.9203	0.3376	-0.6876	0.3580	0.2093	0.3358
Q6	0.3240	0.0935	-0.3778	0.9590	0.3645	-0.7374	0.3819	0.2807	0.3940
Q7	0.3942	0.0899	-0.4019	0.9428	0.3884	-0.7824	0.4096	0.2759	0.4668
Q8	-0.2965	0.0178	0.3992	-0.7540	-0.4153	0.9444	-0.3955	-	-0.5005
Q9	-0.2646	0.0159	0.3496	-0.7573	-0.4037	0.9378	-0.4036	-	-0.4472
Q10	-0.2147	-0.0136	0.3757	-0.7419	-0.4840	0.9540	-0.4713	-	-0.5295
Q11	-0.1951	0.0056	0.3448	-0.7062	-0.4834	0.9365	-0.4569	-	-0.5088
Q12	0.2149	0.1696	-0.1971	0.3757	0.9708	-0.4406	-0.6127	0.3183	0.8180
Q13	0.1686	0.1440	-0.1326	0.3449	0.9609	-0.4194	-0.6033	0.3160	0.7830
Q14	0.2708	0.1712	-0.2185	0.3981	0.9611	-0.5060	-0.6094	0.3500	0.8840
Q15	0.3042	0.1735	-0.2640	0.4084	0.8714	-0.5126	0.5871	0.3564	0.9817
Q16	0.3219	0.1965	-0.2616	0.4157	0.8411	-0.5152	0.5718	0.3527	0.9860
Q17	0.3683	0.1998	-0.3190	0.4374	0.8256	-0.5257	0.5571	0.3662	0.9819
Q18	0.3681	0.7738	-0.0034	0.0366	0.1656	0.0661	0.1982	0.2221	0.1112
Q19	0.4059	0.6148	-0.0070	0.0078	0.0527	0.0377	0.0950	0.1733	0.0714
Q20	0.5029	0.9631	-0.1519	0.0932	0.1520	-0.0204	0.1551	0.2456	0.2048
Q21	0.7898	0.5773	-0.2920	0.2220	0.1868	-0.1028	0.2522	0.3550	0.2106
Q22	0.8831	0.3645	-0.3707	0.2855	0.1416	-0.2273	0.1283	0.4163	0.2201
Q23	0.8882	0.4279	-0.3280	0.3612	0.2454	-0.2899	0.2022	0.4401	0.3942
Q24	0.4752	0.2793	-0.1949	0.2506	0.3049	-0.2175	0.2462	0.9149	0.3310
Q25	0.4155	0.2545	-0.1894	0.2308	0.3259	-0.2325	0.2412	0.9435	0.3339
Q26	0.4904	0.2614	-0.2069	0.2969	0.2956	-0.2782	0.2466	0.9458	0.3418
Q27	0.4470	0.1984	-0.1422	0.2634	0.3140	-0.2619	0.2045	0.9106	0.3375
Q28	0.3056	0.2018	0.0177	0.1782	0.3312	-0.2013	0.2307	0.8434	0.3205
Q29	-0.4027	-0.1090	0.9549	-0.3694	-0.1765	0.3647	-0.2199	-	-0.2739
Q30	-0.3987	-0.1140	0.9602	-0.3764	-0.1849	0.3605	-0.1937	-	-0.2662
Q31	-0.2793	-0.0725	0.9146	-0.3723	-0.1934	0.3691	-0.2020	-	-0.2675
Q32	-0.3685	-0.1423	0.9225	-0.3447	-0.1615	0.3675	-0.1848	-	-0.2658

Key: FAML = Familiarity with Private Labels; INSTC = In-store Extrinsic Cues; LYLNB = Loyalty to National Brands; PPQ = Perceived Product Quality; PPV = Perceived Product Value; PR = Perceived Risk; PRP = Perceived Relative Price; STIMG = Store Image; WtB = Willingness to Buy

6.7.2 Item Total Reliability

Internal consistency and reliability of the model was measured by conducting an Item Total Reliability analysis of the constructs. The Cronbach Alpha's of each construct are displayed in Table 6.9. In order for a construct to be internally consistent and reliable, its Cronbach Alpha value should exceed 0.6, preferably 0.7 (Malhotra *et al*, 2008; Burgess & Steenkamp, 2006). As evidenced in the table below, all values met the prescribed minimum criteria.

Table 6.9: Cronbach Alpha Values and Items per Construct

Construct	Cronbach Alpha	Number of Items
Familiarity with Private Labels	0.8196	3
In-store Extrinsic Cues	0.7861	3
Store Image	0.9496	5
Perceived Product Quality	0.9352	3
Perceived Relative Price	0.9559	3
Perceived Risk	0.9586	4
Perceived Product Value	0.9623	3
Loyalty to National Brands	0.9545	4
Willingness to Buy	0.9828	3

Table 6.9 indicates that all nine constructs' Cronbach Alpha's are greater than 0.7, with seven of the nine values actually exceeding 0.9. Thus, as stated above, all nine constructs were deemed internally consistent and reliable.

At this point in the study, it was concluded that the measurement scales were both valid and reliable, thus facilitating the next phase of the process – the path modelling analysis.

6.8 TESTING THE MODEL

As specified in section 4.8.4 of Chapter Four, Partial Least Squares (PLS) analysis was conducted in order to test the comprehensive conceptual model (as depicted on page 74). The PLS outputs included below provide the t-values (see Figure 6.5) and path coefficients (see Figure 6.6) for the hypothesised relationships.

In the following section addressing the measurement model, convergent and discriminant validity are assessed. Thereafter, the structural model is examined and the outcome of the hypothesised relationships, correspondingly, explored.

6.9 MEASUREMENT MODEL

6.9.1 Convergent Validity

In order to test the convergent validity of the model, Average Variance Extracted (AVE) figures need to be consulted. AVE measures the amount of variance explained by an unobserved construct in relation to the variance due to random measurement error. The adequate threshold for this measurement is considered to be 0.5 (Hair *et al*, 2010; Vasilecas *et al*, 2005). Thus, a construct with an AVE greater than 0.5 may be assumed to explain a significant proportion of the variance in the model.

Table 6.10 reflects the AVE figures for all the constructs included in the model. As the values range from 0.6347 to 0.9667 (i.e. well above the minimum value of 0.5), this indicates that convergent validity holds within the model.

Table 6.10: Average Variance Extracted (AVE)

Construct	Average Variance Extracted
Familiarity with Private Labels	0.7309
In-store Extrinsic Cues	0.6347
Store Image	0.8325
Perceived Product Quality	0.8851
Perceived Relative Price	0.9189
Perceived Risk	0.8896
Perceived Product Value	0.9298
Loyalty to National Brands	0.8804
Willingness to Buy	0.9667

6.9.2 Discriminant Validity

According to the Fornell-Larcker (1981) criterion, discriminant validity within the model is maintained if the loading of a construct on its allocated construct is higher than its cross loadings on all other constructs. The loading of a construct on its allocated construct is calculated by taking the square root of the AVE pertaining to that construct.

The respective loadings of the constructs within the model are displayed in Table 6.11, with self-loadings highlighted in bolded text. It can be seen that for all the constructs, the loading of each construct on its allocated construct is indeed higher than its cross loadings on all other constructs. Therefore, it is evident that discriminant validity within the model is fully compliant with the prescribed norms.

Table 6.11: Cross Loadings between the Constructs in the Model

	FAML	INSTC	LYLNB	PPQ	PPV	PR	PRP	STIMG	WtB
Familiarity with Private Labels (FAML)	0.8549								
In-store Extrinsic Cues (INSTC)	0.5169	0.7967							
Loyalty to National Brands (LYLNB)	-0.3864	-0.1166	0.9383						
Perceived Product Quality (PPQ)	0.3491	0.0821	-0.3898	0.9408					
Perceived Product Value (PPV)	0.2279	0.1680	-0.1909	0.3876	0.9643				
Perceived Risk (PR)	-0.2572	0.0066	0.3895	-0.7844	-0.4737	0.9432			
Perceived Relative Price (PRP)	0.2214	0.1827	-0.2135	0.4085	-0.6311	-0.4581	0.9586		
Store Image (STIMG)	0.4766	0.2635	-0.1684	0.2731	0.3409	-0.2644	0.2554	0.9124	
Willingness-to-Buy (WtB)	0.3367	0.1930	-0.2861	0.4275	0.8608	-0.5266	0.5820	0.3645	0.9832

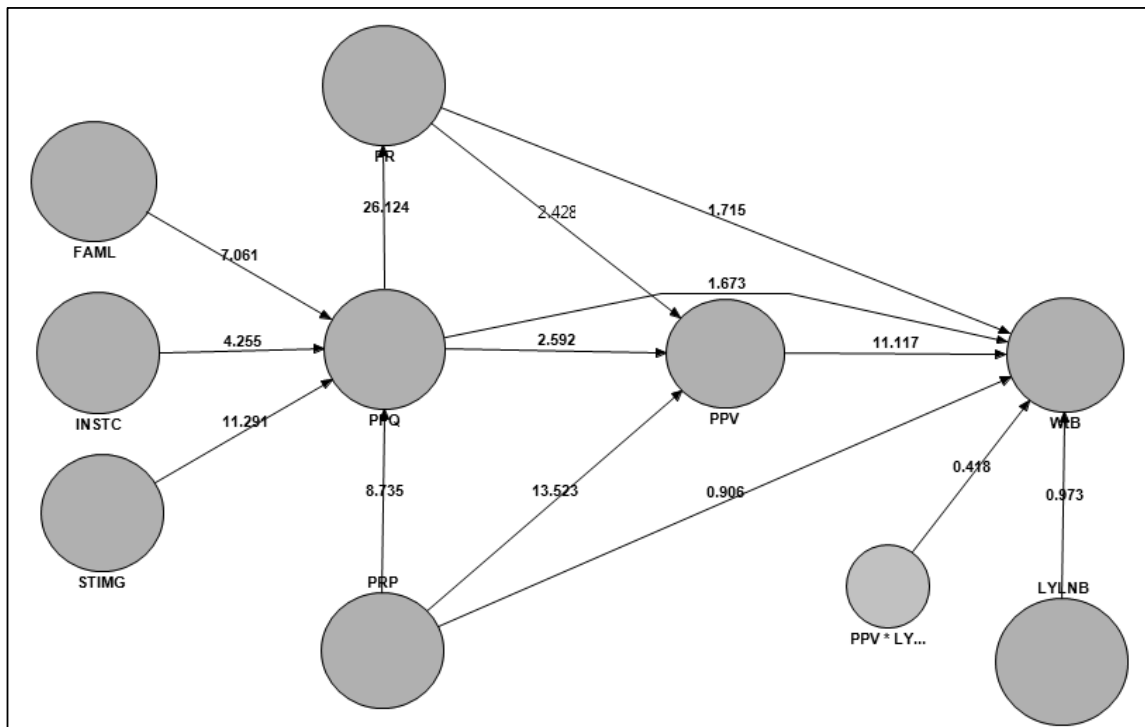
Based on the above, it is contended that the comprehensive model being assessed in the main study confirms to validity requirements for both convergent and discriminant measures.

6.10 STRUCTURAL MODEL

6.10.1 T-Values

Figure 6.5 displays the relevant t-values that pertain to each direct relationship in the model, as well as the indirect (i.e. potential mediation) effects. T-test analysis plays an important role in evaluating whether or not significant relationships exist between the constructs in the model (Hair *et al*, 2010). In this case, two tailed t-tests were assessed and measured at the 1 percent, 5 percent and 10 percent significance levels. According to Wegner (2010: 267), a relationship measured at the 1 percent level reflects it is “highly significant”, a relationship at the 5 percent level reflects it is “significant”, whilst a relationship at the 10 percent level reflects it is “weakly significant”.

Figure 6.5: Structural Model with T-values



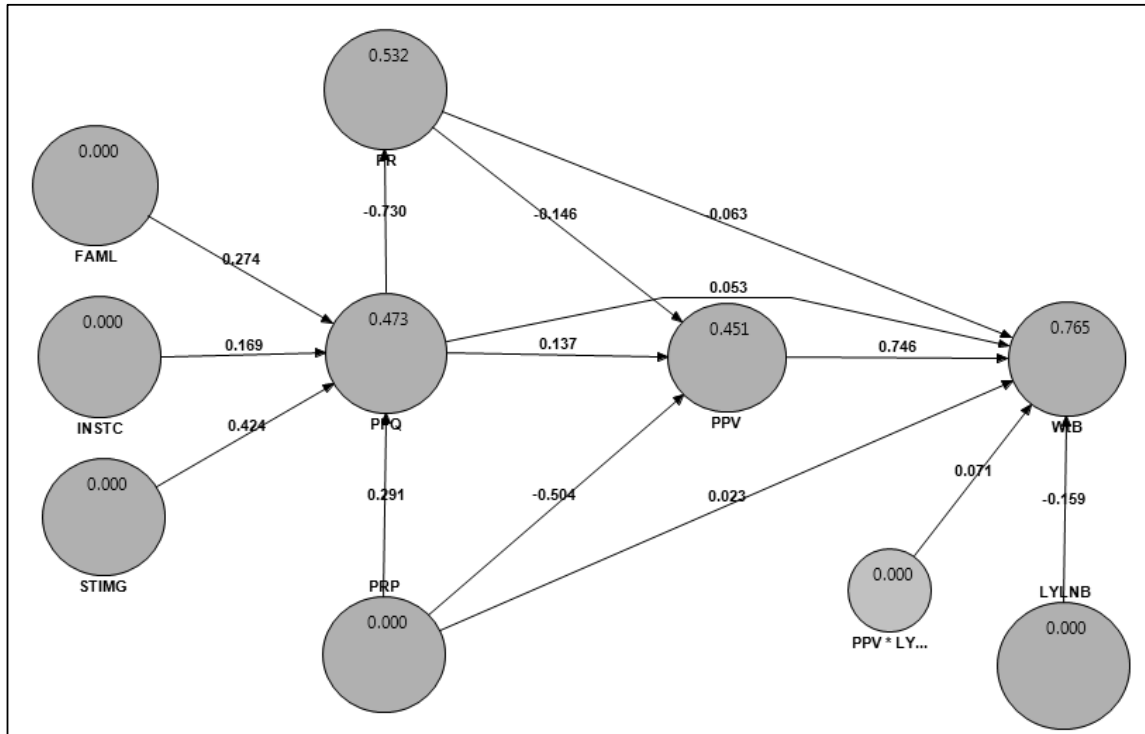
Key: FAML = Familiarity with Private Labels; INSTC = In-store Extrinsic Cues; LYLNB = Loyalty to National Brands; PPQ = Perceived Product Quality; PPV = Perceived Product Value; PR = Perceived Risk; PRP = Perceived Relative Price; STIMG = Store Image; WtB = Willingness to Buy

It can be seen in Figure 6.5 above that all the relationships, except for those pertaining to the moderator variable (PPV*LYLNB), are significant at the five percent level (i.e. t-value > 1.96), with eight of the fourteen significant at the 1 percent level (i.e. t-value > 2.58). These are discussed in greater detail within section 6.11 below.

6.10.2 Path Coefficients

Figure 6.6 depicts the path coefficients related to each hypothesised relationship in the model, as well as the indirect relationships constituting potential mediation effects. These path coefficients determine the strength and directional nature of the respective relationships (Hair *et al*, 2010).

Figure 6.6: Structural Model with Path Coefficients



Key: FAML = Familiarity with Private Labels; INSTC = In-store Extrinsic Cues; LYLNB = Loyalty to National Brands; PPQ = Perceived Product Quality; PPV = Perceived Product Value; PR = Perceived Risk; PRP = Perceived Relative Price; STIMG = Store Image; WtB = Willingness to Buy

In Figure 6.6 above it can be seen that the path coefficient between perceived product value and willingness-to-buy is 0.746. This indicates a very strong positive relationship between the two constructs. A strong negative relationship (-0.504) exists between perceived relative price and perceived product value. However, a moderate positive relationship (0.137) occurs between perceived product quality and perceived product value, and a weak negative relationship (-0.146) connects perceived risk and perceived product value. All first order constructs (that of familiarity with PLBs, in-store extrinsic cues, as well as store image) have positive coefficients, although their intensity ranges from 0.169 (moderate) to 0.424 (strong). The strongest relationship in the model belongs to that between perceived product quality and perceived risk (a negative relationship of -0.730). The complete set of relationships encapsulated in Figure 6.6, including both direct paths, as well as mediation and moderation functions, are comprehensively discussed in section 6.11 below.

An R^2 value of 0.765 for the dependent variable, willingness-to-buy, indicates that 76.5% of the variance is explained by the preceding (formative) variables. This is considered to be very high for a PLS model (Wegner, 2010; Chin, 1998).

6.11 ASSESSMENT OF HYPOTHESES

Hypothesis 1

H_0 : *Perceived product value does not influence consumers' willingness to buy private label branded breakfast cereal.*

H_A : *Perceived product value influences consumers' willingness to buy private label branded breakfast cereal.*

The above PLS output indicates a significant relationship between perceived product value and willingness-to-buy, with a t-value of 11.117. This influence is a positive one due to the path coefficient of 0.746, meaning that an increase in perceived product value is likely to lead to an increase in consumers' willingness to buy such products. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 1% significance level and it can be concluded that perceived product value strongly influences consumers' willingness to buy private label branded breakfast cereal.

Hypothesis 2_A

H_0 : *Perceived product value does not mediate the relationship between perceived product quality and consumers' willingness to buy private label branded breakfast cereal.*

H_A : *Perceived product value mediates the relationship between perceived product quality and consumers' willingness to buy private label branded breakfast cereal.*

The relationships between perceived product quality and perceived product value, between perceived product value and willingness-to-buy, as well as between perceived product quality and willingness-to-buy, have t-values of 2.592, 11.117 and 1.673 respectively. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) and it can be concluded that perceived product value is a full mediator (at the 1 percent level) of the relationship between perceived product quality and the consumer's willingness to buy private label branded breakfast cereal.

Hypothesis 2_B

H_0 : *Perceived product value does not mediate the relationship between perceived relative price and consumers' willingness to buy private label branded breakfast cereal.*

H_A : *Perceived product value mediates the relationship between perceived relative price and consumers' willingness to buy private label branded breakfast cereal.*

The relationships between perceived relative price and perceived product value, between perceived product value and willingness-to-buy, as well as between perceived relative price and willingness-to-buy, have t-values of 13.523, 11.117 and 0.906 respectively. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) and it can be concluded that perceived product value is a full mediator (at the 1 percent level) of the relationship between perceived relative price and a consumer's willingness to buy private label branded breakfast cereal.

Hypothesis 2c

H_0 : *Perceived product value does not mediate the relationship between perceived risk and consumers' willingness to buy private label branded breakfast cereal.*

H_A : *Perceived product value mediates the relationship between perceived risk and consumers' willingness to buy private label branded breakfast cereal.*

The relationships between perceived risk and perceived product value, between perceived product value and willingness-to-buy, as well as between perceived risk and willingness-to-buy, have t-values of 2.428, 11.117 and 1.715 respectively. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) and it can be concluded that perceived product value is a full mediator (at the 5 percent level) of the relationship between perceived risk and a consumer's willingness to buy private label branded breakfast cereal.

Hypothesis 3

H_0 : *Perceived product quality does not influence the perceived product value of private label branded breakfast cereal.*

H_A : *Perceived product quality influences the perceived product value of private label branded breakfast cereal.*

The PLS output indicates a significant relationship between perceived product quality and perceived product value due to the t-value of 2.592. This relationship is a positive one, based on the path coefficient of 0.137. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 1 percent significance level and it can be concluded that perceived product quality influences the perceived product value of private label branded breakfast cereal.

Hypothesis 4

H_0 : *Perceived relative price does not influence the perceived product value of private label branded breakfast cereal.*

H_A : *Perceived relative price influences the perceived product value of private label branded breakfast cereal.*

The PLS output indicates a significant relationship between perceived relative price and perceived product value, with a t-value of 13.523. In addition, this influence is a negative one due to the path coefficient of -0.504. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 1 percent significance level and it can be concluded that perceived relative price strongly, yet negatively, influences the perceived product value of private label branded breakfast cereal.

Hypothesis 5

H_0 : *Perceived relative price does not influence the perceived product quality of private label branded breakfast cereal.*

H_A : *Perceived relative price influences the perceived product quality of private label branded breakfast cereal.*

The PLS output indicates a significant relationship between perceived relative price and perceived product quality, based on the t-value of 8.735. The path coefficient is 0.291, which indicates a positive relationship. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 1 percent significance level and it can be concluded that perceived relative price strongly influences the perceived product quality of private label branded breakfast cereal.

Hypothesis 6

H_0 : *Perceived product quality does not mediate the relationship between perceived relative price and perceived product value of private label branded breakfast cereal.*

H_A : *Perceived product quality mediates the relationship between perceived relative price and perceived product value of private label branded breakfast cereal.*

The relationships between perceived product quality and perceived product value, between perceived product quality and perceived relative price, as well as between perceived relative price and perceived product value, have t-values of 2.592, 8.735 and 13.523, respectively. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) and it can be concluded that perceived product quality is a partial mediator (at the 1 percent level) of the relationship between perceived relative price and a consumer's perceived product value of private label branded breakfast cereal.

Hypothesis 7

H_0 : *Perceived risk does not influence the perceived product value of private label branded breakfast cereal.*

H_A : *Perceived risk influences the perceived product value of private label branded breakfast cereal.*

The PLS output indicates a significant relationship between perceived risk and perceived product value due to the t-value of 2.428. This relationship is a negative one, based on the path coefficient

of -0.146. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 5 percent significance level and it can be concluded that perceived risk negatively influences the perceived product value of private label branded breakfast cereal.

Hypothesis 8

H_0 : *Perceived product quality does not influence the perceived risk of private label branded breakfast cereal.*

H_A : *Perceived product quality influences the perceived risk of private label branded breakfast cereal.*

The relationship between perceived product quality and perceived risk is significant, based on the t-value of 26.124. The path coefficient is -0.730, which implies a negative relationship. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 1 percent significance level and it can be concluded that perceived product quality very strongly (yet negatively) influences the perceived risk of private label branded breakfast cereal.

Hypothesis 9

H_0 : *Perceived risk does not mediate the relationship between perceived product quality and perceived product value of private label branded breakfast cereal.*

H_A : *Perceived risk mediates the relationship between perceived product quality and perceived product value of private label branded breakfast cereal.*

The relationships between perceived risk and perceived product value, between perceived product quality and perceived risk, as well as between perceived product quality and perceived product value, have t-values of 2.428, 26.124 and 2.592 respectively. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) and it can be concluded that perceived risk is a partial mediator (at the 5 percent level) of the relationship between perceived product quality and a consumer's perceived product value of private label branded breakfast cereal.

Hypothesis 10

H_0 : *Store image does not influence the perceived product quality of private label branded products.*

H_A : *Store image influences the perceived product quality of private label branded products.*

The PLS output indicates a significant relationship between store image and perceived product quality due to the t-value of 11.291. This relationship is a positive one, based on the path coefficient of 0.424. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 1 percent significance level and it can be concluded that store image strongly influences the perceived product quality of private label branded breakfast cereal.

Hypothesis 11

H₀: In-store extrinsic cues do not influence the perceived product quality of private label branded products.

H_A: In-store extrinsic cues influence the perceived product quality of private label branded products.

The PLS output indicates a significant relationship between in-store extrinsic cues and perceived product quality due to the t-value of 4.255. This relationship is a positive one, based on the path coefficient of 0.169. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 1 percent significance level and it can be concluded that in-store extrinsic cues influence the perceived product quality of private label branded breakfast cereal.

Hypothesis 12

H₀: Familiarity with private label brands does not influence the perceived product quality of such merchandise.

H_A: Familiarity with private label brands influences the perceived product quality of such merchandise.

The PLS output indicates a significant relationship between familiarity with private label brands and the perceived product quality thereof, due to the t-value of 7.061. This relationship is a positive one, based on the path coefficient of 0.274. Therefore, the null hypothesis can be rejected (i.e. H_A accepted) at the 1 percent significance level and it can be concluded that familiarity with private label brands strongly influences the perceived product quality of private label branded breakfast cereal.

Hypothesis 13

H₀: Loyalty towards existing national brands does not moderate the relationship between the perceived product value of private label brands and consumer's willingness to buy such merchandise.

H_A: Loyalty towards existing national brands moderates the relationship between the perceived product value of private label brands and consumer's willingness to buy such merchandise.

The PLS output indicates an insignificant effect of the moderator variable (PPV*LYLNB) on the relationship between perceived product value and consumers' willingness to buy PLB breakfast cereal. This particular relationship exhibits a t-value of 0.418, which is neither significant at the 5 percent nor the 10 percent significance level. Therefore, the null hypothesis cannot be rejected (i.e. H₀ accepted) and it can be concluded that no moderation effect exists in this respect.

6.12 SUMMATION OF FINDINGS AND RESEARCH IMPLICATIONS

The main study unearthed a very similar set of outcomes to that of the pilot study, although the extended scope resulted in additional theoretical assertions being subjected to empirical examination. A summation of the findings and the commercial implications are discussed below.

At the outset, it was discovered that consumers generally perceived the pricing of PnP branded breakfast cereal to be favourable, the product quality to be above average and the degree of personal risk to be relatively low. Consequently, the perceived value of such merchandise was generally seen to range from good to very good. In terms of the factors that influence perceived quality, store image, in-store extrinsic cues and familiarity with PLBs were all deemed to be relevant influences on consumers' inclination to purchase such brands. In the case of the Pick n Pay store image, this was seen by respondents to be highly favourable, with little deviation in this respect.

Demographic segmentation was applied to the sample using age, gender and monthly household income as variables of interest. Noteworthy differences were found to exist in this respect. In terms of household income, three of the four cohorts were found to exhibit very similar response patterns. The highest household income group deviated from this, appearing to possess a more negative attitude towards PLBs by rating the pricing, value and quality of the merchandise to be inferior to that claimed by the other income cohorts. Corresponding, their willingness to buy was lower. In terms of age, the cohorts exhibited broadly similar response patterns with respondents aged upwards of 60 the most enthusiastic about the private label merchandise and the least enthusiastic about the category leader and prominent NB, Kellogg's. The converse scenario was found to exist in the case of younger consumers (21 to 30 and 31 to 40 age groups). Lastly, gender differences were less pronounced than household income and age differences, although female shoppers were deemed to be slightly more inclined to favour private label merchandise than their male counterparts.

Once structural equation modeling was applied to the data, a more definitive view of the relationships between the respective variables was obtained. Firstly, perceived product value was found to possess a strong positive influence on the consumer's willingness to buy private label merchandise. This was recorded as the second most powerful relationship within the conceptual model.

Perceived risk and perceived relative price were found to exhibit negative relationships with perceived product value, whilst perceived product quality was found to possess a positive relationship with the dependent variable. Thus, heightened levels of perceived quality are deemed

to have a direct, corresponding effect on the consumer's evaluation of the product, resulting in elevated perceptions of value. Likewise, an increase in perceived relative price will result in a corresponding drop in perceived value. In terms of the perceived risk component, any fluctuations upwards or downwards will have the opposite effect on the consumer's notion of perceived value. This scenario is very much in line with that proposed by Beneke *et al* (2013), Kwun and Oh (2008), Snoj *et al* (2004), Sweeney *et al* (1999) and Zeithaml (1998) in the literature.

The main study introduced four new variables into the model placed under the spotlight. Familiarity with PLBs, in-store extrinsic cues and store image (which collectively comprise the Private Label Brand image) were all tested for their effect on perceived product quality. The effect of Loyalty to NBs was also incorporated into the model, in order to understand whether the presence of this phenomenon has a significant effect on the intensity of the final step in the model, that pertaining to the relationship between perceived product value and the consumers' willingness to buy PLBs.

The influences of familiarity with PLBs, in-store extrinsic cues and store image on the construct of perceived product quality were all found to be significant and positive. Thus, all these relationships were statistically deemed to play a role in the consumer's evaluation of PLB merchandise. Hence, the typical consumer appears to draw quality inferences from a plethora of factors such as the in-store environment, brand imagery attached to the chain of stores, attractive packaging, convenient product placement on shelf, exposure in the general media, as well as his/her usage of the products over the course of time. This is in keeping with other sources (e.g. Beneke, 2010; Kumar & Steenkamp, 2007; Vahie & Paswan, 2006; Steiner, 2004; Garretson *et al*, 2002; Batra & Sinha, 2000) that have ratified a similar profile of influences.

Somewhat surprisingly, loyalty to NBs was not found to have a moderation effect within the conceptual model. This was originally conceptualised to have a bearing on the relationship between perceived product value and willingness to buy. Thus, even if a consumer were to consider the merchandise to be of good value, (s)he may still be unwilling to seriously consider switching brands away from the likes of Kellogg's due to entrenched loyalty to the category leader. The empirical analysis does not, however, support this assertion. To this end, loyalty to NBs was statistically insignificant as both a moderator, as described above, as well as having no direct influence on willingness to buy. This finding may be attributed to a number of reasons. First, the relationship between perceived product value and willingness to buy was found to be one of the strongest relationships in the model. Therefore, a potential moderator may be relatively ineffective in its power to interfere with this vigorous bond. Second, it is plausible that two distinct buyer typologies exist. For example, it would appear that certain customers have very closed minds to the notion of purchasing private labels, irrespective of the advantages of doing so. Here,

ambivalence towards private labels may result in the door being firmly shut with respect to any enticement designed to modify the consumer's habitual purchasing behaviour. Third, it is possible that a moderation effect may have been more prevalent in the case of a second tier NB, such as Bokomo, rather than the category leader, Kellogg's. In other words, a more comparable brand to the PnP private label may have resulted in a higher degree of comparison and consideration.

In addition, a plethora of mediation effects were found to exist. Full mediation, whereby the direct relationship is not significant but the two indirect relationships are significant, was found to exist in the case of perceived product value mediating (a) the relationship between perceived product quality and willingness to buy; (b) the relationship between perceived relative price and willingness to buy; and (c) the relationship between perceived risk and willingness to buy. Thus, perceived product value was confirmed to be the centrepiece of the model and thus a crucial intermediary step in this cognitive process.

Partial mediation, whereby the complete set of direct and indirect relationships are significant, was found to exist in two instances: (a) perceived product quality mediating the relationship between perceived relative price and perceived product value and (b) perceived risk mediating the relationship between perceived product quality and perceived product value.

The above compilation of findings is closely aligned to those produced by the pilot study in Chapter Five. Across both studies, the magnitude of all direct effects was found to be very similar, with the mediation effects following suit for the most part. Both studies found that the linkage between perceived value and willingness to buy was paramount, with this relationship being the most intense in the pilot study model and the second most intense in the main study model. Parallels were also observed in terms of the mediation effects within the respective models, although the intensity of these relationships varied to some degree. Strikingly, both studies found the relationship between perceived relative price and perceived product quality, the relationship between perceived product quality and perceived risk, as well as the relationship between perceived relative price and perceived value, to be very strong. This underscores that the core components of price, quality and risk do indeed have a commanding effect on the consumer's notion of perceived value, and the follow-through influence on the consumer's willingness to buy.

The empirically tested conceptual model, with the respective relationship intensities reflected in the form of asterisks, is depicted in Appendix H.

6.13 CONCLUSION

This chapter commenced by reiterating the overarching research question, research aim and research objectives guiding this DBA thesis. Whilst the pilot study examined a portion of the factors pertaining to this, the main study assumed responsibility for examining the collective set of cognitive influences and fully scrutinising the derived conceptual model. To this end, the pilot study focused on the core influences (the inner model), while the main study served to validate the comprehensive conceptual model, including the set of influences comprising Private Label Brand Image and the effect of loyalty to NBs as a potential moderator in the final segment of the conceptual model. All the proposed influences were found to be statistically significant, apart from the moderation effect that could not be verified.

Chapter Seven proceeds to discuss the outcome of the final empirical phase of the thesis – that of the validation study. Here, the results of the main study are presented to a panel of academic and industry assessors in order to ascertain a level of face validity. Proceeding that, a set of conclusions and recommendations are drawn based on the cumulative research to date, followed by a consideration of future research possibilities.

CHAPTER SEVEN: VALIDATION STUDY

7.1 INTRODUCTION

Building on the pilot study documented in Chapter Five and the main study documented in Chapter Six, this chapter presents the results from the validation study, administered to a panel of academic experts in the fields of consumer behaviour and branding, as well as industry professionals in the fields of retail strategy and operations. The purpose serves to validate, embellish and explain the survey findings generated to date.

The validation study, presented in this chapter, represents the third and final phase of the empirical component of this DBA thesis.

7.2 METHODOLOGICAL OVERVIEW

As discussed in section 4.3.3 of Chapter Four, a validation study was conceptualised to subject the results of the main study to a panel of academic and industry experts for the purposes of establishing “face validity”. This is defined as the process of seeking intellectual clarity as to whether the survey research logically and accurately captures what it purports to measure (Saunders *et al*, 2012).

Originally, the intention was to host a focus group of experts to discuss the findings of the study. However, due to logistical difficulties encountered, it was decided to electronically disseminate the results and solicit the feedback of these individuals in written format. This meant that additional participants could be included in the panel, sourced within and outside of Cape Town.

The participants were sent a six page summary document containing the purpose of the study, the methodology and the findings from the main study. The conceptual model was also included so as to provide further clarity and scholarly context. Table 7.1 lists the set of questions posed to the panel.

Table 7.1: Face Validation Study Questions

Question 1	What is your view on the <i>product development status</i> and <i>value proposition</i> of FMCG private label brands, in general, within South Africa?
Question 2	What is your view on the <i>product development status</i> and <i>value proposition</i> of <u>breakfast cereal</u> private label brands in South Africa?

Question 3	Do you agree with the findings of this study? Yes <input type="checkbox"/> No <input type="checkbox"/>
Question 4	Please provide a brief justification for your response to the previous question.
Question 5	Is there anything you find particularly intriguing or perplexing about the results? How so?
Question 6	Do you feel this study is a valid contribution to scholarly literature in the field of private label brand research? Yes <input type="checkbox"/> No <input type="checkbox"/>
Question 7	In your opinion, how could private label brands, such as breakfast cereal, be better marketed in South Africa?
Question 8	Are there are other <i>variables</i> (not currently included in the study) which you feel might influence consumers' value proposition of private label breakfast cereal in South Africa?
Question 9	Are there any <i>consumer characteristics</i> , outside of the consideration of this study, which might dictate consumption behaviour in the purchasing of private label breakfast cereal in South Africa?

The following individuals, listed below with their respective titles and affiliations, were approached, and subsequently agreed, to participate in the study as panel members:

- **Professor John Simpson** – Director: Unilever Institute of Strategic Marketing, South Africa
- **Associate Professor Gert Human** – Head of Section: Marketing, University of Cape Town
- **Dr Elsamari Botha** – Senior Lecturer: Marketing, University of Cape Town.
- **Ms Honorata Saar** – Lecturer: Marketing, University of Cape Town
- **Mr James Lappeman** – Lecturer: Marketing, University of Cape Town
- **Dr Chao Mulenga** – Lecturer: Organisational Psychology, University of Cape Town
- **Ms Stephanie Houslay** – General Manager: Acceleration Media (formerly)
- **Mr Ian Watt** – Director: Old Mutual International Properties (formerly)
- **Mr Brian Benatar** – Managing Director: Thunda.com
- **Mr André Naudé** – Executive Director: Liberty Star Holdings
- **Mr Andrew Fulton** – Director: Eighty Twenty
- **Ms Trevana Moodley** – Category Operations Manager, Unilever South Africa

Based on the collective response of the twelve members listed above, the data from the panel was assessed. The question-by-question feedback is synthesised and presented in section 7.3. Explicit permission was granted by the participants for their names and individual comments to be included in this thesis.

7.3 RESULTS

7.3.1 Panel Response to Question One

The first question probed participants' general views on the product development status and value proposition of FMCG private label offerings in South Africa.

Arguably, the most authoritative view was raised by André Naudé, who has engaged in the business development and marketing of both national and private labels over the previous quarter of a century. He asserted:

"I believe that it has made very good progress in the past 5 years, but that it still lags that of Europe, in particular the UK, France and Germany. The improvement over the last couple of years can be seen in the market share gains of Private Label products across a large number of FMCG categories. The improvement is driven by improved quality product, better packaging, improved availability and visibility on supermarket shelves."

A more scholarly-oriented view was advocated by Gert Human:

"In my mind these products were initially developed to reflect a 'better' value proposition based primarily on price and volume advantages. In modern marketing practice I suspect that the use of PLB has moved beyond just transactional factors. Seemingly brands can now be employed to achieve multiple strategic marketing objectives – such as trust in a particular retailer."

These sentiments were echoed throughout the panel. Brian Benatar, however, pointed to a continuum of product development, drawing a sharp contrast between the mass market retailer, Shoprite, and Woolworths, positioned at the upper end of the market:

"My perception is that there are private label brand options for most FMCG product categories. On the one end of the spectrum Shoprite private label products have generic packaging but offer excellent value for money, whereas on the other end of the spectrum Woolworths private label products have more sophisticated package design and are priced to suit the premium, less price-sensitive customers they target. My feeling is that different South African retailers have well developed yet different private label brand strategies that are well designed to meet the value expectations of their customers."

Andrew Fulton provided a fascinating insight from his company's independent analysis:

"I have noticed in our data [...] that people often can't distinguish between house brands and non-house brands."

Mr Fulton substantiated this finding by saying that although private labels have experienced very modest growth and played a relatively small role in the growth strategies of retailers, this appears to be changing with

"more retailers developing their private label brands from something that used to be the 'cheap alternative' to more trusted and even exclusive brands".

He further contended that

"private label brands are likely to continue increasing market shares, especially if products are perceived to be good quality – which seems to be the case".

John Simpson also weighed in on the issue by postulating that the prominence and stature of many NBs puts them in an enviable position to compete with private label alternatives. He postulated that the

"...hangover from apartheid days when many multinationals pulled out of RSA [Republic of South Africa], fearing that their presence here would impact on brand performance in other countries," has resulted in there being *"relatively few national brands available, making them very powerful in terms of their interaction and negotiation with the relatively few major retailers locally."*

Professor Simpson noted that this effect is particularly evident in the breakfast cereal market.

An amalgamated version of these views reflects a competitive landscape with private labels rising in prominence and competing increasingly aggressively with entrenched NBs.

7.3.2 Panel Response to Question Two

The second question probed participants' general views on the product development status and value proposition of breakfast cereal PLBs in South Africa.

Again, an impression of a dynamic market was created by the participants in response to the second question posed. In this instance, the issue of price was reflected as a highly pertinent factor in the views expressed.

In her personal capacity, Chao Mulenga claimed that she has *“tried new brands of cereal usually to check the quality of the cereal but mostly based on competitive cost”*. Underscoring this notion, Gert Human and Brian Benatar asserted that retailers are looking for the edge by promoting their cereals as a cheaper alternative to NBs. Elsamari Botha seemed to agree with this sentiment through her statement that:

“I would be happy to always buy private label brands if the price differential (between these brands and national brands) was substantial enough.”

However, she noted this is often not the case, with a tried and trusted NB often priced only slightly above the private label option. For that reason, Dr Botha appeared sceptical about the comparative value proposition of private label breakfast cereals.

The notion of cheap manifested itself in various forms. Stephanie Houslay noted that most of these products are *“boring”*, particularly due to *“little product differentiation and innovation”*. James Lappeman, likewise, noted that:

“The packaging is often a bit bland (picture with white background) which interestingly seems okay for dairy products (I almost exclusively buy PnP label dairy products including yoghurt, milk, butter) but the bland packaging doesn’t entice me towards PnP cereals.”

André Naudé also took issue with the mediocre packaging from an industry perspective:

“Price is [the] only value proposition for private label. Others such as pack design, innovation and on-shelf availability are poor.”

The transformation of breakfast cereal, as a product category in its own right, was raised by John Simpson. He reckoned that consumers increasingly see the product in transactional terms:

“The consumption of breakfast cereal has undergone massive change as people’s lifestyles change. Breakfast is no longer a family-sit down affair. People eat on the run, so to speak. Note too, that cooked breakfasts are a thing of the past.”

The panel response to question two paints a picture of under-investment in private label breakfast cereals. In this respect, the value proposition is questioned, along with the extrinsic cues such as packaging and in-store enticement. Further to this, Professor Simpson's view alludes to the fact that breakfast cereal is becoming a discretionary item, as opposed to staple dietary requirement.

7.3.3 Panel Response to Question Three

All twelve participants in the panel responded affirmatively to the question asking whether they agreed with the findings generated by the study. Question four served to elaborate upon this.

7.3.4 Panel Response to Question Four

In terms of justification and further embellishment of question three, a selection of comments is included below in order to clarify why participants felt this to be the case.

Brian Benatar: *"The results seem intuitive and the model brings together and into sharper focus, factors that I would imagine to have bearing on the consumer decision-making process."*

André Naudé: *"Because it is exactly what I have experienced and still experience in practice as a marketer of Branded and Private Label products in the FMCG industry over the last 25 years."*

Stephanie Houslay: *"The idea of value and willingness to purchase makes sense. The assumptions I would have from the consumer groups matches the overall findings stated."*

Andrew Fulton: *"Intuitively the findings of the study are sensible, consumers are unlikely to buy any brand if the perceived quality does not match the price, or their perception of the value gained from it. The validity of the first order antecedent variables also make intuitive sense considering the way consumers build perceptions of brands."*

Gert Human: *"The model employed by this research enjoys considerable literature support [...] The first order antecedents employed in this study is somewhat novel and I think it advances the field. Familiarity with PLB, In-store extrinsic cues and Store image seems to be logical predictors of perceived PLB quality, and it makes sense to have these confirmed in an emerging market environment."*

Honorata Saar: *"Yes, the findings of the study reiterate strongly on the perception that perceived product value influences willingness. I agree too that perceived product quality and perceived relative price will form the basis of a consumers perception on product value, and agree with the*

addition of perceived risk as a third influencer. The factors used to the brand image of private labels are also thorough and mostly comply with industry determinants of brand image.”

Elsamari Botha: *“I agree that the decision to buy PLB’s cannot be separated from quality perceptions of the store, as well as your loyalty to national brands. I am very loyal to Woolworths and believe that they have quality products, so would have no problem buying their PLB brand products (i.e. store image). However, all their stores are very homogenous and you won’t easily find a ‘bad Woollies’. Pick n Pay’s stores, on the other hand, vary greatly. And you just end up wondering if that variance isn’t also present in their PLB’s.”*

She continues: *“With regards to the loyalty towards national brands, there just are some brands that we grow up with, that our parents and grandparents swear by, and that you wouldn’t even think of changing.”*

A somewhat contrasting view was recorded from one participant, who agreed with the findings of this particular study but wished to stress that the context was extremely important and that the findings should not necessarily be extrapolated beyond the merchandise set under consideration.

John Simpson: *“I agree with the findings of the study but obviously with certain reservations, not least that I’m not sure that one can extrapolate the finding across product categories or other consumers.”*

7.3.5 Panel Response to Question Five

Question five sought to determine whether the participants were surprised or intrigued by any particular aspects of the study. In this respect, the responses obtained from the participants were wide ranging.

John Simpson brought the issue of the choice of retailer to the fore, noting that Pick n Pay has always enjoyed a favourable reputation in the marketplace, which almost certainly influences the customer base and the quality perceptions of their private label merchandise. Again, he stressed that these parameters are likely to influence the outcome of the study.

Honorata Saar noted that the demographic variances in behaviour were quite interesting to her, particularly that relating to gender.

Andrew Fulton commented that *“the apparent lack of influence of loyalty towards strong national brands is interesting”*. This sentiment was reiterated by Gert Human, adding that:

“brand loyalty theory seems to suggest that this should influence PLB’s and so does classical cross-elasticity theory”.

Brian Benatar also appeared really surprised that loyalty to existing national brands didn’t play a role prominent role in the cognitive process. He contributed:

“This suggests that consumers can think beyond national brands and make decisions independently of the strong presence that branded products have in their minds. It also heralds an era in which private label brands can effectively compete against national brands in ways to advance the interests of consumers. National brands have always held power and this observation presents an exciting avenue for retailers to countervail this power of national brands and deliver greater value to their customers.”

The prevailing view is therefore that the lack of a moderation (or even direct) effect from the variable representing loyalty to NBs was an unexpected discovery and one that, in Gert Human’s words, *“may well be fertile ground for further research”*.

7.3.6 Panel Response to Question Six

The vast majority of the panel (eleven out of the twelve respondents, equating to 92 percent of the total) felt that the findings were indeed a valid contribution to the literature. The remaining member of the panel abstained from taking a position on this issue, claiming she was not familiar enough with the scholarly literature to offer a suitably qualified opinion.

7.3.7 Panel Response to Question Seven

Question seven asked how PLBs, such as breakfast cereal, could be better marketed in South Africa.

Responses from participants focused predominantly on improvements in the intrinsic product quality and packaging, as well as the on-shelf appearance of this merchandise.

According to Honorata Saar:

“If PLB’s want to compete with national brands amongst higher income consumers a larger focus could be placed on the source and manufacturing of the products, as well as the quality of the ingredients used.” Furthermore, *“PLB’s could also be less generic in their product*

offering and start adding extensions and formulations to their products in order to differentiate themselves further from the national brands. E.g. Cornflakes with Berries, or Vanilla Cornflakes, Larger Flake Cornflakes etc (i.e. anything that the national brands are NOT currently doing)."

Stephanie Houslay and Brian Benatar also highlighted the need to improve packaging and suggested further means of endorsement and promoting South African production and consumption (Ms Houslay: *"local is lekker"*), in addition to in-store tastings to demonstrate product features and provide quality assurance.

Trevana Moodley felt that considerably more needed to be done at an in-store level:

"I think the activity in store could be up weighted. I think what they have done with positioning on shelf next to the market leader is the biggest win for them. However, they have not done much else to drive awareness to their offer at shop shelf. There is no media/communication at shelf highlighting their offer versus the market leader."

Whilst concurring with the need for in-store attractions and exposure, Andrew Fulton stressed the need for mainstream media exposure. He asserted:

"Considering the vast amount of 'traditional' (albeit expensive) advertising that national cereal brands do through television, big billboards and competitions, the options for more extensive marketing are limitless. Store based promotions could also expand the consumer base."

André Naudé drew together a number of the insights expressed both in this question and elsewhere in the feedback process. His suggestions for retailers were recorded as follows:

- *Improve the appearance and design of private label breakfast cereal packaging to make it more attractive to children (who are heavy users of the product).*
- *Allocate greater shelf space to these products than is currently the case.*
- *Place a strong focus on innovation as private labels are paired against formidable competitors such as Kellogg's, Bokomo and Jungle Oats.*
- *Strengthen the value proposition across all factors of price, quality, packaging, etc.*
- *There may still be gaps in the category worth exploiting. For example, there is potential to develop and launch a Weetabix lookalike as a private label.*

7.3.8 Panel Response to Questions Eight and Nine

Questions eight and nine sought to clarify whether there were any exogenous variables and consumer characteristics, not included in the study, which might influence the consumer's value proposition of, and consumption behaviour towards, the merchandise under consideration.

Whilst there was a subtle difference in wording between the two questions, the panel participants referred to the pertinent issues interchangeably. Hence, these were jointly analysed. The respective views are presented below.

The influence of reference groups and peer perceptions were highlighted by Stephanie Houslay and Gert Human as noteworthy facets for further enquiry. So too was the distinction between rural and urban consumers. Here, Associate Professor Human added further clarity by stating that

“one may gain new insights by employing a culture measurement to account for within-country diversity”.

Thus, in a country as multicultural as South Africa, further strands of research into cultural differences may prove enlightening.

Connected to this perspective, Brian Benatar created a linkage between reference group marketing and the promotion of the merchandise:

“I think reference group marketing / opinion leaders could play a significant role in the promotion of private label brands. Choosing [sic] opinion leaders (aspirational specifically although contractual could work too) relevant to the target audience of the private label brand could go a long way to establishing trust for the private label brand without product trial and without above-the-line spend. Product packaging and in-store promotions (including physical appearances, give-aways and cardboard cut-outs) could be leveraged to promote the endorsement of the private label brand by the opinion leader.”

James Lappeman and Elsamari Botha both noted that “*generational*” or “*family*” influence might have a bearing on how consumers perceive the merchandise. Mr Lappeman added that his children have some sway in determining which cereals are bought for the household. Allied to this viewpoint, the influence of children was also raised by André Naudé, noting that:

“They are the main users and also very strong influencers as to what the mothers must buy. What do children think of Private Label versus branded products? They certainly will look at different value drivers than what mothers do, i.e. packaging on the table.”

Honorata Saar and Gert Human both pointed to the distinction between willingness to buy and actual purchasing behaviour. Here, Associate Professor Human suggested that a lot of research, including this study, has opted in favour of capturing a self-professed intention to buy, rather than observing actual purchasing behaviour. Hence, uncertainty was expressed as to whether the stated intention to acquire the merchandise necessarily translates into an affirmative decision at the point of purchase. This remains a limitation of model-based consumer studies.

Honorata Saar also drew reference to the notion of social risk, stating that some products that are used in a public environment may be more susceptible to this form of risk than household consumption items. Therefore, in her words,

“willingness to buy may then also possibly be influenced by personal image as well as intended final consumption”.

Two further factors were highlighted by Trevana Moodley and Elsamari Botha. Ms Moodley pointed to the time of the month, suggesting that consumers are likely to favour NBs at month-end after having been paid their salaries, whilst PLBs may benefit from ‘top up’ purchases throughout the month when funds are not as plentiful. Connected to this, Dr Botha suggested that disposable income levels are highly likely to influence shopping patterns and purchase decisions. Owing to these constraints, certain individuals and families may therefore be forced into buying the cheaper brands (typically PLBs) without due consideration of factors such as perceived quality and risk.

7.4 A VISUAL SUMMATION OF THE PANEL DATA

A Word Cloud reflecting the amalgamated response from the panel is depicted in Figure 7.1. This graphic highlights frequently used words in the responses from panelists, with the text size directly proportional to the volume of usage encountered within the responses received. As expected, the words *private*, *label* and *brand(s)* featured prominently. Other words such as *market*, *products*, *quality*, *value*, *buy*, *packaging* and *retailers* also featured strongly, although to a slightly lesser degree. Hence, the core issues addressed throughout this thesis surfaced, once again, as prominent factors in the Word Cloud.

Figure 7.1: A Word Cloud reflecting the Terms derived from the Panel Data



Source: Wordle.net

7.5 CONCLUSION

The validation study sought to expose the findings of the main study to a panel of academic scholars and knowledgeable practitioners with extensive retail and marketing knowledge. In doing so, the quantitative outcome of the model analysis is juxtaposed against the predominantly qualitative response generated from the panel participants. This provided further substantiation to support the pilot and main studies, and to facilitate an extra layer of explanation through expert analysis and interpretation of the empirical results.

The results reveal, on the whole, a consensus was reached that the model represents a true and accurate reflection of the cognitive factors determining consumers' perception of product value. Furthermore, the panel saw merit in the conceptualised antecedents of product quality, particularly product packaging and store image, and agreed that loyalty to national brands should receive attention as a barrier to adoption in the decision process. Additionally, other variables of interest (e.g. the influence of childrens' pester power) and the buying situation (e.g. time of month) were suggested to have a potential impact on PLB purchasing behaviour.

Chapter Eight ties together the various components of the research process and provides an integrated view of the private label cognitive evaluation sequence. The chapter then provides managerial implications and recommendations to strengthen the appeal and marketability of private label breakfast cereal in Cape Town, South Africa. Thereafter, study limitations and areas for further research are mooted. In final conclusion of the thesis, the academic contribution of this DBA study is highlighted.

CHAPTER EIGHT:

CONCLUSIONS, RECOMMENDATIONS AND FURTHER RESEARCH OPPORTUNITIES

8.1 INTRODUCTION

In the early stage of this thesis, a research question was developed, in tandem with the research aim and a set of specific research objectives demarcating the frontier of enquiry. Thereafter, a literature review was commenced which discussed the scholarly literature relevant in the field of private label branding, as well as the constitution and importance of the consumer's notion of perceived value. Additionally, the role of familiarity with such brands, in-store influences and the image of the retailer's fascia brand were considered for their cognitive input into the private label decision process. This culminated in the literature synthesis, whereby a conceptual model (with embedded hypotheses reflecting the relationships) was established. The methodology for the empirical component was then brought to the fore and the pilot study commissioned. The results from the pilot study served to confirm the basic theory. At this point, the main study sought to empirically test the formal theory in the form of the holistic conceptual model, incorporating the first order antecedents and the moderator variable representing loyalty to existing NBs. The model was verified in this process with all relationships found to be significant, with the exception of the moderator thought to influence the perceived value → willingness to buy relationship. Lastly, demographic segments were found to respond differently to various stimuli, suggesting that certain cohorts might behave differently in their purchasing behaviour of private label brands.

The previous chapter chronicled the results from the validation study, administered to a panel of academic and industry experts, designed to subject the empirical findings of this study to a level of professional scrutiny and inquiry.

Based on the collective insights acquired throughout the research process, a set of conclusions are drawn and discussed below. This is supplemented with a number of managerial implications and strategic recommendations for continued development of PLBs, in accordance with addressing the research question specified at the outset of this thesis. Thereafter, the contribution to the literature is affirmed. Finally, the limitations of this DBA thesis are acknowledged and the possibilities for further research explored.

8.2 CONCLUSIONS

Based on the updated list of research objectives in section 6.1 of Chapter Six, a number of conclusions are presented, following the framework established by these seven objectives.

However, research objectives five to seven (dealing with the demographic segmentation) have been amalgamated into a single entity for the sake of brevity. To this end, relevant conclusions, derived from the entirety of insights gleaned to date in this thesis, are drawn and discussed below with respect to each stipulated research objective.

8.2.1 Objective One

To consider the effect of Private Label Brand Image (comprising of familiarity with private labels, in-store extrinsic cues and store image) on the perceived quality of breakfast cereal sold under a private label.

The literature suggested a number of influences on the perceived quality of private label brands (Glynn & Chen, 2009; Cretu & Brodie, 2007; Batra & Sinha, 2000). These include factors relating to consumers' familiarity with PLBs (e.g. traditional advertising, word of mouth communication and experience using such brands), as evidenced by Steiner (2004), Garretson *et al* (2002) and Hoch and Banerji (1993), in-store extrinsic cues (e.g. product packaging, shelf space and positioning and in-store promotions), as evidenced by Beneke (2010), Kumar and Steenkamp (2007) and De Wulf *et al* (2005), as well as the store image (Liljander *et al*, 2009; Vahie & Paswan, 2006; Collins-Dodd & Lindley, 2003).

The main study investigated these primary effects, finding store image to have the most powerful influence of the three (a beta value of 0.424), followed by familiarity with private labels (a beta value of 0.274) and in-store extrinsic cues (a beta value of 0.169). This would suggest a noteworthy 'halo effect' contributed by the store image. Thus, if the fascia brand is highly trusted and respected, it is likely that the private label range will benefit from this aura. At an item level, respondents strongly agreed with the notion that striking packaging is imperative in increasing the appeal of the product. This was recorded as the strongest individual component amongst the three macro-level factors. This finding is congruent with previous studies stressing the importance of attractive product packaging and the quality of the merchandise implied by this. No exception to the norm was found to exist in the case of this study.

The validation study produced results to suggest that packaging is an inadequate feature of PLBs in their current state, suggesting a potential reason for their poor quality perceptions and relative lack of success in the South African market place. In addition to improving packaging as a countermeasure to these perceptions, in-store initiatives (such as taste tests and enlarged shelf space) were advocated as further remedies. The leverage potential of the store image was also highlighted as a prominent factor to allay such fears and create a 'halo effect' for the brand.

8.2.2 Objective Two

To consider the effect of perceived quality, perceived risk and perceived relative price on the perceived value of private label branded breakfast cereal.

The linkages between these constructs featured strong backing from the literature. Zeithaml (1998) was amongst the first to propose this framework of causal effects, confirmed by Sweeney *et al* (1999) in a seminal article within the Journal of Retailing in 1999. This established a firm foundation for the conceptual model developed for testing within this study. Later studies by Beneke *et al* (2013), Kwun and Oh (2008) and Snoj *et al* (2004) also confirmed the presence of such relationships.

The pilot study initially examined the linkages between these constructs within this thesis. Here, all the direct relationships were found to be significant (at the 5 percent level) with a number of mediation effects also confirmed. The main study added credence to this framework of effects by further validating the afore-mentioned relationships. Again, all direct relationships were found to be significant (at the 5 percent level) with betas of -0.504 (perceived relative price → perceived value), -0.146 (perceived risk → perceived value) and 0.137 (perceived product quality → perceived value) recorded. Thus, pricing of the private label merchandise was shown to have a large effect on the consumer's notion of value, considerably more so than perceived quality and risk. Tangential results show that perceived product quality has a large influence in reducing perceived risk (more so than directly influencing perceived value), featuring a beta of -0.730, and that perceived relative price also has a substantial effect on manipulating quality perceptions, reflecting a beta of 0.291.

In addition, a number of mediation effects were found to exist. Partial mediation, whereby the complete set of direct and indirect relationships are significant, was found to exist in two instances: (a) perceived product quality mediating the relationship between perceived relative price and perceived product value and (b) perceived risk mediating the relationship between perceived product quality and perceived product value. Full mediation, whereby the direct relationship is not significant but the two indirect relationships are significant, was found to exist in the case of perceived product value mediating (a) the relationship between perceived product quality and willingness to buy; (b) the relationship between perceived relative price and willingness to buy; and (c) the relationship between perceived risk and willingness to buy. Thus, perceived product value was confirmed to be the centrepiece of the model and thus a crucial intermediary step in this cognitive process.

The validation study stressed the importance of value, and particularly the effect of price in this equation. Private labels have traditionally relied upon preferential pricing to drive sales. However, the issue of product quality is also rising to the fore. Due to the competitive nature of many product categories, including breakfast cereal, content quality is a key driver of product success or failure in

the modern retailing environment. Unfortunately, the inherent product quality of certain private labels is often deemed by consumers to be poor, primarily relying on price to generate sales. This disposition appears unsustainable as competition intensifies.

8.2.3 Objective Three

To examine the relationship between perceived value of private label branded breakfast cereal and consumers' willingness to buy such merchandise.

There is a considerable volume of literature to support the notion that perceived value is a contributory factor in the buying decision and, hence, is causally related to the consumer's willingness to buy the merchandise under consideration (Beneke *et al*, 2013; Sweeney *et al*, 1999; Richardson *et al*, 1996; Dodds *et al*, 1991).

This was found to be a strong, positive relationship within the conceptual model, significant even at the 1 percent level. Both the pilot and main studies (betas of 0.487 and 0.746, respectively) bore testimony to this, finding this particular linkage to be one of the strongest relationships within the model. Thus, if consumers perceive the value of the offering to be highly favourable, they are naturally predisposed to the acquisition of the item. The converse also applies, whereby a weak value proposition leads to lower levels of inclination to purchase the said item.

The implication is that if a consumer perceives the merchandise to offer good value, the evidence suggests that (s)he becomes strongly incentivised to purchase. Hence, the model confirms that a strong value proposition should therefore translate into purchase intention.

The validation study touched on the conceptualisation of value to a small degree. Value was reiterated as being pivotal in the consumer's cognitive evaluation of such brands, however willingness to buy was questioned as the ultimate determinant of success. Hence, consumers might express a desire to purchase these brands but act quite differently at the moment of truth (i.e. point of sale). Hence, this limitation in the cognitive model was observed and thus caution advised when predicting final purchasing behaviour.

8.2.4 Objective Four

To analyse whether loyalty towards national brands moderates the relationship between the perceived value of private label branded breakfast cereal and consumers' willingness to buy these products.

Certain South African consumers have been found to be fiercely loyal towards national brands (Beneke, 2010), particularly in the peri-urban and rural areas where consumers are hard pressed in terms of disposable income. Habitual purchasing behaviour, stemming from generations of loyalty

towards certain national brands, often takes preference over new and cheaper products (Knox & Walker, 2001; Corstjens & Lal, 2000). The lack of availability of private label brands outside the main metropolitan areas has also contributed to lower levels of awareness, trial and trust in these brands. Thus, national brands have traditionally had the upper hand in building brand loyalty and reinforcing habitual purchasing behaviour in South Africa and other such emerging markets.

The main study set about to address this issue through including loyalty to existing national brands as a potential moderator of the perceived value → willingness to buy relationship. This was, however, not found to be significant (at the 5 percent or even 10 percent levels) as a moderating variable. This finding may be attributed to a number of reasons. First, the relationship between perceived product value and willingness to buy was found to be one of the strongest relationships in the model. Therefore, a potential moderator may be relatively ineffective in its power to influence this seemingly indelible bond. Second, it is quite possible that two distinct buyer typologies exist. For example, it would appear that certain customers have firmly closed minds to the notion of purchasing private labels, irrespective of the advantages of doing so (Juhl *et al*, 2006). Here, ambivalence towards PLBs may result in the door being firmly shut with respect to any enticement designed to modify the consumer's habitual purchasing behaviour. Third, it is plausible that a moderation effect may be more appropriate in the case of a second tier National Brand, such as Bokomo, rather than Kellogg's. In other words, a more comparable brand to the PnP private label may have resulted in a higher degree of consideration, as opposed to the breakfast cereal category leader.

The validation study shone a light on this finding within the study. However, more questions than answers were obtained, with participants pointing to the need for further research studies to investigate the effect of loyalty to NBs. One particular view suggests that consumers are beginning to think beyond NBs and make decisions independently of the strong presence that branded products have rooted in their minds. If true, this bodes well for the future of PLBs across the board.

8.2.5 Objectives Five, Six and Seven

To assess the impact of the demographic variables of age, gender and household income level on the phenomena described above (i.e. objectives one to four).

The literature suggested that demographic segmentation might well produce meaningful and insightful results into how different consumer groups respond to marketing stimuli. Evidence in the literature has been contributed by scholars such as Ricciuto *et al* (2006), Shiu and Dawson (2001) and Sethuraman and Cole (1999).

Demographic segmentation was applied to the main sample using age, gender and monthly household income as variables of particular interest. Noteworthy differences were found to exist in this respect. In terms of household income, three of the four cohorts were found to exhibit very similar response patterns. The highest household income group deviated from this, appearing to possess a more negative attitude towards private label brands by rating the pricing, value and quality of the merchandise to be inferior to that claimed by the other income cohorts. Correspondingly, their willingness to buy was lower. In terms of age, the cohorts exhibited broadly similar response patterns with respondents aged upwards of 60 the most enthusiastic about the private label merchandise and the least enthusiastic about the category leader and NB, Kellogg's. The converse scenario was found to exist in the case of younger consumers (21 to 30 and 31 to 40 age groups). Lastly, gender differences were less pronounced than household income and age differences, although female shoppers were deemed to be slightly more inclined to favour private label merchandise than their male counterparts.

These findings would suggest that very affluent households (in this case boasting a monthly household income of excess of Rand 30 000) are reluctant to purchase mainstream PLBs. This may stem from comfortable levels of income, negating any need to consider value alternatives and migrate away from longstanding relationships with highly favoured NBs. In contrast, older consumers (i.e. those aged upwards of 60) appeared very open to the idea of purchasing private labels, exhibiting enthusiasm towards such merchandise, with a clear division evident between the two alternatives. Hence, pensioners, who are known to be somewhat frugal with their finances post retirement, appeared to respond positively to the value proposition offered by private label products. Young consumers felt quite differently, preferring NBs. As individuals in their undergraduate student years were explicitly excluded from the survey, leaving only young adults of 21 years and older to participate in the study, the general consensus from the younger cohort of working adults and housewives/househusbands is that private labels still have some work to do in convincing them of their merits, relative to the strong NBs on offer.

The validation study also probed the variances brought about by the respective demographic groupings. This solicited relatively little discussion, although one participant felt the practical significance of this is likely to be particularly useful to industry. Thus separate communication and marketing strategies could be implemented with respect to different consumer segments. She also pointed to the merits of further lines of enquiry in this respect.

8.3 MANAGERIAL IMPLICATIONS AND STRATEGIC RECOMMENDATIONS

The conclusions presented above give rise to a number of managerial applications and strategic recommendations that should be considered for implementation in order to improve the marketing and retailing of PLB breakfast cereal products within South Africa.

8.3.1 Developing the Value Proposition

At a broad level, the research has highlighted the significance of the value proposition to consumers. Price is merely a single component of the derivation of value. Thus, consumers appear to factor in a range of other influences that need to be catered for in the development and promotion of these brands. Competing solely on price, even to consumers pressured with respect to modest levels of disposable income, is therefore likely to be a mistake. In the conceptual model, risk, price and quality were all shown to have a powerful influence on consumer perceived value.

The price differential is another factor which merits consideration. In order to avoid 'stuck in the middle' pricing, this gap should be substantial enough to encourage brand switching in favour of PLBs. As noted in the validation study, should the price difference between the private label and NB be deemed negligible, consumers will have little incentive to move away from mainstream brands. This necessitates proactive management of the pricing strategies of PLBs. The matter is embellished in section 8.3.5 below.

In order to develop a favourable impression of the private label range, retailers need to move beyond a fixation with price and position the brand as a true value alternative. This re-positioning is likely to have an impact on type of messaging portrayed in advertising campaigns, the colour scheme assigned to the brand (which is likely applicable to both product packaging and promotional efforts) and even the quality assurances offered to customers. Thus, a unified brand message highlighting the plight of the 'savvy shopper' needs to be disseminated, as opposed to pitching the idea that the cheapest option is simply the best option. These facets are explored in greater depth below.

8.3.2 Improving the Antecedents of Perceived Product Quality (Private Label Brand Image)

The antecedents of perceived product quality lead the researcher to highlight a number of noteworthy aspects for attention. The packaging of the merchandise is paramount. This sends the clearest signal of quality to potential purchasers. Whilst many supermarkets have retained simple (e.g. two or mono colour) packaging to highlight the extreme value proposition and presumably trim production costs, this may be a step too far. If the packaging is interpreted as 'cheap and nasty', this erodes a sense of product quality and, therefore, value. This issue was highlighted by numerous participants in the validation study. They noted that retailers had traditionally under-invested in the quality of packaging, perpetuating the stigma of inferior product quality. Precedent may be drawn from international retailers where 'no frills', yet aesthetically pleasing, packaging is used to sell all tiers of PLB's.

Shelf space and positioning also merits attention. Premium shelf space is typically reserved for the major players in each merchandise category. However, this phenomenon also sends an implied quality signal to shoppers. In the short term, expanding shelf space to promote visibility of the private label, as well as placing it at optimal eye level, might go some distance towards convincing consumers that the brand can compete with the leading NBs available on shelf. If the retailer exhibits faith in the PLB, consumers might be encouraged to follow suit. Whilst this may compromise retailer profits in the short term through a reduction in slotting allowances for premium shelf space, the long term benefits derived from private label margin enhance may be worth forfeiting the supplier fees in the interim. In essence, short-term pain in favour of long-term gain might be a strategic option worth considering.

Anecdotal evidence suggests that few retailers offer in-store promotions of their private labels and even fewer offer in-store trials of such merchandise. This appears to be in stark contrast to many NB's that strive to maximise brand communication within the store environment. Interestingly, this was raised as a shortcoming in the validation study by a Unilever employee au fait with such brand promotion initiatives. The anomaly appears even more perplexing when one considers that the physical space is owned by the retailer and is therefore under its control. This opportunity should be seized in order to acquire brand exposure at the point of sale. Moreover, this presence may also serve to instill a sense of familiarity and thus mitigate a degree of perceived risk in the consideration of PLBs. The issue pertaining to perceived risk is elaborated on in section 8.3.3 below.

The fascia (retailer) brand, incorporating perceptions of the in-store environment and framed as the store image within the conceptual model, was found to have a strong connection to the perceived quality of the associated private label merchandise. In the literature, this phenomenon was labelled the "halo effect" (Wu *et al*, 2011; Vahie & Paswan, 2006) and seen to be a highly pertinent influence in the formation of consumers' perceptions of PLB's. Hence, retailers would be well advised to continue investment in the core brand through maintaining a satisfactory in-store environment and the elevated levels of service their customers have come to expect. Any improvements in this respect should positively accrue to the perception of the private label range.

Private Label Brand Image, in a collective format, was found to have a substantial effect on the perceived quality of the merchandise. Building a brand image that commands attention and respect may be achieved through all of the avenues discussed above, but this could be supplemented by celebrity endorsement in order to give the brand a more personable touch. Celebrity chefs and food critics are likely to be amongst the best placed to facilitate this role and positively contribute to the brand persona in the form of ongoing editorial pieces or brand spokespeople.

The above recommendation also lends itself to promotion through the mediums of traditional media and word-of-mouth communication. Both these forums possess the power to propagate a message of product fidelity and attractiveness. Lifestyle and cooking shows, backed by social media campaigns to propel the message and increase consumer involvement, are remedies well worth considering. For example, these brand ambassadors could set about to find the brand's "number one fan" and encourage customers to send in photographs of their cupboards and pantries stocked with the relevant private label range. Winners might then receive shopping vouchers to continue their spending spree on the merchandise being promoted.

8.3.3 Reducing Perceived Risk

The element of perceived risk in buying these brands also requires attention. Whilst supermarket chains do offer money-back guarantees on PLB products, this is typically not publicised and often featured in small print on the packaging. This needs to be highlighted to ameliorate a substantial degree of perceived risk. Furthermore, complementary in-store trials could be conducted to lower the risk threshold in adopting the product. In order to stimulate at-home trials, retailers might wish to consider rewarding loyal customers with private label vouchers for once-off expenditure exceeding a certain amount (for example, when conducting the weekly or monthly shop).

The validation study highlighted that consumers are indeed cognisant of the heightened degree of risk exhibited by these products. This plight would appear to be particularly pertinent in the case of lower income consumers, many of whom are not in a financial position to assume the risk of buying an untried and untrusted product. The usage situation was also raised. In this respect, when visibility of the product is increased, so too is the embarrassment factor should the product fail to meet expectations. Whilst breakfast cereal is typically used within the home environment and out of sight of guests, visitors may experience the product first hand and use this to form perceptions of the host. In selected instances, this product-based risk may therefore be transferred into a personal realm.

8.3.4 Catering to different Demographic Profiles

The demographic profile of customers was found to have an influence on the cognitive process leading up to a buying decision. This suggests scope for improvement in appealing to specific demographic clusters. Pensioners, for example, appeared positively predisposed to the notion of purchasing private labels, presumably on income grounds. Yet, affluent households seemed unreceptive to the idea of purchasing private labels and likewise for younger (age 21 to 40) working individuals and housewives/househusbands. The latter cohort provides a clear opportunity to shift perceptions. In keeping with the suggestions raised above, social media

channels (e.g. Facebook and Twitter) and lifestyle, sports and even gaming magazines could be used to reach the younger portion of the target market. This is a notoriously difficult market segment with which to communicate as such individuals tend to shun traditional media such as newspapers, mainstream television channels and radio stations, instead preferring on-demand media and customised news feeds (Jordaan & Ehlers, 2009).

Effective targeting of predisposed consumer segments may allow for more efficient advertising spend. This is particularly relevant with respect to platforms that allow for customisable advertising content based on user profiles. For example, Facebook collects a considerable amount of personal data from its users and utilises this to match advertisements with specific individuals. Using the insights gleaned in the segmentation analysis, retailers of PLB breakfast cereal may optimise brand communication to specific cohorts. Further research (e.g. time of day of such purchases) may be used as an additional input to advertise to consumers in advance of the purchase event.

8.3.5 Optimising the Price Differential

Whilst highly competitive pricing may not be the ultimate factor in the consumer's cognitive stream, retail marketers need to establish the ideal price differential between national and private label brands (Zielke & Dobbelstein, 2007; Yang & Peterson, 2004). Research into this price gap, on a per item basis, is therefore recommended in order to set a price that is competitive with other brands on shelf, but does not necessarily signal an underdeveloped (i.e. 'cheap and nasty') product. It has been suggested that a 20 percent differential is optimal in most instances (Kumar & Steenkamp, 2007). However a one size fits all approach is unlikely to yield optimal results across the board. As price was found to be a noteworthy extrinsic cue guiding overall perceptions, determining the relevant price points should be a strategic imperative.

8.3.6 Driving Product Quality

Although it no doubt stands to reason, investment in product quality remains paramount. This was shown to have a strong effect on alleviating perceived risk, meaning that consumers are likely to take a chance on the merchandise if they deem the inner contents to be satisfactory. Branding and marketing efforts are tools with which to create demand, however sustainable sales are dependent on consumer expectations being paired with the satisfactory delivery of an adequate product. The mantra 'one bitten, twice shy' should be omnipresent in every private label marketer's mind. To this end, if the retailer doesn't have the resources to develop a comprehensive range of products simultaneously, the launch of such products should be staggered in accordance with resource availability. Poor quality perceptions can tarnish the brand for many years going forward.

8.3.7 Crafting Compelling Brand Messaging

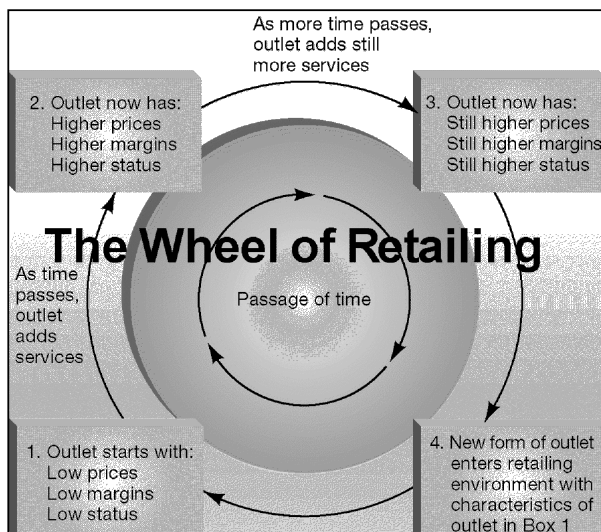
As demonstrated throughout, the brand messaging needs to resonate with the customer base and affirm the value proposition. A few participants in the validation study stressed the need to create an affiliation between the private label merchandise and local product content. Should this be marketed correctly, it is thought that goodwill will be fostered amongst the private label customer base, leading the consumer to believe (s)he is making a difference by stimulating the local economy, aiding job creation, and even protecting the natural environment through reducing supply chain pollution. These are highly emotive issues in a South African context.

Furthermore, campaigns stressing a “better for less” proposition should drive home the notion of a fair deal. Tied into this, guarantees could be put in place that the customer will always receive a discount of at least a predetermined percent off the category leader and should this be transgressed, (s)he would be entitled to receive double the difference as compensation. This may be of assistance in removing a perceptual barrier to entry. Aligning the brand with national events (e.g. sports championships) may also serve to conjure up ‘big brand stature’ and instill a sense of familiarity and trust. Unfortunately, as comparative advertising is illegal in South Africa, publication of price comparisons is not a feasible solution to promote a notion of price competitiveness.

8.3.8 Considering the Strategic Movement of Private Label Brands

At a strictly strategic level, McNair’s (1958) theory provides plausible forewarning and guidance on the adoption, and potential decline, of a PLB. This is encapsulated in his “Wheel of Retailing” theory depicted in Figure 8.1.

Figure 8.1: McNair’s “Wheel of Retailing” Theory



Adapted from McNair (1958)

The development process of PLBs appears to follow a similar pattern to that of the retail store evolution, initially proposed by McNair (1958) half a century previously. McNair advocated that retail outlets traditionally begin life as low price, low margin, low status entities, offering limited product offerings, and then gradually “trading up” to compete with the more established stores that have considerably greater appeal by offering a more conventional mix of plentiful, favourable products offerings, albeit at a higher price. Stores at this evolutionary phase in the Wheel of Retailing offer a wide range of facilities and services and operate on a higher price, higher margin and higher status basis. However, eventually, these stores become vulnerable to new competitors in the market place who compete aggressively on the basis of price. Thus, as stores continue to “trade up”, they become top heavy, conservative in their approach and begin to suffer declining Return on Investment.

Accordingly, this might serve as a warning bell to the retail strategists and merchandisers responsible for managing the private label portfolio. Applying this to the domain of such brands, the challenge to developers of private labels is therefore to keep them relevant to the target market by catering to a specific market need and to be guided by continuous, rigorous market research. Whilst the temptation might be to develop a sophisticated private label range to position the store to aspirational buyers (i.e. be ahead of the curve in anticipating customer needs, wants and desires) and radically enhance profit margins, it is advisable for retail marketers to remain grounded and cater to fundamental customer needs that have consistently led to a natural attraction towards private labels. The success of the private label as a fighter brand provides a compelling argument to maintain the status quo. This is substantiated by a considerable volume of research, including that unearthed in this thesis, suggesting that consumers seek value in private label brands. Disregarding this to focus on competing aggressively with the prestigious NBs might therefore be a strategic mistake. Here, marketers would be best advised to heed guidance from their customer base and possibly identify a selection of “B-brands” (second tier brands) that may be superseded by a private label range.

In achieving this objective, private labels can migrate up the value chain (as proposed by McNair, 1958) but refrain from becoming staid and competing head on with the category leaders. The evidence would suggest that emerging markets, such as South Africa, are simply not mature enough for a national – private label brand tussle at the premium end of the market. Due to the long-standing pedigrees of the category leaders, it would appear that private labels, in their current form, simply do not possess the wherewithal to outmanoeuvre and outmuscle the competition. This suggests that retailers should retain the tiered portfolio of PLB’s. For many consumers, these represent a value alternative to NB’s and will not always be accepted as a replacement for such. Private labels should therefore supplement, and complement, the range of favoured NB’s on shelf. In doing so, retailers should thus resist the urge to be overly aggressive in the rollout of PLB’s.

8.4 ACADEMIC CONTRIBUTION OF THE STUDY

This study makes a contribution to the literature in a number of noteworthy respects. First, PLB research in emerging markets, notably South Africa, has been addressed by exploring the consumer-level factors that drive purchasing behaviour of these brands. These factors include the consumer's notion of quality, relative price and risk, as well as the overarching cues (e.g. store image, media and in-store exposure, as well as prior experience of product usage) that influence quality perceptions of such merchandise. These were all deemed to be determinants in the consumer's assessment of product value. This builds on exploratory studies such as Beneke (2010) and Beneke *et al* (2013) in a South African context, as well as studies such as Wu *et al* (2011), Glynn and Chen (2009), Liu and Wang (2008), Baltas and Argouslidis (2007), Vahie and Paswan (2006), Semeijn *et al* (2004), Garretson *et al* (2002), DelVecchio (2001), Batra and Sinha (2000) and Richardson *et al* (1996) in an international context.

Second, loyalty to NBs was introduced as a potential barrier to adoption of private labels. Numerous studies (e.g. Chan Choi & Coughlan, 2006; De Wulf *et al*, 2005; Steiner, 2004; Ailawadi *et al*, 2001; Cotterill *et al*, 2000; Quelch & Harding, 1996) have asserted that an interplay between these two types of brands exists.

In the conceptual model, this was framed as a moderator affecting the relationship between perceived value and willingness-to-buy. Whilst no statistically significant relationship was found to exist, this may be due to the specific context of the study. Hence, this may be explained by further research and it is duly recommended that future studies probe this connection in greater depth.

Third, as discovered in the validation study, members of the academic community envisage that a large number of factors may underpin PLB consideration – ranging from the shopping occasion to the cultural background of the consumer. The sheer magnitude of intervening factors is encapsulated in studies such as Hyman *et al* (2010), Lamey *et al* (2007) and Collins-Dodd and Lindley (2003). This shines a light on the complexity of the scenario and suggests additional variables for future studies to explore private label adoption.

Lastly, this thesis suggests a course of action for retailers responsible for developing and promoting their private label merchandise. Here, the 'halo effect' of the store image was found to be paramount (as originally punted by Collins-Dodd & Lindley, 2003 and Vahie & Paswan, 2006), with in-store extrinsic cues and familiarity with PLBs also playing a role in creating affinity towards such products. This is synonymous with the findings of Kara *et al* (2009), Martenson (2007), Batra and Sinha (2000), Baltas (1997), Richardson *et al* (1996; 1994), Dick *et al* (1996; 1995), thus adding further weighting to the argument.

The reputation of the store, and the consistency of the customer experience across a multitude of engagement points, undoubtedly drives the cognitive evaluation of brand desirability. This has, too, been affirmed in several studies including Bao *et al* (2011a) and Wu *et al* (2011). The same can forthwith said to be true in a South African context.

Retailers are therefore being continuously challenged to deliver a superior customer experience, and to optimise the credibility and charisma of the corporate brand. As asserted by Kumar and Steenkamp (2007), with bottom-line profits at stake, the marketer's task of creating a compelling brand, across functional areas, backed by best-of-breed customer services, is likely to be more important than ever. The longevity of the private label offering depends on it.

8.5 LIMITATIONS OF THE STUDY

The scope of this study focused on a single city and country (that of Cape Town, within South Africa). As noted in Chapter One, it would be ill-advised to extrapolate these results to other geographic territories, particularly where the consumer profile is significantly different. There is little reason to expect the theoretical framework to differ markedly outside of the borders of Cape Town, however the magnitude of the strengths of the casual relationships within the model may well be influenced by the context. Hence, it is surmised that the intensity of the influences in the cognitive process may vary from region to region.

The study also shone a spotlight on middle class consumers and a particular type of merchandise through focusing on middle class breakfast cereal purchasers. These variables, no doubt, have shaped the outcome of the pilot and main studies. For example, a consideration of poor consumers in rural areas predominantly buying basic commodities, such as cooking oil and maize meal, would likely have led to a very different set of results. The retailer designated for data collection was aligned with the stipulated target market. By moving away from such a mainstream supermarket chain (i.e. Pick n Pay) and towards a retailer orientated at the lower end of the market (e.g. Shoprite), a different picture might have emerged. As most research has traditionally centred on middle to upper income consumers in South Africa, who inhabit the relatively affluent suburban areas, there is certainly potential for further scholarly enquiry at the lower end of the market. Moreover, the merchandise set could be more closely aligned with the shopping patterns exhibited by this consumer segment.

From a conceptual standpoint, there is a multitude of competing theories as to how consumers arrive at a consensus with respect to product value. For example, other models have infused effects such as esteem, status, ethics, spirituality, sacrifice and satisfaction into the process (Sánchez-Fernández & Iniesta-Bonillo, 2007; Holbrook, 1999). Thus, a different sequence of

inputs and consequences, as surmised by other researchers, might have led to a different frame and mapping of perceptual influences.

Additionally, the research philosophy assumed a positivist, cross-sectional design. As such, the study was framed in a manner to understand the causal effect of a set number of variables by means of conducting a survey of consumers. Hence, a reductionist stance was taken. Although this approach was favoured in order to provide a definitive and conclusive set of results, other philosophies, such as a phenomenological design, may have allowed for a greater number of factors to be integrated into the study. Furthermore, this may have allowed the researcher to observe consumers' purchasing rationale and behaviour in a more authentic and natural setting.

8.6 AREAS FOR FURTHER RESEARCH

Future studies are encouraged in the area of PLB research, particularly in other emerging markets. In such markets, the value proposition of private label brands appears to be either misunderstood or frowned upon by consumers, with relatively poor penetration rates of such brands reflecting this phenomenon.

This study placed private label breakfast cereal under the microscope. The merchandise category was chosen because breakfast cereal is frequently purchased in supermarkets by middle class consumers, and has been adopted by the various retail groups as a category conducive to private label deployment. Nonetheless, other merchandise categories may provoke a different response by consumers. In this respect, it would certainly be interesting to subject the model to other FMCG merchandise categories to understand if the same principles hold true, as well as to facilitate a cross-category comparison.

Other variables of interest include understanding purchasing decisions of different income groups, and those from different culture and population segments. Here, historical and family-based purchasing patterns may lead to different outcomes in private label versus national brand assessment. For example, in some rural communities, the brand equity of established NBs is supremely strong and ingrained in the psyche of these consumers. As such, PLBs are at an inherent disadvantage, irrespective of the value proposition and promotion.

As highlighted in the validation study, the shopping occasion may also dictate PLB purchasing tendencies. A two-pronged approach could therefore be used for data collection by assessing the prevailing conditions mid month, when funds are likely to be in short supply, as well as at month end when consumers have just received their salaries. This may well influence their willingness to pay a premium for certain NBs.

Finally, this study considered private label branding from a positivist, cross-section perspective. A phenomenological approach, using ethnographic methods, may have found deeper motivations and inhibitions amongst consumers, particular relating to their cultural identity and customs. Likewise, by accompanying consumers to the store on actual buying occasions, researchers may be in a better position to ascertain whether intention to purchase translates into an actual purchasing decision. Moreover, the extent to which these brands are repetitively purchased could be ascertained in this manner. Hence, direct observation techniques would serve to add an extra layer of certainty to the results generated in this study.

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