The value of private label brands to U.S. consumers: An objective and subjective assessment

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ABSTRACT

This study investigates the value of private label brands to consumers using two approaches: First, subjective evaluations of the perceived relationships between price and quality for private label (PL) brand and national brand (NB) products based on survey responses; and second, objective measures of price and quality for PLs and NBs widely available in the U.S. Price was generally perceived to be a signal of quality for NBs, but not for PLs, an indication that consumers’ knowledge may not have kept pace with quality improvement in PLs. Objective estimation of the quality gap potentially existing between PLs and NBs determined that the “quality premium” of NBs observed in the past has largely disappeared. Consumers, notwithstanding, sought a lower purchase price for PLs. In turn, the higher price they were willing to pay for NBs accorded with estimates of the actual “price premium” associated with NBs.

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1. Introduction

Private label brands are now an integral element of the retail landscape, having achieved impressive penetration in all western markets, with levels of 40 percent in several European countries (according to 2012 figures from the Private Label Manufacturers Association—PLMA). Indeed, the PLMA reports that in certain product categories in some countries penetration is beyond 70%. The consistent levels of growth of PLs in most markets tracked by Nielsen for the PLMA (which includes the U.S., where penetration approaches 25%) signify how valuable PLs are to retailers. In the present work, we seek to determine the value of PLs to U.S. consumers, where many PLs have increased in quality and price.

Consumers certainly seem to value private labels (PLs). According to the PLMA, a 2011 survey of European shoppers found that one-third of them are “buying more” store brands. Also, according to the PLMA, a separate 2011 survey of U.S. consumers found that 39 percent would recommend a store brand. Thus it seems safe to assume that PLs will continue as an important component of many consumers’ purchases. Relevant to consumers’ purchase decisions are the factors of private label quality and price, especially with respect to national brands (NBs). In the present work we characterize the value of PLs, first by examining the objective price-quality relationship of PLs relative to NBs, and second by investigating consumers’ subjective perceptions of that relationship. In particular, we focus on the actual or objective “price premiums” associated with the purchase of NBs, and on consumers’ stated (subjective) willingness to pay those price premiums for the implied benefits of NBs.

1.1. Quality trends in PLs

At one time the terms “cheap” and “private label” appeared fission-proof, but today the merchandising strategies of retailers’ PLs resemble those of the national brands, encompassing both low and high price points (Liu and Wang, 2008; Soberman and Parker, 2006). One consequence is that, to a greater extent, newly-introduced PLs are targeted at the upper echelons of product quality (see, e.g., Corstjens and Lal, 2000; Steenkamp et al., 2010). Pache (2007) reports that while some PL companies follow the familiar low-price, low-quality approach (sometimes referred to as “generics”), others embark upon a “high quality” (i.e., equivalent to national brand) product strategy, setting their prices just 5 to 10 percent below national brands. In fact, the current trend is towards PLs rivaling the quality of NBs. Our research addresses the following: Have consumers’ perceptions of the price and quality of PLs relative to NBs kept up with changes in the market?

2. Relationship of present work to previous research

In the present work we investigate the actual and perceived relationships between price and quality for common PL brands widely available in the U.S. Our motivation arose, first of all, from previous research, which has typically found shoppers to perceive...
PLs as inferior in quality to NBs (e.g., Cunningham et al., 1982; De Wulf et al., 2005), even though that is not always the case (Lichtenstein and Burton, 1989). Because of the recent developments in PL price and quality, we examined consumers’ current perceptions of the value of PLs by using survey data. Our second motivation was that PLs price-quality relationships may be fundamentally different in product markets having PLs compared with those in which PLs are absent, thus we sought to investigate the value of these PL markets to consumers by analyzing product quality and price data for several nondurable products.

2.1. Consumer perceptions of product quality and price

Generally speaking, consumers tend to impute quality on the basis of price (Agarwal and Teas, 2002; Brucks et al., 2000). Why might that belief arise and persist? Rao and Monroe (1989) argued in their meta-analysis of price and perceived quality that consumers evaluate product quality using a comparative process, so “perceived differences in prices lead to relative judgments that product quality varies significantly” (p. 356). A follow-up meta-analysis (Volkner and Hofmann, 2007) of price and perceived quality studies published since 1989 concluded that the perception of a price-quality relationship persists, albeit more weakly than in the past. But even if price-quality beliefs are present, they can vary according to whether consumers are familiar with the product category (Gardner, 1971); or if they perceive the product to be a risky (Peterson and Wilson, 1985) or a prestigious purchase (Brucks et al., 2000); or if the product is a durable or nondurable (Boyle and Lathrop, 2009; Lichtenstein and Burton, 1989).

2.2. Actual relationship between product quality and price

Although consumers often perceive higher price to signal higher quality, previous research examining the actual relationship between price and quality has found this is not often the case. Most studies have relied on price and quantity figures published in periodicals operated by independent organizations, such as Consumers Union in the U.S., Stiftung Warentest in Germany, Association Des Consommateurs in France, and Consumentenbond in the Netherlands that have conducted objective evaluations of each brand’s quality. Evaluations are combined using an unpublished weighting scheme, with final scores used to rank order models tested from best to worst, along with representative prices. Conceptually, higher prices should coincide with higher quality in a product category. Thus a rank-order correlation of prices and testing outcomes should be close to 1.0. A meta-analysis of 9 U.S. studies by Tellis and Wernerfelt (1987), yielded a mean correlation of .27. Replications in other markets (e.g., European—Faulds and Lonial, 2001; Austrian—Kirchler, Fischer and Holzl, 2010; Dutch—Steenkamp, 1988; Japanese—Yamada and Ackerman, 1984) have led to the same conclusion, namely that price is not a reliable indicator of quality (Steenkamp, 1988).

However, correlations for individual products can vary considerably, even in a single study (e.g., from −.82 to +.93 in a Canadian study by Bodell et al., 1986), and often include negative values (including −1.0; Gerstner, 1985).

Various explanations for markets with higher positive correlations have been advanced. Most relevant to the present work is the notion that a market which is “disciplined” by at least a few well-informed buyers (Steenkamp, 1988) should tend to exhibit a higher price-quality correlation (Salop and Stiglitz, 1977). Are markets with PLs policed by shoppers who are more vigilant than NB buyers? Perhaps, not only because PL buyers may be price conscious (Ailawadi et al., 2001), but because they tend to be more experienced shoppers with higher levels of education (Baltas and Argouslidis, 2007; Sethuraman and Cole, 1999).

2.3. Consumer perceptions of private labels

How do consumers currently view the quality of PLs? Earlier studies (e.g., Bellizzi et al., 1981; Richardson et al., 1994) found that consumers judge the quality of NBs to be higher than PLs. As evidence, consider that in a recent food product study, De Wulf et al. (2005) found a NB to be rated more positively than PLs when brand names were available, but in a testament to the evolution of PL quality, all the PLs were rated higher than the NB in blind-tasting. This is consistent with the trend towards PLs increasing in product quality (e.g., Baltas and Argouslidis, 2007; Corstijns and Lal, 2000; Mendez et al., 2008; Steenkamp et al., 2010; Steiner 2004).

2.4. Research objectives

Given the overall trend toward increasing PL product quality, a key goal of the present research is to determine if consumers’ perceptions of the price and quality of PLs have tracked that trend. A second goal is to characterize the value PLs deliver to consumers. Accordingly, we first investigate the extent to which a quality discrepancy might exist between PLs and NBs, while at the same time assessing consumers’ perceptions of the PL quality relative to NBs. We then determine the extent to which price is an indicator of quality in markets with PLs, both from an objective and subjective standpoint. Finally, we explore the value PLs offer consumers, from an objective point of view as well as from the consumer’s perspective.

3. Methodology and data sources

Two data sets were employed: One comprised objective measures of price and quality gathered from product evaluations reported in Consumer Reports. The other data set contained subjective ratings of the perceived relationship between price and quality gathered from survey participants in the U.S.

3.1. Objective data

3.1.1. Data source

Consumer Reports (CR) which is published monthly in the U.S. by Consumers Union, served as the source of our objective data. Between May 2006 and April 2011 there were 17 products (a total of 256 brands, of which 18.0% of them were PL) evaluated by CR meeting our criteria, as discussed below in 3.1.3.

3.1.2. Price-quality measures

CR provides both the price and an overall score of each evaluated brand. Prices are per unit, and are thus comparable across brands regardless of package size or contents. Quality evaluations for each brand are reported graphically and numerically on a scale ranging from 0–100, with 100 being the highest. We used the numerical ratings.

3.1.3. Inclusion criteria

Our criteria for inclusion in our study was that the products should have a reasonably short purchase-repurchase cycle; should have at least one private label brand evaluated; and the PL brand should be available through at least one physical retail location. For the purposes of the present work, a PL brand is defined as one sold by a single retailer (possibly having many retail outlets). National brands are defined as those available from
multiple (though not necessarily all) retailers. Brands were classified as national or private based either on familiarity or by identifying the producer or distributor of the brand using the Internet. For products tested more than once by CR in the 5-year period, we used the latest test results.

3.2. Subjective data

3.2.1. Survey participants
A convenience sample of 183 volunteers recruited from the adult population of 2 large cities in the U.S. completed a questionnaire. The sample contained 57.5 percent women; the average age was 28.7. No differences were found across age or sex.

3.2.2. Instrument
In addition to the demographic data described above, we also gathered respondents': (a) perceptions of the current quality of PLs relative to NBs; (b) perceptions of the relationship that exists presently between price and quality for various products; (c) judgments of the appropriate price of PLs relative to NBs; (d) reported experience purchasing PLs.

4. Analyses and results

Past research has shown a trend toward PLs increasing in quality and price, thus we begin by addressing the issue of whether consumers' perceptions of PLs and the current market are congruent.

4.1. National brands quality and price premia
To characterize the current market, we first examined the objective quality of PLs relative to NBs using CR data by conducting an analysis similar to that performed by Apelbaum et al. (2003) and Mendez et al. (2008). Our goal: To determine if a "quality gap" (e.g., Steenkamp et al., 2010) persists between the average quality levels of NBs and PLs, a gap that has been observed by Apelbaum et al. (2003) and Mendez et al. (2008). In this analysis, NBs exhibit a "quality premium" if the average quality of the NBs in a product category is higher than the average quality of PLs. For each category the premium was calculated as the difference between the average quality of NBs and PLs multiplied by 100, then divided by the average PL price. Any value other than zero suggests that a gap exists between NB and PL quality. A positive value indicates that on average NB quality is higher than PL quality; a negative value indicates the converse. A value of zero means no difference in quality of PLs and NBs.

We found, across products, that the mean quality "premium" was 2.5, which is an indication that the average quality PLs is very close to the average quality of NBs. Two things are noteworthy about this value. First, it is not far from zero, the point at which the "quality premium" associated with buying NBs vanishes because the average quality is the same for PLs and NBs. Second, it is much smaller than either Apelbaum et al.'s (2003) estimated average value of 18.4, or Mendez et al.'s (2008) average value of 9.1 (note: Apelbaum et al., 2003 and Mendez et al., 2008 did not report these figures but we were able to compute them from data tables in their articles).

Objectively, there is little evidence of a quality premium for NBs—but what are consumers' subjective beliefs about the quality of PL and NBs? Following a procedure used by Boyle and Lathrop (2009), Kirchler et al. (2010), and Lichtenstein and Burton (1989), we collected responses to the question, "Compared to a national brand, when you buy a store brand today are you more likely to get ...?", which were captured on a 7-point scale anchored by (1=“... less quality for your money” and 7=“... more quality for your money”). The mean value was 3.25, which was below the mid-point of the scale (4), and is an indication that consumers perceive a small PL-NB quality gap. In other words, the product is likely of a lower quality if they purchase a PL instead of a NB.

We next conducted a “price premium” analysis of PL and NB price similar to that for quality, such that NBs exhibit a “price premium” if the average price of the NBs in a product category is higher than the average of PLs. As before, a value of zero indicates no difference in average prices. For all product categories, the average price of NBs was higher than the average price of PLs, with a mean price premium of 106.4. As a comparison, the price premium for the period from 1994–97 (Apelbaum et al., 2003) was 44.3, and from 1994–2004 (Mendez et al., 2008) it was 57.1 (also computed from data reported in Apelbaum et al., 2003 and Mendez et al., 2008). These values, depicted in Fig. 1 (upper line), show a significant (p < .001) trend over time toward increasing price premiums for NBs. When quality-premium values are plotted also on Fig. 1, a striking feature emerges, namely the divergence of the price- and quality-premium lines over time. Said differently, as the quality premium for NBs has shrunk (indeed all but disappeared), the price-premium between NBs and PLs has expanded. What is the explanation for the increasing gap between PLs and NBs? The price gap may be widening either because NBs are increasing their prices, PLs are decreasing (or maintaining) their prices, or a combination of these factors. Although the data available are limited in scope, we note that based on multiple CR time periods, PLs prices increased by about 11 percent, whereas NB prices increased by about 32 percent. The implication is that NB prices are rising faster; However, we discuss another possible rationale in Section 4.2.

4.2. Price-quality relationships

In section 4.1 above we examined consumers' subjective perceptions of the relationship between price and quality for PLs and NBs in general. We further explored consumers' perceptions of the relationship between price and quality by collecting their responses for the same products corresponding to those for which we had undertaken an objective analyses in section 4.1. We did so by having consumers respond to the question of whether they believed that by paying a higher price for a brand they might reasonably expect it to be of higher quality than other available brands costing less. Responses were captured on a 7-point scale anchored by 1 (“No, not at all”) and 7 (“Yes, for sure”). Accordingly, higher values indicate respondents perceive a positive relationship between price and quality; lower values suggest otherwise. The grand mean across all the products is 4.83, which indicates a modest belief that higher priced brands tend to deliver higher quality. How do they view the relationship between price and quality specifically for PLs? For the same products, the grand mean is 3.75, which is significantly lower (t(30)=12.0, p < .001), suggesting that consumers surmise there is less of a positive relationship between price and quality for PLs than for NBs.

To establish whether the objective relationship between price and quality for each of the full range of brands tested by CR was generally positive, we computed the correlations between price and quality using CR data for each product group, including both NBs and PLs (reported in Table 1). The mean correlation of all the products was 14. This correlation, which accords with those reported in the most recent published research on related products, indicates that overall there is a positive (but far from strong) relationship between price and quality. This is consistent with beliefs evinced by consumers' responses.

Can we determine, at least partially, the effect of PLs on the overall correlation between price and quality? First, note that
the effect of introducing a PL can be either short- or long-term. Short-term because the correlation between price and quality can change immediately due to the addition of a new brand. Long-term because the ultimate correlation between price and quality in that market will reflect whether and how other brands respond over time (e.g., by adjusting their quality upwards or price downwards). Do category prices fall when PLs enter the market? The results from a number of studies are mixed. Some find evidence of a decrease (e.g., Connor and Peterson, 1992; Putsis, 1997) in prices. Others find evidence of price increase as NBs refocus on less-price conscious “loyal” core customers, or as retailers “delist” weaker NBs that are lower priced (e.g., Bontemps et al., 2008; Soberman and Parker, 2006). If refocusing or delisting occurs, then the average price of NBs may actually rise, an outcome consistent with the observed price-premium trend reported in section 4.1, and consistent with the faster increase in NB prices relative to private label prices also observed in the present work.

Second, note that adding to the existing mix of brands on the market a new brand (PL or not) which is high in quality yet low in price can have the consequence of decreasing the correlation between price and quality. In the present work it was not feasible to arrange for a new brand to be added to the existing offerings, but we could and did remove any existing PL brands before re-computing the price-quality correlations to see the effect of eliminating these potentially lower-priced but superior brands. Following the same procedure as described above, we re-computed the mean price-quality correlation of all the products using only the NBs. The result is that the relationship between price and quality is somewhat stronger when PLs are absent from the market (.18) than when they are present (.14). It also suggests that consumers’ generally correct beliefs about the positive relationship between price and quality for products overall (but not for PLs) may stem in part from market knowledge.

### 4.3. PL value

The question remains of how much value consumers would gain (from an objective standpoint) if they purchased PLs instead of NBs. To answer it, we started from the premise that we could estimate the pecuniary advantage (or penalty) associated with buying a PL having quality equivalent to a given NB. From this perspective, if the price of the PL were lower (for the same quality) than the NB’s, then the price difference may be viewed as a hypothetical surcharge associated with buying the NB. To calculate the expected price of a brand at a particular level of quality, we regressed price on the objective quality reported by CR in an OLS model that included all the PLs and NBs in a product category. This yielded 17 separate regression models, one for each of the 17 product categories. The fitted line of predicted values minimizes the sum of the squared residuals. Residuals are the difference between the observed price and the predicted price.
of a brand at a given level of quality, with the sum of the residuals equal to zero. If PLs are evenly distributed around the regression line (i.e., approximately half are above the line and half are below the line), then the expected value of the PL residuals is also zero. However, if more of them are above the regression line than below, then on average PLs are priced higher than the predicted price for that level of quality, so the sum of their residuals is greater than zero. On the other hand, if most of the PLs are below the line, then the sum of their residuals ought to be less than zero. To make the residuals of the various products more comparable, we first standardized prices using a linear transformation in which the highest price in each of the categories was set equal to 100. A linear transformation does not change the correlation or the relationship between two variables. Quality ratings provided by CR were already on a common scale of 100, thus no transformation was required for the independent variable. After estimating the regression models, we then computed the sum of the residuals for just the PLs for each product separately.

For every product, the PL residual sum was less than zero, with the average being –23.3. This means that on average a consumer would save 23.3 percent of the predicted price when buying a PL. The average residual across all products for the NBs was 5.6, an indication that on average the observed prices for NBs were higher than the price predicted by the model, which includes both PLs and NBs. The implication is that more often than not, for a given level of product quality, PLs bear a lower price than NBs. Indeed, at any given price for a NB, at least one PL either matched or exceeded the quality of the NB in 16 of the 17 products. One way to characterize the savings, or the value, to consumers of buying a PL instead of NB is to consider the average residual differential between the PLs and NBs of a given quality. From the model, the difference between the positive residual of the NBs (5.6) and the negative residual of the PLs (–23.3), which is 28.9, is the value (for consumers) associated with purchasing a PL instead of a NB.

Related to this is the question of how much consumers are willing to pay (WTP) for a PL relative to a NB. In other words, what is the “tipping point” in price between NBs and PLs? To assess consumer WTP, we asked respondents to consider the following scenario:

You are at the store, and considering whether to buy your regular nationally branded product, or a store branded version of the same product. Assume the package, size, and product form of the product is exactly the same, regardless of whether it is a store brand or a national brand. For example, if you regularly buy the 20 ounce box of Post Raisin brand cereal, the store brand would be a 20 ounce box of “Store” Raisin brand cereal. For products below, please consider how much more or less the price of the store brand would have to be in order for you to feel indifferent (that is, exactly the same) about buying the nationally branded product and the store brand product. In order for you to be indifferent between the store brand and your favorite national brand, the price of the store brand would have to be...

Responses were captured on a 19-point scale ranging from “...90% less” to “…90% more”; the mid-point of the scale was “same price.” A similar scale was employed by Sethuraman and Cole (1999). A separate response was captured for each of the products. Across all the product categories, the mean price discount required for consumers to be indifferent between the purchase of a NB and a PL was 29.9 percent, a figure that corresponds closely to the above reported value, 28.9, computed from the same products. That our WTP value corresponds so closely with our price differential suggests convergent validity of the measures. Furthermore, it implies that even though the quality of PLs is high from an objective point of view, consumer preferences for NBs dictate lower PL prices in order to offset the implied value trade-off. However, we note that WTP depended on whether consumers had experience buying PLs in a particular product category. Approximately one-quarter of our respondents reported experience of purchasing at least one PL product in the past year. The required discount for consumers with PL purchase experience was significantly less (mean = 26.3 percent) than for those without such experience (mean = 31.3 percent; t(2750) = 4.92, p < .001).

5. Discussion and conclusion

In the present work we investigated the value that private label brands deliver to consumers. We did so using both objective and subjective judgments of private label quality relative to national brands. A key objective was to determine if consumer’s perceptions accurately tracked the trend in PLs toward higher product quality, which we also investigated. In particular, our goal was to determine if the trend toward higher price (and quality) persists, and to estimate whatever quality premium NBs might continue to hold relative to PLs. Finally, we sought to establish the degree to which consumers might be still willing, if at all, to pay a premium price for NBs, and if so, how closely it might correspond to any objective PL-NB price differential.

Part of our approach to investigate the accuracy of consumers’ perceptions of the relationship between product quality and price for PLs and NBs entailed estimating the effect of PLs on the objective price-quality relationships in those markets in which they exist. Our goal was not to characterize the entire PL market, but to identify the potential effect of PLs on these relationships. Hence the geographical focus of the present work was the U.S. market, where PLs have steadily gained market share but are far from reaching their possible maximum levels (given the observed penetration rates in other countries). Previous research has examined consumers’ perceptions of product quality generally, and PL quality in particular, but not the perceived relationship between PL product quality and price. Thus the present work, which deals with subjective perceptions of price and quality, presents a novel contribution. In addition, our examination of the objective relationship between price and quality yields new insights into consumer choice in markets with PLs.

We offer two general conclusions from the present research. First, consistent with previous research, which has usually found consumers to believe that price is a reliable predictor of quality, consumers reported that higher prices generally, albeit weakly, signal higher quality in a brand. Unusually, however, consumers did not believe in this association for PLs. Instead they saw the relationship as being potentially negative. Thus it is clear that consumers are much less confident using price as a guideline of quality when buying PLs than when buying NBs. Are their perceptions accurate? To some extent, yes. While we cannot specifically characterize a negative correlation between objective measures of price and quality for PLs, we did observe a deterioration of that relationship when PLs were present in a market compared to when they were not. This implies that the relationship between price and quality is undermined when PLs are present. A complete test of the accuracy of consumers’ price-quality perceptions would necessitate determining the correlations for just PLs. Regrettably, given the limited number of PLs in some product categories, reliable estimates of correlations cannot be made. That is because a product category with just one PL can be profoundly affected by that single brand, but cannot yield a reliable estimate of the PL price-quality relationship. Nonetheless, it would appear that consumers’ reluctance to attribute higher quality to higher-priced PLs is not misguided. But, as Imkamp (2008) notes, a market having low price-quality correlation...
affords the opportunity for savvy consumers to acquire bargains. One important limitation of the present work, however, is that we cannot characterize how long such bargains would exist. The strategic response of NBs to newly introduced PLs may cause the relationship between price and quality in the market to change over time if NB managers adjust the price and quality of their offerings.

A second general conclusion, again consistent with previous research, is that consumers expect a product of lower quality when they buy a PL than when they buy a NB. But such a perception does not reflect the current markets containing PLs. Today, the so-called "quality premium" gap of NBs (e.g., Rao and Monroe, 1989) appears to have closed. Evidently consumers' knowledge has not kept up with this change. By switching from a NB to a PL consumers could expect to gain value of nearly one-third. There are thus many reasons why a consumer might be loyal to a favored brand, but it is becoming increasingly clear that neither price nor objective quality bar selection of a PL.

6. Limitations and future research

The present work has several important limitations that should be addressed in future work. First, we did not explore why consumers hold the perceptions they do. We found some of their perceptions to be correct (for example, the modest relationship between price and quality), but others to be outdated (e.g., a perceived "quality gap" between NBs and PLs). Past research has examined why consumers choose PLs (e.g., Batra and Sinha, 2000), but the reason why consumers might continue to hold misperceptions remains unanswered. Second, while our sample of products was complete insofar as it represented all PLs tested by Consumer Reports in the U.S. during the time period of interest, it would be worthwhile extending the sample to include objective tests of PLs from other data sources and from other national markets. Third, related to the value of extending the set of products evaluated is the value of extending the time frame under consideration. The present work presents a "snapshot" of the state of PLs vis-à-vis NBs for a recent period of time. This is valuable in that it complements the snapshots of earlier researchers (e.g., Apelbaum et al., 2003; Mendez et al., 2008). However, Soberman and Parker (2006) suggest that changes in PL penetration over time can affect product category prices. Future work might usefully provide a more dynamic account of how markets and perceptions change over time in response to the introduction and increasing penetration of PLs. Finally, viewed in the light of the findings of Anselmsson et al. (2008) that PL shoppers are less quality conscious, one finding of the present work is open to two interpretations: The first is that the reason the WTP for PLs relative to NBs is higher in shoppers having PL experience is because PL shoppers may be "quality indifferent" (i.e., they perceive little quality variation across brands). The second is that at least some PL shoppers have transitioned from being merely "price-conscious" to being "value-conscious" in that they are now cognizant not only of PL prices but also of quality. The present work was not designed to determine the correct interpretation, but our finding suggests an avenue for future research.

7. Managerial implications

Although, dollar for dollar, consumers actually get more value when they select PLs, they view the quality of PLs and NBs as equivalent only when the price of PLs is substantially lower. At least for the time being, consumers' lingering perceptions of the value delivered by PLs have not kept pace with recent changes in the market place, and so contribute to a continued hesitancy to try PL brands. For retailers, the best strategy may be to focus not so much on quality as on other dimensions of value, such as greater quantity delivered per dollar paid. As consumers seek to stretch limited budgets in difficult economic times, quantity may be a more alluring component of value than quality. Shelf displays encouraging direct comparisons between NBs and PLs on price and quantity dimensions have proven effective for many retailers. One benefit of trial is that quality-perception recalibration should follow. On the other hand, because consumers who purchased PLs perceived a substantially smaller gap in the value between NBs and PLs, NB managers should strive to minimize defection. Furthermore, NB marketers should continue to accentuate the quality aspect of "value" in their marketing communications to capitalize on still predominant perceptions that price premiums for NBs are justified. NBs have invested billions of advertising dollars instilling the notion that NBs deliver greater quality. The appeals appear to have been effective, with consumers continuing to derive value through the "badging" associated with NB purchases. One implication is that the value of NBs to shoppers may be enhanced by higher NB prices.

References


