Brand personality, the reason for consumers to pay a price premium for National brands over Private Labels

Exposé

Submitted by

Noémie Levet

At the University of Kassel
Faculty - International Business Administration
EMBS

Department: Business Administration
Division: International Business Administration
Cohort: EMBS 5th Generation
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<td>PLB</td>
<td>Private Label Brands</td>
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<tr>
<td>NB</td>
<td>National Brands</td>
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<td>WTP</td>
<td>Willingness to pay</td>
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1. Abstract

**TITLE:** “Brand personality, the reason for consumers to pay a price premium for National brands over Private Labels”

**Keywords:** National brands, Private Labels, Willingness to pay, Price Premium, Brand personality

**Background:** Private label brand (PLB) products gained more and more success over the last 30 years and this translates into a constant increase of PLB market shares. National brand (NB) manufacturers try to cope with this competition and differentiate from PLB in order to keep their position in the market. One of the major issues to be pointed at is that the quality of PLB increased drastically since they were firstly launched. Given that the quality of NB and PLB is comparable, and that consumers are aware of this, NB manufacturers should find how to differentiate themselves from PLB and how to reach consumers successfully.

**Purpose:** The aim of this thesis is to understand what the consumers’ motivations for change from PLB to NB are. The study will focus on brand personality, and understand if brand personality is a factor making consumers pay a price premium for NB over PLB, and also to analyze which are the features of brand personality, making consumers willing to pay NB over PLB.

**Method:** A quantitative approach will be used in the study to evaluate the hypotheses. The data will be collected through an online survey. The first step will be to measure the brand personality of a NB product and its PLB equivalent, and furthermore to determine what are the benefits consumer have when buying NB with higher brand personality.

**Conclusion:** The thesis suggests that consumers are willing to pay a price premium for NB over PLB because the brand personality of NB is higher than PLB and furthermore that this higher brand personality makes consumers express themselves.
2. Introduction

Nowadays PLB are very successful and NB manufacturers have to react and find ways to differentiate from PLB in order to fight against this competition. To understand how to compete against PLB, it is important to understand the consumers’ decision factors and what influences them for choosing NB rather than PLB, or the other way around. The study will investigate what are the motivations for change from PLB back to NB purchase. Given the fact that the quality between PLB and NB is comparable, we will try to determine if brand personality can be source of consumers’ switch from PLB back to NB. Moreover, the study will try to understand what features of brand personality have an influence on the willingness to pay (WTP) a price premium for NB over PLB.

We will determine whether consumers choose to go back to NB purchase over PLB because the brand personality of NB is higher, and also measure what benefits consumers acquire from this higher brand personality.

The study will focus on fast moving consumer goods, within the context of large scale retailers like supermarkets products. The brands used in the research will be from different product categories e.g. personal care, food, beverage products.
## 3. Review of Literature

### 3.1. Private Label versus National Brands

<table>
<thead>
<tr>
<th>Topic</th>
<th>Title</th>
<th>Author</th>
<th>Source</th>
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<tbody>
<tr>
<td>NB over PLB</td>
<td>What Makes Consumers Willing to Pay a Price Premium for National Brands over Private Labels?</td>
<td>Jan Benedict Steenkamp, Harald J. Van Heerde Inge Geyskens</td>
<td>Journal of Marketing Research Vol. 57 (December 2010), 1011–1024</td>
<td>The author presents a model showing the influence of marketing/manufacturing elements on the consumers’ quality gap perception between NB and PLB. This quality gap has an influence on the “willingness to pay for a premium price” (WTP), taking into account the consumers’ involvement and the price-quality schema. If consumers know that PLB are produced by NB manufactures, the quality gap is reduced. If it seems difficult to produce the products, the quality gap will increase too.</td>
</tr>
<tr>
<td>NB over PLB</td>
<td>Consumer-Level Factors Modulating The Success Of Private Label Brands</td>
<td>Rajeev Batra Indrajit Sinha</td>
<td>Journal of Retailing Vol. 76, No. 2 2000 pp. 175–191,</td>
<td>The author proves that the high perceived risk leads the consumer to buy NB over PLB. Perceived risk is lower with “search” characteristics products than “experience” characteristics products.</td>
</tr>
<tr>
<td>NB over PLB</td>
<td>New Products: The Antidote to Private Label Growth?</td>
<td>Katrijn Gielens</td>
<td>Journal of Marketing Research Vol. XLIX (June 2012), 408–423</td>
<td>The article deals with product innovation as a competitive advantage over PLB. New NB products increase shares but have more negative impact on other NB than PLB.</td>
</tr>
<tr>
<td>NB over PLB</td>
<td>Strategic reactions of national brands manufacturers towards private labels. An empirical study in the Netherlands</td>
<td>Peter C. Verhoef Edwin J. Nijssen Laurens M.Sloot</td>
<td>European Journal of Marketing Vol 36. No. 11/12, 2002, pp.1309-1326</td>
<td>Quality gap NB/PLB decreasing NB should increase brand equity to increase the distance with PLB.</td>
</tr>
<tr>
<td>Topic</td>
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<td>PLB over NB</td>
<td>Consumers’ intention to buy private label brands revisited</td>
<td>Gianfranco Walsh Vincent Wayne Mitchell</td>
<td>Journal of General Management Vol. 35 No. 3 Spring 2010</td>
<td>PLB gained a better consumer perception over: better reputation and quality. PLB are seen as other brands.</td>
</tr>
<tr>
<td>PLB over NB</td>
<td>The Power of Private Label in Europe An insight into consumer attitudes</td>
<td>AC Nielsen</td>
<td>AC Nielsen August 2005</td>
<td>Consumers consider the quality of NB and PLB equal 78% of global consumers consider “PLB as a good alternative to NB”. Depends on categories, some PLB product still suffer from it, if they seem to difficult to imitate NB products. Improvement in PLB packaging, and more sophistication over time.</td>
</tr>
<tr>
<td>PLB over NB</td>
<td>The increasing power of store brands</td>
<td>Jan-Benedict B. E. M. Steenkamp Marnik G. Dekimpe</td>
<td>Long Range Planning, Vol. 30, No. 6, pp. 917 to 930, 1997</td>
<td>Store brands gain more and more power. Store brand loyalty exists but the success changes according to product categories.</td>
</tr>
<tr>
<td>PLB over NB</td>
<td>When do Private Labels succeed?</td>
<td>Steffen J. Hoch Shumeet Banerji</td>
<td>Sloan Management Review; Summer 1993; 34, 4; pg. 57</td>
<td>Private labels perceived as high quality when technology needed to produce is low. Different perception according to product categories.</td>
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3.2. Brand personality
<table>
<thead>
<tr>
<th>Brand equity</th>
<th>Measuring Brand Equity Across Products and Markets</th>
<th>David Aaker</th>
<th>California Management Review, Vol 38. No. 3 Spring 1996</th>
<th>The author presents the model of Brand Equity Ten, aiming at measuring a brand strength presenting 5 dimensions of brand equity: “loyalty, perceived quality, associations, awareness, market behavior”.</th>
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<tbody>
<tr>
<td>Branding</td>
<td>Building Strong Brands</td>
<td>David Aaker</td>
<td>The Free Press 1996 pp138-174</td>
<td>Brand personality definition, advantages and measurement. Models related showing how brand personality increases brand equity “Self expression model” “Relationship based model” “Functional benefit model”.</td>
</tr>
<tr>
<td>Brand personality</td>
<td>Dimensions of brand personality</td>
<td>Jennifer L. Aaker</td>
<td>Journal of Marketing Research Vol. XXXIV (August 1997), 347-356</td>
<td>Brand Personality definition and creation of a measurement scale with 5 dimensions “Sincerity, Excitement, Competence, Sophistication, and Ruggedness » including sub traits of personality. The author explains that brand personality is linked to a symbolic/self expressive function of products, which is the opposite of a utilitarian function.</td>
</tr>
<tr>
<td>Brand Personality</td>
<td>Emotional Brand Attachment and Brand Personality: The Relative Importance of the Actual and the Ideal Self</td>
<td>Lucia Malär Harley. Krohmer, Wayne D. Hoyer Bettina Nyffenegger</td>
<td>Journal of Marketing Vol. 75 (July 2011), 35 – 52</td>
<td>Relation between emotions towards a brand and concept of “actual and ideal self”. There is a higher emotional brand attachment when the brand personality fits (is “self congruent”) with the actual self, rather than the ideal self.</td>
</tr>
<tr>
<td>Brand personality</td>
<td>Consumers’ perceptions of the dimensions of brand personality</td>
<td>Natalia Maehle Cele Otnes Magne Supphellen</td>
<td>Journal of Consumer Behaviour. 10: 290–303 (2011)</td>
<td>Analyze of which types or brands are matching well which dimensions of brand personality Link between dimensions and “product categories”</td>
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<tr>
<td>Brand personality</td>
<td>Separating Brand from Category Personality</td>
<td>Rajeev Batra1 Peter Lenk Michel WeDel</td>
<td>University of Michigan</td>
<td>Enlargement of brand personality concept to product categories, naming the concept of “personality categories”</td>
</tr>
<tr>
<td>Brand personality</td>
<td>A Brand as a Character, A Partner and a Person: Three Perspectives on the Question of Brand Personality</td>
<td>Jennifer Aaker Susan Fournier</td>
<td>Advances in Consumer Research Vol. 22, 1995</td>
<td>“Brand as a relationship partner”. The author links the brand personality with brand relationship, explaining that a brand has a personality, like a person has a personality, and consumers can have a relationship with a brand, as with a person.</td>
</tr>
<tr>
<td>Brand personality</td>
<td>Do brand personality scales really measure brand personality?</td>
<td>Audrey Azoulay Jean-Noël Kapferer</td>
<td>Brand Management Vol. 11, No. 2, 143–155 November 2003</td>
<td>Critics of Aaker brand personality dimensions and suggest to create new scales or measurement.</td>
</tr>
<tr>
<td>Brand personality</td>
<td>L’échelle de personnalité de la marque de Jennifer Aaker : adaptation au contexte français</td>
<td>Marie-Noël Koebel Richard Ladwein</td>
<td>Décisions Marketing (1999) n°16 Janvier-Avril pp. 81-88</td>
<td>Adaptation of Aaker’s brand personality dimensions to France, explaining that the adjectives used in Aaker’s personality traits should be adapted to different culture.</td>
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</table>
4. Problem and Research Question

Going through the literature, different approaches to the PLB and NB competition were taken. The main concern of most of the studies is the quality of the product, and all the factors that can influence this quality perception between PLB and NB, such as the risk perception, the product types, the manufacturing processes, the innovation etc. However, PLB are more and more competitive regarding the quality of the products. Many times this evolution of PLB quality was shown through tests, comparing NB and PLB products to determine real facts and also through researches analyzing the perceived quality of PLB. Most of the consumers have a positive attitude towards PLB products. Given that the quality is comparable, the question arises of what could make the consumers buy NB over PLB. The first reasoning is to look at what makes a brand being stronger than the other. Brand equity is a way of measuring brand strength. NB manufacturers should differentiate from PLB by increasing their brand equity. Brand equity can be divided in different categories and we will focus on one element, which is the brand personality.

**Research question:** Is brand personality a reason why consumers would buy NB over PLB? What features of the brand personality make the consumers switch from PLB back to brands?

**Hypotheses:**

**H1:** Consumers have the willingness to pay a price premium for NB over PLB because the brand personality of NB is higher.

*Sub Hyp1.a:* the bigger the brand personality gap between PLB and NB is, the higher is the WTP for NB

*Sub Hyp1.b:* The lower the brand personality gap between PLB and NB is, the lowest the WTP for NB.

As explained before, brand personality is linked to the self expressive/symbolic function of products. If we consider that PLB have a low or inexistent brand personality, it will have a consequence on the function of products in consumers’ mind: The degree of brand personality has an effect on the function associated to the product itself (self-expressive/symbolic versus utilitarian function).
**H2:** Consumers consider PLB products as having only a utilitarian function whereas NB have both utilitarian and the self-expressive function.

*Sub Hyp 2.a:* When the brand personality is low (like in the case of PLB), consumers associate the product with a utilitarian function

*Sub Hyp 2.b:* When the brand personality is high (in the case of the NB), consumers associate the product with a self-expressive/symbolic function

*Sub Hyp 2.c:* When the brand personality is high (in the case of the NB), consumers associate the product with a self-expressive/symbolic function

*Sub Hyp 2.d:* When the brand personality is high (in the case of the NB), consumers associate the product with a utilitarian function

The following part will measure what are the features that make consumers buying products with a higher brand personality. It will be based a model of David Aaker described previously in the literature review: “the self expressive model” (Aaker D., Building strong brands, 1996). In this model, Aaker explains that brand personality helps consumers to express their self, including three main self expressions aspect: the first one is “the feeling engendered” by the brand personality, the second “the brand as a badge”, meaning that the brand you buy helps consumers expressing themselves towards other people, in a social context and the third one is “the brand as part of the self”, meaning that the brand is part of the consumer himself, expressing his lifestyle. The aim of this research part will be to make the difference between these three subcategories of the self expression model ‘feeling engendered by the brand personality, brand as a badge, social representation, brand as the expression of the self/lifestyle), and understand which of them is stronger when deciding to buy NB over PLB.

**H3:** Consumers buy NB over PLB to express themselves

*Sub Hyp 3.a:* NB engender more emotions/feelings than a PLB

*Sub Hyp 3.b:* NB has a more positive social impact than PLB

*Sub3.c:* NB represents consumers’ lifestyle more than PLB
The factor of involvement in the product category will also be measured and we will analyze whether it the degree of involvement influences the WTP for NB over PLB.

**HYP 4:** The degree of involvement in the product category has a direct influence on the WTP.

**Hyp 4.a:** The higher the involvement in the product category is, the higher the WTP a NB over PLB.

**Hyp 4.b:** The lowest the involvement in the product category is, the lowest the WTP a NB over PLB.

The following model is a summary of the research part: meaning that we will try to determine how the brand personality gap between NB and PLB influences directly the WTP a price premium for NB over PLB, and checking how the benefits from the brand personality influence the WTP.
5. Methodology

The research will be based on a quantitative approach, testing the hypotheses enounced previously. The purpose is to confirm the previous statements.

**Setting:** The research will be spread through an online questionnaire.

**Participants:**
The study will focus on French consumers in order to avoid any cultural bias and make the results more consistent. The sample will be representative in terms of gender, age, income, profession etc.
The respondents taking part in the survey will have to fulfill the following requirements:
- Purchase of one of the brands mentioned in a list at the beginning of the survey
- Past purchase of PLB product
- Switch from this PLB to a NB product equivalent

**Measurement Instruments:**
The data will be collected through an online questionnaire designed with the marketing research software Sphinx.

**Procedures:**
The survey will start by introducing the topic to the consumer, reminding the difference between PLB and NB in order to avoid any misunderstanding.
A list of NB will be introduced to the respondent, who will have to choose one of them, taking into account the requirements mentioned previously (having the experience of buying previously the PLB product equivalent and deciding to go back to this NB product purchase).
The respondent will be supposed to answer all the questions of the survey keeping in mind the PLB and the NB product example.
The first step will be to measure the brand personality of the two products: PLB and NB product. The brand personality measurement scale of Jenifer Aaker will be used. The idea is to have a **brand personality score for the NB** and a **brand personality score for the PLB** at the end, in order to subtract one to the other and have as a result the **brand personality gap**.

The respondents will be asked to think about the brand as if it was a person and rate the brand according to each personality traits of Aaker’s model. The data will be collected with a Likert scale (1= extremely not descriptive, 5= extremely descriptive)

E.g. Rank the following statement from 1 to 5 “Brand (chosen) is honest”

A second step will be to measure the WTP a price premium for this NB chosen over the PLB equivalent product by a simple question such as:

“How much are you willing to pay more for NB (chosen) over PLB?
10% more, 20% more [...] 100% more (twice as much).”

Third step will deal with the function of use of each of the two product types, asking questions to understand whether the PLB and NB have a utilitarian or symbolic function.

The last step will be to determine what features of the brand personality make the consumer buy the NB. The self expression model detailed by Aaker will be used and questions will be asked to understand which of the three elements of the model is stronger using a Likert scale.

- The feeling engendered by the brand
- The brand as a badge
- The brand as expression of the lifestyle
6. Overview of chapters

1. Introduction to the topic background
   1.1. Relevance of the subject
   1.2. Major terms
   1.3. Focus, goals and structure of the report
2. Private Labels and National brands competition
   2.1. Factors influencing the consumer decision between PLB and NB
       2.1.1. Price (Price premium concept/-Price consciousness)
       2.1.2. Perceived Quality (talk about the things that influence the perceived quality)
       2.1.3. Perceived Risk(alk about the risk and also the different types of products)
   2.2. What’s the score? Actual facts
       2.2.1. PLB strengths (Quality is comparable: cf Nielsen study etc Price is lower)
       2.2.2. NB strengths (Innovation/Differentiation Brand equity)
3. Brand personality
   3.1.1. Definition
   3.1.2. Measurement
   3.1.3. Model
   3.1.4 PLB brand personality if I find
4. Research
   4.1.1. Research Question/Hypothesis
   4.1.2. Research Methodology
   4.1.3. Results
5. Conclusions
7. **Work Plan**

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<thead>
<tr>
<th>Calendar Week</th>
<th>Phase of the Research</th>
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<tbody>
<tr>
<td>01.08.2012 - 31.08.2012</td>
<td>Find a topic</td>
</tr>
<tr>
<td>18.09.2012</td>
<td>Discuss the topic</td>
</tr>
<tr>
<td>01.11.2012 - 15.12.2012</td>
<td>Write the theory</td>
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<tr>
<td>01.01.2013 - 20.01.2013</td>
<td>Run the survey</td>
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<tr>
<td>21.01.2013 - 28.02.2013</td>
<td>Analyze the results</td>
</tr>
<tr>
<td>01.03.2013 – 31.03.2013</td>
<td>Conclusions</td>
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8. References


