

## WHY CONSUMERS PAY FOR NATIONAL BRANDS – DOES QUALITY MATTER?

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### ABSTRACT

*The literature suggest that consumer buy branded products because he believe that costly product are having good quality that offered by national branded company as comparison to retailer brand. However this phenomenon is not seems accurate now this time; retailers have improved their quality before launch of their product in market.*

*This study examine of consumer behavior to purchase manufacturer brands. We observe that there are many reasons that why consumer buy manufacturer brand, It contains several reason such as quality of product, involvement level, attitude of customer, past experience with branded and non branded product decide buying preferences. Correlation of demographic and sociographic factor also have deciding factor regarding selection of product available in market.*

**Keywords:** Manufacture Brand, Retailer Brand, Consumer

### INTRODUCTION

Manufacturer brands, or national brands, represent a set of promises to consumers (Keller, 1993). One reason why manufacturers can justify higher prices for branded products is the consumer's quality assumption that comes with the brand name (Woodside and Ozcan, 2009). Consumers use the brand name as a signal of quality and accept that quality products command a higher price. Not surprising then, researchers have identified perceived product quality as the key driver of the intention to buy manufacturer brands (e.g., Bhat and Reddy, 1998). Studies exploring issues related to consumption of branded products often underline the specific function of quality: "Excellent quality is a sine qua non, and it is important that the premium marketer maintains and develops leadership in quality" (Quelch, 1987, p. 39). Branded products are expected to show evidence of greater quality compared to non-branded products, and premium brands should display even greater levels of quality.

However, the notion of higher quality associated with branded products is increasingly being challenged (AC Nielsen, 2005). Retailers continue to expand their private label range because of high margin, store loyalty and negotiation power over manufacturers (Ailawadi and Harlam, 2004; Jin and Suh, 2005; Steenkamp and Dekimpe, 1997). Although, private label brands are approximately 20% to 30% cheaper than the corresponding manufacturer brand (Akabay and Jones, 2005; Herstein and Gamliel, 2004), they are no longer considered

inferior to manufacturer brands (e.g., Burt, 2000; Lamey et al., 2007). Situation has changed, it seems that private brand also having same quality as comprise by national brand. Earlier it was considered that there is gap of quality but now it does no longer exist in their mind.

## **LITERATURE REVIEW**

Research about consumers' perception to buy national brand can be understand deeply in two areas as per the literature available from the past studies:- 1) research dealing with the symbolic and psychological benefits of brands (e.g., Edson Escalas and Bettman, 2003; Fournier, 1998) and 2) research focusing on functional benefits of brands (e.g., Bhat and Reddy, 1998). In this research we describe on both streams of research. In this research advance and it evaluated the factors that influence consumers to take preference of national brand and pay more for it than other local brands

The consumer's apparent brand quality, which refers to a awareness of the overall quality or superiority of a brand relative to other local available products. The literature shows that consumer perceive that high quality product have repurchase intention from the side of consumers. Maxwell (2001) finds perceived brand quality to have an indirect effect on purchase likelihood mediated through perceived value. Hence,

### **Hypothesis 1**

It supposed that national brand quality will have optimistic impact on consumer preference to buy national brands.

Manufacturer brands hold characteristics that consumers appreciate and that, in the past, have set them apart from retailer brands. Beyond offering functional value, brands are "accepted into social life because they provide their customers real informational, interactional and symbolic benefits" (Holt, 2006, p. 300). Consumers with high levels of brand involvement are likely to see a fit between the target brand and desirable needs and values (Peter and Olson, 1987). The degree of involvement with a product identifies the perception of the role played by it relating to activities, behaviors and consumer habits (Mittal and Lee, 1989). Brand association therefore represents the significance assumed by a brand in influencing consumer choice. Thus,

### **Hypothesis 2**

Brand association will have optimistic impact on consumer behavior to buy manufacturer brands.

Prior research shows that a consumer's intention to buy a specific brand not only depends on the attitude toward the target brand but also on the attitude toward competing brands (Laroche et al., 1996). Increasingly, private label brands are in direct competition with manufacturer brands across many product categories. The price differential in some product categories (e.g., refrigerated food) is as low as 16% (AC Nielsen, 2005).

Attitude toward private label products can be defined as a predisposition to respond in a favorable way to retailers' private label brands (Burton et al., 1998) and has been shown to positively influence the percentage of private labels purchased (Garretson et al., 2002; Burton et al., 1998). Consumers who have preferences towards retailer brand they are having less influence of national brand during purchase of product. Using insights from the theory

of reasoned action (Fishbein and Ajzen, 1975), we therefore consider that consumers' more interest towards retailer brand make him retailer brand oriented and, other condition remain same than we can see decline of interest towards national brands.

### **Hypothesis 3:**

Consumers' Attitude about private label brands will have a pessimistic force to buy national brands.

### **Moderating Effects**

We recommend that perception variable such like demographic and consumers' perceived value play an important role in the linkage between seemed manufacturer brand quality and the plan to buy manufacturer brands Perceived product similarity. In many product categories the perceived similarity of products contributes to perceptions of common origin and similar quality (e.g., Loken et al., 1986; Walsh and Mitchell, 2005).

Walsh and Mitchell (2005, p. 143) define this perceived product similarity as "the consumer's self-rated propensity to see products within the same category as similar". The theory of reasoned action postulates that the more favorable the attitude the stronger the consumer's intention to buy. Within a cluttered product category, consumers who are prone to see products as very similar may rely more heavily on their perceptions of the manufacturer brand's quality. This is likely because of their difficulty in verifying quality signals regarding private label brands prior to purchase (Kirmani and Rao, 2000), which would make buying the private label brand instead of the manufacturer brand appear imprudent. Thus,

### **Hypothesis 4:**

The more similarity of product, the stronger the relationship between perceived national brand quality and the intention to buy national brands.

Age. Wakefield and Baker (1998) argue that age should be treated as not only a predictor variable of consumer behavior-related constructs but also a moderator. Studies on brand-related consumer behavior in regards to age have stressed older consumers' preferences for quality products (Moschis and Mathur, 1993) and their tendency to choose from smaller product and brand repertoires than younger consumers (Uncles and Ehrenberg, 1990). Past theory recommends that habitual consumers are less likely to get new information and believe more on heuristic or schema-based forms of processing (Moskovitch, 1982; Wells and Gubar, 1966; Wilkes, 1992; Yoon, 1997). Older consumers do not switch brand easily after trust on specific brand find brands they like and can trust because of their high quality, they are more likely than younger consumers to stick to those brands. Thus,

### **Hypothesis 5:**

The older the age of the consumer have the stronger the relationship between consumer perceived brand quality and the intention to buy manufacturer brands.

**Measures:** Consumers' perceived manufacturer brand quality was measured with five items adapted from Sweeney and Soutar (2001). Brand involvement was measured with a 9-item scale (pairs of adjectives, scored on a semantic differential basis) adopted from Zaichkowsky (1985). Consumer attitude toward private label brands was measured using a six-item scale

developed by Burton et al. (1998). The six items used to measure perceived product similarity were adopted from Walsh and Mitchell (2005). Age was measured in years. Subjects rated the scale items measuring perceived manufacturer brand quality, attitude toward private labels and perceived product similarity on 5-point scales (1 = strongly disagree, 5 = strongly agree). The dependent variable, consumers' intention to buy manufacturer brands, was measured with one item on a five-point scale with the end points "yes, definitely going to buy it" and "no, definitely not going to buy it". The control variable gender was measured in line with Mitchell and Walsh (2004).

## **RESEARCH METHODOLOGY**

### **Research Approach**

To collect Primary data use purposive sampling and personal interviewing techniques. Male respondents are 58%. In the sample youth respondents are 70% falling into the age of 19-39. About education thirty four percent have secondary education or less and 50% have bachelor education. Almost 16% of the sample has masters degree or above.

### **Sampling**

Sample size of this study was 200.

### **Time Frame of Study**

The study duration was 40 days. We collected all data during this period

### **Area of the Study**

The research is conducted at Delhi.

## **RESULTS AND ANALYSIS**

The measurement model comprising of manufacturer brand quality, brand involvement, attitude toward private-label brands and perceived product similarity was analyzed using confirmatory factor analysis (CFA). The standardized loadings, average variance extracted (AVE) and factor reliabilities in most cases exceeded recommended thresholds supporting overall the validity of measures employed (Bagozzi and Yi, 1988; Fornell and Larcker, 1981). Cronbach alpha values ranged from .74 to .84.

Direct Effects. The conceptual model was estimated by using path analysis. We employed aggregates of the average for each of the independent variables. We found perceived manufacturer brand quality to be positively associated with intention to buy manufacturer brands, supporting H1. Brand involvement is found to positively affect intention to buy manufacturer brands, supporting H2. Consistent with H3, we also found attitude toward private labels to negatively impact intention to buy manufacturer brands. Table 1 provides the results. In addition, a model was tested in which perceived product similarity and age had a direct effect on the intention to buy manufacturer brands. Both effects were non-significant ( $p < .05$ ). Finally, gender does not add to the explanation of consumers' intention to buy manufacturer brands

**Table 1.** Model Results

Independent Variable	Standardized Coefficient	Standard Error	Critical Ratio
H1: Quality of manufacturer brand (QMB)	.64**	.21	3.10
H2: Brand involvement	.49**	.08	6.50
H3: Attitude toward private label brands	-.50**	.10	-5.23
H4: OMB x Perceived product similarity	.28**	.09	3.08
H5: OMB x Age	-.02*	.01	-2.42

**Note:** dependent variable: Intention to buy manufacturer brand. R<sup>2</sup>= .42. \*\*p<0.01; \*p<0.05

### Moderating Effects

After confirming the influence of the three postulated main effects, we test for moderator effects employing a procedure by James et al. (1982). To test H4 and H5, we first computed interaction terms. To create the interaction terms, we used the summated scales for 'quality of manufacturer brand' and 'perceived product similarity'. The two variables were mean centered. Using the mean centered variables, manufacturer brand quality was multiplied with perceived product similarity and with age. We found the product term related to perceived product similarity to be positively associated with intention to buy manufacturer brands (.28, p<.01), supporting H4. However, H5 could not be supported. Although the product term related to age did show a significant t-value, the sign of the parameter was negative (-.02, p<.05; see Table 1).

### DISCUSSION AND IMPLICATIONS

In this study we had various objectives relating to reassessing the drivers of consumers' intention to buy manufacturer brands. While considerable research attention has been given to brand quality and the emotional and psychological benefits of brands (e.g., Bhat and Reddy, 1998; Edson Escalas and Bettman, 2003; Orth et al., 2004), very few research has conducted consumers' brand involvement and attitude toward private label brands and the effect of that involvement and attitude on the intention to buy manufacturer brands. As such, in this present research we extend the typical focus of research on consumer beliefs about brands to important choice-related constructs. The research presented here is also consistent with Arnold et al.'s (2005) assertion that consumer motivations to buy brands are fickle.

Our findings indicate that perceived brand quality and brand involvement exert the strongest influence on intention to buy manufacturer brands. The same is true for attitude toward private label brands, with an expected negative effect. Challenging for brand manufacturers is the task of weakening consumers' positive attitude toward private label brands which is negatively associated with the intention to buy manufacturer brands (H3). Bringing about attitude changes tends to be difficult, especially when consumers suspect that the company has a self-serving agenda in bringing about this change. Marketers could use insights from Elaboration-Likelihood Theory (Petty and Cacioppo, 1981; 1986) in developing persuasive advertisements. Also, despite some private label brands encroaching on higher-price segments, many private label brands continue to compete on price, suggesting that

manufacturers can stress to consumers the quality, psychological, social and symbolic value of manufacturer brands – values private label brands tend to lack.

We found an interaction effect of perceived brand quality and perceived product similarity on the intention to buy manufacturer brands (H4). It appears that consumers who have difficulties discriminating between brands are more likely to buy manufacturer brands. Consumers are brand conscious and he trust expensive product. He believes those manufacturer brand products are good in quality and their past purchase. Buying manufacturer brands could be a coping strategy to compensate for the uncertainty, unease and suspicion associated with perceived product similarity (Walsh and Mitchell, 2005).

Unlike predicted, the interaction effect of perceived brand quality and age on the intention to buy manufacturer brands (H5) is negative, suggesting that given the same quality perception, the intention to buy manufacturer brands decreases with age. One reason for this relationship could be the often reported stronger brand consciousness of younger consumers (e.g., McLeod and Nelson, 2005), who have become desirable targets because of their purchasing power and because of their tendency to buy brands for self-expressive purposes (Aaker, 1997)

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