

CONSUMER PERCEPTIONS OF PRIVATE LABEL QUALITY: THE ROLE OF PRODUCT CATEGORY CHARACTERISTICS, CONSUMER KNOWLEDGE, AND THE USE OF HEURISTICS

Devon DelVecchio, Indiana University

ABSTRACT

Private label brands represent a significant threat to their national label competitors. Throughout the past two decades private labels have accounted for 12 percent to 20 percent of yearly grocery sales in the United States. Within the aggregate strives made by private label brands, private label sales across product categories have remained highly variant. For instance, while Loblaw's President's Choice Decadent Chocolate Chip Cookie has become the market leader in sales volume in Canada, private labels command a paltry one percent of the market for deodorant. Such wide variance in the performance of private labels begs the question of what determines the success of private label offerings.

Given that private labels have long been recognized as a low cost alternative to national brands, a private label will likely be seen as a viable alternative to national brands when the product category is one in which consumers believe a private label is capable of making a product that is comparable to national brands in terms of quality. Therefore, a set of product category characteristics that affect perceptions of the ability of a private label to produce a competitive offering in terms of functional and symbolic product quality are tested. Specifically, the impact of four product category characteristics (ease of manufacturing, category quality variance, publicness of typical product category consumption, and ease of brand identification) on perceptions of private label quality are considered.

A secondary aim of this paper is to identify consumer traits that make private labels more or less appealing to an individual. Specifically, the focus of the current study with respect to consumer traits is the manner in which, and the extent to which, a consumer uses brand

name as a heuristic. Therefore, this paper tests the roles of consumer knowledge, of brand names as symbols of quality, and consumers' belief that brand names are symbolic of personal values.

Results indicate that the primary determinants of perceptions of private label quality relate to the ability of private label manufacturers to compete with national brands in terms of the functional quality of the product they produce. Private labels are viewed to be most competitive in categories that are perceived as being easy to produce and of relatively little variance in (functional) quality across brands.

Consumer knowledge plays an important role in the formation of perceptions of private label quality. As consumer knowledge increases, so too do perceptions of private label brand quality. The role of knowledge, combined with the importance of the product category characteristics associated with functional quality, and the product quality improvements made in private label brands over the past decade imply the need for greater communication of the quality of their brands on the part of stores carrying private labels.

Not surprisingly, consumers who use brand names as a heuristic to judge the functional quality of products perceive private labels to be of lesser quality. What is surprising is that the perceived quality of private label brands was not directly affected by consumers' use of brand names as symbolic cues. Although there is a marginally significant three-way interaction between consumers' view of brand symbolism, publicness of product category consumption, and ease of brand identification, the findings regarding the symbolic value of brands suggest that private labels should be able to compete in a wide array of product categories.

For further information please contact:

Devon DelVecchio
Department of Marketing
Kelley School of Business
Indiana University
Bloomington, IN 47405
Phone: (812) 855-8878
FAX: (812) 855-6440
E-Mail: ddelvecc@indiana.edu