



**UNIVERSITY OF GOTHENBURG**  
**SCHOOL OF BUSINESS, ECONOMICS AND LAW**

Master Degree Project in Marketing and Consumption

## **Taking the Label Out of Private Label:**

An investigation if the private label brand affects the consumers'  
willingness to pay

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Private labels have skyrocketed during the last decades. The main goal is to increase the retailers' margins. A recent trend is the introduction of several tiers of private labels, and especially the premium private label segment. The recent academic focus has been on measuring quality and price aspects of private labels. The purpose of this article is to investigate if the private label brand affects the consumers' willingness to pay by testing it through two surveys, with brand versus without brand. Therefore, this article combines measurements of willingness to pay and applies them on a premium private label brand within the FMCG sector present in Sweden today. 269 student and employees from the School of Business, Economics and Law at the University of Gothenburg participated in online surveys regarding three different products.

The findings suggest that there is no significant difference between with brand versus without brand in the consumers' willingness to pay for private labels. However, when investigating the measurements determining willingness to pay further, significant differences are present for perceived quality and uniqueness in two of the surveyed products. The results are discussed in the article and managerial implications include that the willingness to pay is not affected if the private label brand is visible on the package versus not. However, perceived quality and uniqueness is affected in a negative way by the private label brand. Suggestions for future research are provided.

*Keywords: Private labels, willingness to pay, FMCG*

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### INTRODUCTION

The number of brands in the market has exploded during the recent decades and the growth and popularity of private labels have skyrocketed. A particular private

label intensive industry is the fast moving consumer goods (FMCG) industry (Ossiansson, 2004). The industry is characterized by non-durable products that are inexpensive, purchased frequently and consumed promptly (Dibb et al., 2006). The private label category represents 20% of sales in the FMCG sector (Nenycz-Thiel and Romaniuk, 2009).

This development has changed the marketplace and marketers of national brands are now forced to consider private labels as legitimate competitors. As much as 22 per cent of the market share in

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Sweden today is private labels. After the recent economic downturn, 60% of the European consumers tried private labels according to Nielsen (2011) and 97% of the Swedish consumers will continue to buy private labels even after the economic downturn.

Ossiansson (2004) and Nenycz-Thiel and Romaniuk (2009) describe that private labels began as generic products with a low price strategy that was used to increase the retailers margins. The quality of the products was also inferior to national brands.

Palmeira and Thomas (2011) as well as Shiv, Ziv and Ariely, (2005) argue that when consumers are evaluating products they have never tried before, they use inferences. The authors further argue that the most common inference to use is price-quality, which is a high price equals high quality and vice versa. Since private labels have been positioned as low-priced generic products, associations of private labels have naturally become low price and that is, low quality. This has created a so-called price-quality gap (Steenkamp, Van Heerde and Geyskens, 2010) between private labels and national brands.

However, this has started to change over the last decades and the price-quality gap is getting narrower (Bao et al., 2011; Nielsen, 2011) In fact, one in three of Swedish consumers states that private labels are as good as national brands and two of five Swedish consumers believe that the quality of most private labels are as good as national brands (Nielsen, 2011). It is also emphasized by Garretson, Fisher and Burton (2002) as well as Miquel, Capliure and Adlas-Manzano (2002) that consumers perceptions of private labels are changing and many now believe that private labels have the same quality or

higher than national brands but at lower prices.

Private labels are both growing in terms of popularity and market share all over the world. Another recent trend is the growth of having several tiers or generations of private labels, and especially more premium private labels. (Palmeira and Thomas, 2011; Tarnowski, 2005; Richardson, 1997; and Ossiansson, 2004). Soberman and Parket (2006) argue that by introducing several tiers of private labels it enables the retailers to enter more premium segments with their private labels and thus be able to raise the prices and get higher margins.

Ossiansson (2004) describes the development and categorize four different generations of private labels; *generics, lowest price, me-too and value-added* (p.114). It is especially the fourth generation of private labels that have been growing the fastest, that is the value-added private labels that focus on differentiation and not imitation in its product development (Burt, 2000; Laaksonen and Reynolds, 1994; Anselmsson, Johansson and Persson, 2007).

ICA is one of the retailers in Sweden that have focused a lot on developing their private label range during the last decades. ICA was the first retailer on the Swedish market who introduced private labels as early as in the 1910s with its coffee brand Hakons Blå (Handels Historia, 2014). However, in the 1980s the competitor Konsum launched its range of private labels that can be classified as generics. The range was called Blåvitt (Bluewhite) and the packaging of the products only included the general product name e.g. for detergent it was only stated detergent on the package, as iconic for generic private labels, something that was

inspired by the French retailer Carrefour (Handels Historia, 2014). In 1994 ICA started a huge investment in its private label range (ICA-historien, 2014) and the turnover share is continuously increasing. During 2013 the private labels share of the turnover was 21, 4%. (ICA Sverige, 2014) Today there are six different food private label brands at ICA: ICA, ICA I love eco, ICA selection, ICA Gott liv, ICA Basic and ICA Skona (ICA, 2014). ICA Selection is the brand that can be categorized as premium or value-added. The ICA Selection brand was first launched in 2007 (Hakon Invest, 2006) but went through a facelift due to changed demand for premium products and market trends and was relaunched during 2011.

Having several tiers of private labels can though be problematic for retailers (Nenycz-Thiel and Romaniuk, 2009) since it gives the consumer a very conflicting message about private labels that have an established image of being low price-good value products, an image that is hard to change (Palmeira and Thomas, 2011).

Literature on private labels has previously mainly focused on price and quality (Anselmsson, Johansson and Persson, 2007) and the latter is the most important parameter for assessing private labels (Baltas and Argouslidis, 2007). Accordingly, much research (See e.g. Dodds et al., 1991; Netemeyer, 2004; Anselmsson, Johansson and Persson, 2007; Richardson, Dick and Jain, 1994) has focused on measurements and determinants of the quality of private labels. One important determinant of quality is the brand (Richardson, Dick and Jain, 1994). Accordingly, the authors argue that the private label brand makes the consumer less willing to pay for products.

However, there are many other aspects connected to the consumers' willingness to pay and Anselmsson, Johansson and Persson (2007) argue that only 20 percent of the willingness to pay can be derived from quality. Other aspects that affect the willingness to pay can thus be more of symbolic value such as uniqueness and perceived value for the cost (Netemeyer, 2004; Anselmsson, Johansson and Persson, 2007).

Hence, a concept that includes the whole brand experience, including the quality aspect and the symbolic aspects, is brand equity. Brand equity is a well-researched area (Aaker, 1991; Keller, 1993; Christodoulides and de Chernatony, 2008) and there are many different perspectives that can be studied, but the most common is consumer based brand equity (CBBE). CBBE can also be described as "*...consumer's willingness to pay for different brands*" (Anselmsson, Johansson and Persson, 2007, p. 402)

Accordingly, private labels are growing in popularity and many retailers are now carrying several tiers of private labels to be able to increase their margins and strengthen their brands. In 2007 ICA launched its premium private label range ICA Selection. This development in the private label market has caused a decrease of the traditional price-quality gap between private labels and national brands. Previous research have focused a lot on how consumers evaluate the quality of private labels and Richardson, Dick and Jain, 1994 for example have shown that the private label brand make consumer willing to pay less. This raises the question if consumers are willing to pay a higher price for premium private labels, even though it is a private label brand. That is, does the private label brand still impact the

consumers' willingness to pay in a negative way or has the price-quality gap been erased. Further, exploring the impact of the brand when measuring the consumers' willingness to pay has not previously been analyzed in private label research.

The purpose of this article is to investigate if the fact that a product is a private label affects the consumers' willingness to pay in the premium segment.

To be able to fulfill the purpose of this article, the case of the premium private label brand ICA Selection will be used.

## THEORETICAL DISCUSSION

To understand the willingness to pay for premium private labels and investigate the brands' effect in this matter, a number of theoretical components will be introduced in this section. The theoretical discussion begins with a brief review of literature on brand equity, followed by a discussion of the brand equity components: perceived quality, perceived value, uniqueness and willingness to pay.

### ***Brand equity***

Brand equity is a well-researched area (See e.g. Keller, 1993; Aaker, 1991; Christodoulides and de Chernatony, 2008). It can be described as a performance measure for marketing and if a company focuses on raising its brand equity it can help to create barriers for competing brands and thus increase the brand revenues (Yoo et al., 2000). However, it can also ultimately be defined as "...synonymous with price premium, i.e. consumer's willingness to pay for different brands." (Anselmsson, Johansson and Persson, 2007, p. 402.)

Even though the concept of brand equity is well researched, there are still many different definitions and perspectives of the concept (Christodoulides and de Chernatony, 2008). However, the perspective that can be considered to have gotten the most research attention is consumer-based brand equity (CBBE) (Keller, 1993; Aaker, 1991; Christodoulides and de Chernatony, 2008). Further, it is the CBBE frameworks of Aaker (1996) and Keller (1993) that accordingly have gotten the most attention. Keller (1993) provides a definition of CBBE as "*the differential effect of brand knowledge on consumer response to the marketing of the brand*" (p. 2). He also provides an explanation of when CBBE occurs and that is "...when the consumer is familiar with the brand and holds some favorable, strong, and unique brand associations in memory" (p. 2) The favorable, strong and unique associations are also those that Keller (1993) call the primary associations of belief and attitude. The beliefs and attitudes can be classified into functional and experiential or symbolic.

Aaker (1996) defines the CBBE as the value added to a product based on the brand and other symbolic features. However, the value added consists of several different facets but the core facets of CBBE are argued to be: perceived quality, perceived value for the cost, uniqueness and willingness to pay a price premium. Hence, if comparing with Keller's (1996) framework, perceived quality and perceived value for the cost can be classified as functional and experiential and uniqueness as symbolic (Netemeyer et al., 2004).

Ultimately, in Keller's (1993) and Aaker's (1996) frameworks it is the so

called primary or core facets that are determinants of the consumers' willingness to pay a price premium i.e. willingness to pay. Thus, given that the focus of this article is on how the premium private label brand affects the consumers' willingness to pay, these four core facets are the ones that need to be measured. In the following section the conceptual rationale for each of the four core facets are presented.

### ***Perceived quality***

Consumers are daily faced with difficult decisions. Consumers have to evaluate products they encounter and make choices, often based on limited information. This means that they have to make inferences (Palmeira and Thomas, 2011). A very common inference to make is based on price as an indicator of quality that is low price equals low quality and vice versa. (Zeithaml, 1988; Palmeira and Thomas, 2011; Steenkamp, Van Heerde and Geyskens, 2010; Dodds, Monroe and Grewal, 1991) When making inferences consumers use cues and Bao et al. (2011) are discussing that cue utilization is a way of reducing risks for in the decision making process. Accordingly, Beneke et al. (2012) argue that the perceived inferior quality of private labels is associated with the perceived risk of buying the products.

Research has found that when consumers evaluate products they use two different types of cues, often categorized as intrinsic and extrinsic cues (Bao et al., 2011; Richardson, Dick and Jain, 1994, Zeithaml, 1988). Intrinsic cues are features connected to the actual product like, ingredients (Bao et al, 2011), texture or flavor (Zeithaml, 1988). Intrinsic cues cannot be altered without changing the

physical characteristics of the product (Richardson, Dick and Jain, 1994) and are also consumed when the products is consumed (Zeithaml, 1988). Extrinsic cues on the other hand are attributes that are part of the product, but not physically (Zeithaml, 1988), such as price, brand or package (Steenkamp, Van Heerde and Geyskens, 2010; Bao, Bao, Sheng, 2010).

Zeithaml (1988) further discussed which one of intrinsic or extrinsic attributes that is more important when evaluating quality. The author states that it very hard to determine since the evaluation can be in connection to the purchase situation or consumption situation. However, extrinsic cues are easier to use for evaluation at the purchase situation while intrinsic cues are better at the point of consumption. Richardson, Dick and Jain (1994) extended this research and states that when regarding private labels, consumers are more willing to use extrinsic than intrinsic attributes.

When using extrinsic cues at the purchase situation it is the perceived quality that is being evaluated as opposed to objective quality (Beneke et al., 2013). Objective quality is argued to be the technical excellence of a product that can be measured and verified (Zeithaml, 1988). The perceived quality is described on the other hand described by the author to be the total brand experience perceived by the consumers and not only the product characteristics. Netemeyer et al. (2004) summarize and provide a description of the differences between objective quality and perceived quality and argue that perceived quality *"... is at a higher level of abstraction than any specific attribute, and differs from objective quality as PQ is more akin to an attitudinal assessment of a brand"* (p. 210).

Research has also shown that there is a strong correlation between perceived quality and perceived value (Dodds et al., 1991). Beneke et al. (2013) are further arguing that both perceived quality and perceived value affect the consumers' willingness to buy and the success of private labels can ultimately be derived from the perceived quality evaluation (Grewal. et al., 1998).

### ***Perceived value***

Zeithaml (1988) found that the concept of value differs a lot between different consumers and thus identified four different dimensions of perceived value which are (1) Value is low price, (2) Value is whatever I want in a product, (3) Value is the quality I get for the price I pay and (4) Value is what I get for what I give (p. 13). But the most common description of perceived value in research is that it is the mental evaluation of products or services (Beneke et al. 2013) and the concept is described as *"... that which is deemed fair, right, or deserved in relation to the perceived cost of the offering, while taking into consideration suitable competitor alternatives"* (p. 219.) This description is also emphasized by Netemeyer et al. (2004) who use the term perceived value for the cost.

They further argue that perceived quality is incorporated in the concept of perceived value and that the perceived value is though the highest level of abstraction. Zeithaml (1988) also concludes in his research that perceived value is a more individualistic component compared to perceived quality and it involves a give and get relationship whereas the perceived quality only includes the get.

### ***Uniqueness***

Uniqueness is an important aspect of brand equity, especially since many businesses today is characterized by me-too products as well as price competitions (Anselmsson, Johansson and Persson, 2007). Keller (1993) does also emphasize the importance of uniqueness as a part of brand equity in his framework as well as Aaker (1996). Netmeyer et al. (2004) provide a definition of uniqueness that is *"...the degree to which customers feel the brand is different from competing brands"* (p. 211) and further argues and proves that if a brand is not perceived as unique, it will be very hard to charge price premiums.

One can also argue that uniqueness can also be seen as especially important in the retail business than in others since the amount of products that are offered is huge (Anselmsson, Johansson and Persson, 2007). The authors further argue that when consumers are being faced with this massive amount of product and have to make choices, similar product characteristics will cancel out each other and thus the only characteristics left to be evaluated are the unique ones.

Accordingly, Carpenter et al. (1994) showed in their research that even a meaningless, yet unique, attribute can affect the brand equity in a positive way if it can help the consumers in their decision making and process and make the brand be more distinctive against its competitors. It is also confirmed by many authors (e.g. Netemeyer et al., 2004 and Anselmson, Johansson and Persson, 2007) that uniqueness is directly linked to perceived quality, value and the consumers' willingness to pay price premiums.

### ***Willingness to pay a price premium***



The consumers' willingness to pay for private labels are well researched (Sethuraman and Cole, 1999; Steenkamp, Van Heerde and Geyskens, 2010) Sethurman and Cole (1999) discusses in their research that quality perception of products have a great impact on the price premium consumers are willing to pay. They are further discussing that if consumers perceive a strong price-quality inference within a product category they are much more willing to pay for national brands over private labels.

Another very important aspect of willingness to pay is the effect of brand familiarity (Sethuraman and Cole, 1999). If consumers are familiar with a brand they are willing to pay more since the risk of buying the product is reduced. The willingness to pay is thus a reflection of the consumers' perceived quality, perceived value and perceived risk (Beneke et al. 2013).

### ***Conceptual model and proposition***

The main objectives of introducing premium private labels are to increase the retailers' margins (Palmeira and Thomas, 2011; Tarnowski, 2005; Richardson, 1997; and Ossiansson, 2004). However, the challenge is to be able to charge a higher price for the products despite the fact that private labels previously have been characterized by being of low quality (Steenkamp, Van Heerde and Geyskens, 2010).

CBBE can, as discussed

previously in this article, ultimately be a measure of the consumers' willingness to pay (Anselmsson, Johansson and Persson, 2007) and the core facets in the CBBE model of Aaker (1996), perceived quality, perceived value for the cost, uniqueness and willingness to pay a price premium, are used in this article as a way to measure the consumers overall willingness to pay for private labels.

The brand name has a large impact on the quality evaluations and ultimately the consumers' willingness to pay. According to Nielsen (2011) the price-quality gap is getting narrower between private labels and national brands, which can indicate that the association of private labels to be low quality and low price products is being erased. Since the purpose of this study is to investigate if the fact that a product is a private label affects the consumers' willingness to pay in the premium segment this article proposes that:

*P1: There is a difference in the willingness to pay if the consumer is aware of the fact that the product is a private label or not*

## **METHODOLOGY**

### ***Procedure***

Muijs (2004) argues that the use of a quantitative method is suitable when the purpose of the study is to test a proposition. The author further discusses

**Table 1 List of measurements**

<b>Facets</b>	<b>Measurement scale</b>	<b>Source</b>
Perceived Quality	Strength of agreement	Bao et al. 2011, Dodds et al. 1991 and Richardson et al. 1994
Perceived Value	Strength of agreement	Dodds et al. 1991
Uniqueness	Strength of agreement	Netemeyer et al. 2004
Willingness to buy	Strength of agreement	Dodds et al. 1991

that quantitative methods are suitable to use when testing a relationship or explaining a phenomena using predicting factors. Also, when the problem is about explaining something, the problem is called inferential as oppose to describing. In this study the proposition is of an inferential type and I want to test the proposition, therefore, in order to address the purpose of this article a quantitative method was chosen rather than a qualitative method. A survey was chosen as the data collection method based on its flexibility, efficiency and low cost, which are the main advantages of surveying according to Muijs (2004). Because of time and cost restraints, this also supports the choice of a quantitative study.

The study has been conducted through two surveys; Survey 1 and Survey 2 (see Table 2). The surveys were completely identical except that in Survey 1 the brand logo was removed from the products' packaging. The brand logo was removed using the photo editing program Adobe Photoshop CS5.1 so that the product would look as close to original as possible. By having two completely identical surveys except the removed logo in Survey 1 it enables the analysis of *if* the private label brand affects the consumers' willingness to pay.

Further, the four core facets of brand equity were used as measurements through two online questionnaires. The measurements were: (1) Perceived quality, (2) Perceived value, (3) Uniqueness, and (4) The willingness to pay price premiums. The online questionnaires were distributed to students and employees at the School of Business, Economics and Law at the University of Gothenburg.

The survey was sent to the respondents via their university emails

containing a link to the questionnaire. Each survey was sent to 50 % of the sample. The case that was used to test the proposition was the premium private label brand ICA Selection. When the data was gathered from the web-based survey application Webropol it was transferred into IBM SPSS Statistics version 22 for further analysis. The analysis of the data was then conducted in three steps. The first step in the process was to merge the two data sets collected from Survey 1 and Survey 2. Step two was to create composite variables out of the four different measurements mentioned earlier. Step three was to perform an independent t-test to test if there was a significant difference between the two unrelated groups' means and by that see if in fact that a product is a private affects the consumers' willingness to pay.

**Table 2 Procedure**

Procedure	Methodology	Sample	Objective
Study 1 - with brand	Quantitative	n = 648	Test proposition
Study 2 - without brand	Quantitative	n = 660	Test proposition

### ***Selection of private label brand***

As aforementioned, private labels are present in many different industries, but an especially private label intensive industry is the FMCG industry (Ossiansson, 2004). Consequently, a premium private label brand from the FMCG sector has been chosen for this study. The selection was made based on the extent to which the retailers have several tiers of private labels and thus also have the premium private label segment. ICA was one of the first retailers in Sweden who made a serious investment in its private label brand in the

middle of the 90s and has had the time to develop a big range and several tiers of their own private label products (ICA-historien 2014). Therefore, the premium private label brand ICA Selection was chosen for this study. Three different products were used in the surveys to get products from different types of categories (See Table 3). The products that were used were orange juice, fig marmalade and dry pasta.

**Table 3 List of premium private label brands**

Private label tier	Product Category	Product
ICA Selection	Dry pasta	Fusilloni
ICA Selection	Marmalade	Fig marmalade
ICA Selection	Juice	Orange juice

### *The study*

#### *Sampling strategy*

An online questionnaire, distributed through the web-based survey application Webropol, was sent to a non-probability sample including 924 students and 384 employees at the School of Business, Economics and Law at the University of Gothenburg. The survey with the brand (Survey 1) was sent to 466 students and 194 employees and the survey without the brand (Survey 2) was sent to 458 students and 190 employees. The survey was distributed to university connected email addresses, which were retrieved from the university administration office as well as from the university homepage. In total, 141 respondents completed the questionnaire with brand and 128 respondents completed the questionnaire without brand. The response rate for the survey with brand (Survey 1) was 21, 8% and for the survey without brand (Survey 2) was 19, 4%. All

the questions in the online survey were compulsory which means that there are no item non-responses. The demographics of the sample can be seen below in Table 4.

The target population of the surveys was customers of grocery products in the FMCG industry. The sample was a non-probability sample, which means that the selection process was not randomized and all subjects in the population did not have an equal chance of being included in the study. The sample consisted of students and employees at the School of Business Economics, and Law at the University of Gothenburg. The sampling method that was used were partly chosen because of time and cost restraints. However, in social science and consumer research it is very common to use a subject pool of students (Peterson, 2001; Flere and Lavrič, 2008). This article can also be defined as a theory application (TA) study since the purpose of this article is to investigate if the fact that a product is a private label affects the consumers' willingness to pay in the premium segment. This is opposing to effects applications (EA), which also supports student samples since they are more suitable for TA studies (Calder and Tybout, 1999, p. 360).

#### *Data collection*

The surveys included sections of questions regarding the four measurements: (1) Perceived quality, (2) Perceived value, (3) Uniqueness, and (4) The willingness to pay price premiums. However, these sections were not presented in the survey, just the belonging questions. The items were measured to what degree the respondents agreed with a number of statements. All items were measured using seven-point Likert scale (1 = Strongly disagree, 4 =

Neutral, and 7 = Strongly agree) (Thompson and Strutton, 2012).

**Table 4 List of demographics**

<b>Demographic</b>	<b>Percentage</b>
<b>Age</b>	
-25	37.2 %
26-35	35.6 %
36-45	9.6 %
46-55	8.8 %
56-65	6.0 %
66-	
<b>Gender</b>	
Male	42.6 %
Female	56.2 %
No answer	1.2 %
<b>Occupation</b>	
Student	51.0 %
Working full time	41.4 %
Working part time	2.4 %
Own business	1.6 %
Job seeker	2.4 %
Other	1.2 %
<b>Educational status</b>	
Upper secondary school	8.0 %
Folk high school	0.8 %
University - bachelor	27.1 %
University - masters	45.0 %
University - PhD	15.1 %
Other	4.0 %

Moreover, a pretest was conducted (n=8) in order to evaluate the length, content and outline of the online questionnaire. Six respondents were

interviewed after the pretest and the remaining two via email.

The pretest conducted resulted in some changes in the surveys such as items being rephrased, deleted and fused due to misunderstanding and confusion of the questions. Additionally, the respondents of Survey 1 were presented with each products image with the brand, while the respondents of Survey 2 got presented with each product images without the brand. The price and size of the packages were also presented below the product images in the survey. The data that were collected through Webropol was later transferred to the statistical program IBM SPSS Statistics version 22. This enabled further statistical analyzes of the data.

### **Measurements**

The surveys were designed to measure the four different core facets (1) Perceived quality, (2) Perceived value, (3) Uniqueness, and (4) The willingness to pay price premiums. All items were measured in terms of level of agreement on a Likert scale from 1 to 7 where 1 was "Strongly disagree" and 7 were "Strongly agree". Accordingly, the strength of agreement was determined by summing the 17 different items from the core measurements, giving a summated score of between 17 and 119.

The items that were selected to be included in the survey have been validated by the authors (Dodds et al., 1991; Richardson et al., 1994; Bao et al., 2011; Netemeyer et al. 2004) and will therefore increase the reliability of the study. The items that were selected were also items that were not brand specific, since one of the surveys did not include the brand. To be able to analyze the results of the two surveys and support or reject the

proposition, the questions needed to be the same in both surveys.

### ***Perceived quality***

In order to measure the perceived quality of the three products presented in the surveys, the measurement scales of Dodds et al. (1991), Richardson et al. (1994), and Bao et al. (2011) were used. However, the pretest showed that the respondents had difficulties understanding and separating some of the items, whereas some were removed. Therefore, the perceived quality in this study were measured by 3 items where 1 item comes from Dodds' et al. (1991) items: (1) *"This product is of very good quality"*, 1 item comes from Bao's et al. (2011) items: (2) *"This product is a superior product"* and lastly, 1 item comes from Richardson's et al. (1994) items: (3) *"All things considered I would say this product has excellent overall quality"*. The strength of agreement for perceived quality gave a score of 3 to 21.

### ***Perceived value***

In order to measure the perceived value of the three products presented in the surveys the measurement scales of Dodds et al. (2004) were used including 5 items. The 5 items that were used were: (1) *"This product is a very good value for money"*, (2) *"At the price shown the product is very economical"*, (3) *"This product is considered to be a good buy"*, (4) *"The price shown for the product is very acceptable"*, and last (5) *"The product appears to be a bargain"*. The strength of agreement for perceived value gave a score of 5 to 35.

### ***Uniqueness***

In order to measure uniqueness of the products presented in the surveys the

measurement scales of Netemeyer et al. (2004) were used. 4 items were measured and these were: (1) *"This product is distinct from other products in the category"*, (2) *"This product really stands out from other products in the category"*, (3) *"This product is very different from other products in the category"* and (4) *"This product is unique from other brands in the category"*. The strength of agreement for uniqueness gave a score of 4 to 28.

### ***Willingness to pay a price premium***

In order to measure the willingness to pay a price premium for the three products presented in the surveys, 5 items were included and the measurement scales of Dodds et al. (1991) were used. The 5 items were: (1) *"The likelihood of me purchasing this product is very high"*, (2) *"If I were going to buy this product, I would consider buying it at the price shown"*, (3) *"At the price shown, I would consider buying this product"*, (4) *"The probability that I would consider buying this product is very high"* and (5) *"My willingness to buy this product is very high"*. The strength of agreement for willingness to buy gave a score of 5 to 35.

## **RESULTS**

This article is investigating if the fact that a product is a private label impacts the consumers' willingness to pay and hence the purpose of the study is to determine whether the proposition can be supported or not. The proposition that is made in this article" is to investigate if the fact that a product is a private label affects the consumers' willingness to pay in the premium segment." To test the proposition and see if there is a significant difference

**Table 5 Results**

	No. of items	Mean (with brand)	S.D (with brand)	Mean (without brand)	S.D (without brand)
<b>Orange juice</b>					
Perceived Quality	3	3.85	1.23	4.01	1.12
Perceived Value	5	3.38	1.18	3.34	1.18
Uniqueness	4	3.11	1.20	3.29	1.19
Willingness to pay a price premium	5	3.35	1.47	3.00	1.33
<b>Willingness to pay</b>	<b>17</b>	<b>3.38</b>	<b>1.04</b>	<b>3.35</b>	<b>0.97</b>
<b>Fig marmalade</b>					
Perceived Quality	3	3.85*	0.92	4.16*	1.11
Perceived Value	5	4.24	1.12	4.19	1.26
Uniqueness	4	3.23*	1.06	3.74*	1.30
Willingness to pay a price premium	5	3.84	1.38	3.82	1.41
<b>Willingness to pay</b>	<b>17</b>	<b>3.82</b>	<b>0.92</b>	<b>3.97</b>	<b>1.11</b>
<b>Dry pasta</b>					
Perceived Quality	3	3.82*	1.09	4.32*	1.21
Perceived Value	5	3.59	1.31	3.52	1.24
Uniqueness	4	3.14*	1.27	3.77*	1.41
Willingness to pay a price premium	5	3.50	1.49	3.48	1.45
<b>Willingness to pay</b>	<b>17</b>	<b>3.50</b>	<b>1.12</b>	<b>3.70</b>	<b>1.10</b>

in the willingness to pay between the respondents who saw the brand and those who did not, an independent t-test is conducted. An independent t-test is used to test if the means of two unrelated groups are significantly different. The data was first coded and merged into one SPSS file.

#### *Composite variables*

To be able to test if there is a significant difference between the willingness to pay with brand versus without brand, composite variables needed to be created. A composite variable is a variable that contains several different items and creates a new one. That is, the perceived quality

items for example can be merged together into a composite variable that measure perceived quality. This enables an analysis of the different measures in relation to the products. All the four measurements were also merge into one composite variable for each of the different product to enable an analysis of the purpose of the article if the fact that a product is a private label impacts the consumers' willingness to pay.

**Table 6 Cronbach's alpha of measurements**

	No. of items	Cronbach's alpha
<b>Orange juice</b>		
Perceived Quality	3	0.841
Perceived Value	5	0.876
Uniqueness	4	0.917
Willingness to pay a price premium	5	0.917
<b>Fig marmalade</b>		
Perceived Quality	3	0.832
Perceived Value	5	0.904
Uniqueness	4	0.949
Willingness to pay a price premium	5	0.910
<b>Dry pasta</b>		
Perceived Quality	3	0.846
Perceived Value	5	0.916
Uniqueness	4	0.955
Willingness to pay a price premium	5	0.941

The items for each measurement for the different products have a very high internal validity, with Cronbach's alpha values shown on Table 6. The items are non-normal distributed ( $p < 0.05$ ). The standard deviations for the three different products and measurements show a fairly normal spread, but since the data is not

normally distributed as stated above, a further analysis of the standard deviation was not performed.

### ***Perceived quality***

The mean values for orange juice with brand and without the brand are 3.85 versus 4.01. For fig marmalade and dry pasta the mean values with brand are 3.85 versus 3.82 and without brand 4.16 versus 4.32. The result of the independent t-test (See Table 5) show that there is a significant difference ( $p < 0.01$ ) in perceived quality with brand versus without brand for the products fig marmalade and dry pasta. This indicates that the perceived quality for fig marmalade and dry pasta with brand is lower than without brand.

### ***Perceived value***

The mean values for orange juice with brand and without brand are 3.38 versus 3.34. For fig marmalade and dry pasta the mean values for with brand are 4.24 versus 3.59 and without brand 4.19 versus 3.52. The result of the independent t-test (See Table 5) shows that there is not a significant difference in perceived value with brand versus without brand for all of the products.

### ***Uniqueness***

The mean values for orange juice with brand versus without brand are 3.11 versus 3.29. For fig marmalade and dry pasta the mean values with brand are 3.23 versus 3.14 and without brand 3.74 versus 3.77.

The result of the independent t-test (See Table 5) shows that there is not a significant difference in uniqueness with brand versus without brand for the orange juice. However, for both fig marmalade and dry pasta there is a significant difference ( $p < 0.01$ ) with brand versus

without brand. This indicates that perceived value for fig marmalade and dry pasta with brand is lower than without brand.

### ***Willingness to pay price premium***

The mean values for orange juice with brand versus without brand are 3.35 versus 3.00. For fig marmalade and dry pasta the mean values for with brand are 3.84 versus 3.50 and without brand 3.82 versus 3.48. The result of the independent t-test (See Table 5) show that there it not a significant difference in willingness to pay price premium with brand or without brand.

### ***Willingness to pay***

To test if the fact that a product is a private label impacts the consumers' willingness to pay, the composite variable including the measurements for each product was tested using an independent t-test (See Table 5).

The results show that there is not a significant difference for any of the three products. This indicates that the fact that a product is a private label does not impact the consumers' willingness to pay.

## **DISCUSSION**

This article focuses on investigating if there is a difference in the willingness to pay if the consumer is aware of the fact that the product is a private label or not. The previous research has primarily focused on price and quality, highlighting the difference between private labels and national brands (Anselmsson, Johansson and Persson, 2007). However, research has not previously focused specifically on premium private labels in this context. This article is therefore a first attempt fill this

gap by testing it through two different surveys and also to add empirical contribution by investigating it through use of actual brands in the FMCG sector in Sweden.

The findings show that the willingness to pay is not significantly different between the results with brand and without brand. This is a strong indicator that consumers are not affected by the fact that a product is a private label in its willingness to pay. Steenkamp, Van Heerde and Geyskens (2010) argue that there has been a price-quality that between national brands and private labels and thus that consumers are less willing to pay for private labels. However, Bao et al. (2011) argue that this has started to change and the gap is decreasing. The results of this article supports and indicate this as well.

However, when examining the data further some interesting observations can be made. For fig marmalade and dry past the quality perception and uniqueness has a significant difference ( $p < 0.01$ ) between with brand versus without brand. This definitely indicates that there still is a strong price quality difference for these products regarding these facets. But, interestingly, for orange juice there is no significant difference for any of the different facets, which indicates that for this product, the fact that the product is a private label does not impact the consumers' willingness to pay. Finally, even though there are significant differences for the facets of perceived quality and uniqueness for fig marmalade and dry pasta with brand versus without brand the consolidated measure of willingness to pay is not affected. That is, the willingness to pay for fig marmalade and dry pasta is not affected by the fact that the product is a private label.



## CONCLUSION

The purpose of this article was to investigate if the fact that a product is a private label affects the consumers' willingness to pay in the premium segment. The study investigates this through the use of actual premium private label brands from the FMCG industry. Research has not previously focused on premium private labels in this context, which makes this study an empirical contribution to the field. The study indicates that the fact that a product is a private label does not affect consumers' willingness to pay. However, it is evident that the private label brand affects the facets perceived quality and uniqueness in a negative way for two of the products included in the study. This is an indication that there is still a negative association connected to private label brands in some areas. Nevertheless, even though these facets are affected by the private label brand, ultimately, this study indicates that consumers' willingness to pay is not affected by the fact that the product is a private label. This suggests that the previously price-quality gap is getting narrower and the lower willingness to pay for private labels is beginning to change.

### *Managerial implications*

This article indicates that the previous lower willingness to pay for private labels is changing. It illustrates how private label brands impact the consumers' willingness to pay, which have implications for marketers working within the private label sector and especially in the premium segment. When entering the premium private label segment it is important for

marketers to be aware of the consumers' willingness to pay to be able to set an adequate price for the products. Even though it is evident that consumers are not affected by the private label brand in its willingness to pay, it does affect the perceived quality and uniqueness. For these two facets, the private label brand affects the perception in a negative way. Ultimately, it is imperative for marketers to be aware of what categories premium private labels is not affected by its brand regarding willingness to pay before introducing a new product on the market.

### *Limitations and future research*

This article investigates if the fact that a product is a private label affects the consumers' willingness to pay in the premium segment. The willingness to pay was tested for three premium private label products from ICA Selection; orange juice, fig marmalade and dry pasta. The products can be found on store shelves in Sweden today. However, testing willingness to pay only through an online questionnaire could have limited the research in the sense that they do not simulate a real life situation at the store shelves where more products are visible and a part of the decision making process. Thus, it would be interesting to use a qualitative study in a real life situation, which could give different results. The response rate in this survey could also be improved which could give different results. There are indications that quality and uniqueness affects the willingness to pay in a negative way for fig marmalade and dry pasta and with a larger response rate the willingness to pay for with brand versus without brand could have been significant.

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