CHAPTER 2. REVIEW OF LITERATURE

2.1. Overview

A large body of literature on research in the areas of consumer decision-making and store brands provides a basis for this study. This chapter presents the review of the relevant theoretical and empirical studies that helped us develop the conceptual framework of the study. Since the broad purpose of this study was to investigate the consumers' decision-making in relation to store brands vis-à-vis manufacturer's brands. The key focus of the literature search process was to collect and synthesize the relevant literature on theoretical underpinnings of consumer decision-making and empirical research on analytical modeling of store brand buying behavior.

We first provide an outline of the search process followed for collection of relevant literature. The literature review is then organized into five sections. We begin with the review of consumer decision-making theory and then proceed with review of literature on store brand research in subsequent sections. The second section of this chapter provides conceptual explanation of store brands and manufacturer's brands. The next section deals with the evolutionary details of store brands with special reference to recent developments and emerging trends in India. The fourth section discusses the studies to understand the strategic
importance of store brands to retailers and manufacturers. The last section outlines the extant literature concerning store brand buying behavior with special reference to empirical researches on understanding store brand proneness of consumers. In the final section, we present the summary of this chapter.

2.2. Search Process

The literature review was developed through a systematic process of collection of seminal and contemporary research in both academic and business world in the area of consumer decision-making and store brand buying behavior. As regards literature on consumer decision-making, we paid attention to the literature dealing with theoretical underpinnings of consumer decision-making. This was mainly done in order to develop a multidisciplinary perspective of consumer decision-making.

In case of store brand research, we selected published articles, business reports, etc., which satisfied any of the following criteria: (i) incorporated competition between manufacturer's brands and store brands directly or indirectly, (ii) provided understanding of marketing issues related to store brands versus manufacturer's brands and (iii) provided insights about store brand buying behavior (iv) were published between 1965 and June 2009. We identified relevant literature through a combination of online searches (e.g. Proquest Database, EBSCO Database) and manual searches. Around fifty-five published articles on store brand research, which satisfied the requirements of this review
process, were collected. We focused on the methodology, analysis technique and results or insights produced by those research studies. Those studies with common research agenda were grouped together.

2.3. Theoretical Underpinnings of Consumer Decision-Making

From marketing perspective, consumer choice behavior can be studied through the classical five-step (needs–information search–evaluation of alternatives–purchase–post-purchase evaluation) problem solving paradigm (Dorsch, Grove, & Darden, 2000). Consumers' decision-making is concerned with how consumers make judgments while choosing alternatives (Blackwell, Miniard, & Engel, 2007). In the evaluation stage, consumers seek answer to questions such as "what are my options?" and "which is the best for me?", when they evaluate and select from various products or services. Consumers are frequently exposed to a great deal of information about the alternatives available in the marketplace through several sources e.g. product advertisement, retailers, friends, packaging, etc. Despite the availability of information, there are uncertainties related to product performance. This leads to complexity in consumers' decision-making processes. Consumers compare what they know about different products and brands with what they consider most important to narrowing the field of alternatives before they finally resolve to buy one of them. Attributes upon which alternatives are evaluated can be categorized into two groups, salient and determinant. Salient attributes are price, reliability and factors that probably vary little between similar types of
products being considered as the most important by the consumers. Variation between alternatives on determinant attributes usually determines the final choice of the consumer, especially when consumer find salient attributes to be equivalent across alternatives. Consumers' decision-making is, therefore, deemed to be a complex phenomenon and it is known to be affected by several factors. This multifaceted nature of consumers' decision-making has attracted attention of researchers from multiple disciplines like economics, psychology, sociology, social anthropology, etc. (Kahn & Sarin, 1988; Klein & Yadav, 1989).

The theoretical models about how consumers make purchase decisions are generally guided by following three approaches either in isolation or in combination: (i) economic, (ii) psychological and (iii) behavioral.

According to Kotler (1965), economists were the first professional group to construct a specific theory of buyer behaviour. Economic viewpoint of consumers' decision-making characterizes a consumer as an active decision maker, who makes rational decisions in a world of perfect competition. Researchers holding this viewpoint assume that there is complete information available about alternatives; consumers are aware of all the information; they are competent in evaluating the alternatives based on their merits and demerits and therefore, they are able to identify the best alternative in their purchase decisions. The utility maximization theory in economics addresses consumer's decision process of selection of alternatives based on their preferences and value judgments (Fishburn, 1968). The economic models of consumers' decision-making has been criticized by researchers for being tautological and
normative rather than being a descriptive model of buyer behavior (Kotler, 1965). The criticism of economic approach is also related to the impossibility of existence of a complete rational human being and ignorance of the process of formation of consumer preferences in these models (Kahneman & Tversky, 1979; Zaichkowsky, 1991). In spite of the criticism, the economic approach is considered as a useful reference for analyzing one small corner of the 'black box' of consumer's mind (Kotler, 1965; Zaichkowsky, 1991).

The psychological approach to understand consumers' decision-making draws largely upon Pavlovian's learning model and Freudian model of psychoanalytic motivations. Theory of behavioral learning is based on Pavlovian's learning model (Kotler, 1965). According to this theory of consumer behavior, consumers' prior experience is the primary determinant of future behavior. Researchers holding this standpoint characterize consumers as irrational, impulsive and passive decision makers who are susceptible to external influences in their decision-making (Zaichkowsky, 1991). This theory has developed our understanding about how consumers make choices over a period of time and has guided the advertising strategy that aims at generating product trials by creating awareness through advertisements (Kotler, 1965). The theory does not take into account the internal mental processes of choice and impact of factors like perception, subconscious and interpersonal influences in consumer decision-making (Kotler, 1965; Lilien, Kotler, & Moorthy, 1999; Schewe, 1973).

Consumer researches guided by Freudian model of psychoanalytic motivations viewed consumer purchase decisions being motivated by symbolic as well as
economic-functional product concerns (Kotler, 1965). Researchers from this school of thought tried to understand role of psychological constructs (e.g. personality, traits, motivation) in consumer decision-making. Several socio psychological theory have also contributed to develop the understanding of consumer decision-making such as, Veblenian model stressing on prestige-seeking behaviour, McClelland model of achievement motivation, Goffman model stressing on role theory, Festinger model of cognitive dissonance and Riesmann model of inner versus other directed individual (Schewe, 1973). Behavioral paradigm of understanding consumers' decision-making is exemplified by the information-processing model of Bettman (Lilien, et al., 1999). The theory has clear implications for how we should mathematically describe information integration strategies (Lilien et al., 1992). The information processing approach view consumers as cognitive beings and characterize them as problem solvers, actively searching for relevant information about the products that meet their needs. Bettman (as cited in Lilien, et al., 1999) postulated that when consumers make purchase decisions, they might not rationally go through a complex process. Instead, they might just rely on certain typical characteristics of products, which they are most likely conscious of. The limitation of cognitive capacity of consumers was later incorporated by consumer researchers According to Hoyer (1984), consumers with their limited information processing ability would not engage in complex decision-making process and they would use choice heuristics to simplify their purchase behaviour. Rules such as 'buy the cheapest' or 'buy what my friend bought' gave the satisfactory choices to
consumers. The behavioral school of consumer decision-making research gained substantially from the studies that examined the relationship between attitude and behavior. Theory of reasoned action (TRA) proposed by Ajzen and Fishbein (1977) and theory of planned behavior (TPB) proposed by Ajzen (as cited in Pachauri, 2002) have received tremendous attention of consumer researchers. According to the TRA, behavioral intention is the immediate precursor to actual behavior and attitude towards that behavior and societal norms affect that intention. TPB is an expanded version of TRA model, which included perceived behavioral control as an additional factor affecting the behavioral intention. These theories on attitude-behavior relationship has provided the theoretical underpinnings to much of the research in marketing modeling that views product attributes as the drivers of the consumer decision process (Lilien et al., 1992).

Attitude models specify how individuals form judgments and preferences about products based on consumer perceptions about product attributes and benefits. The modern interactionism theory (Bem & Allen, 1974) has also contributed significantly to the understanding of consumer decision-making. This is based on Lewin's (1936) field theory, which asserts that each individual views each physical and social setting differently and the individual behaviour is the result of interaction between the individual and the environment. The theory of modern interactionism dictates that characteristics of the stimulus (product characteristics), characteristics of the individual (demographics, psychographics, and behavior), situational factors (time pressure, budget factors) and the environment (social class, culture, family, and reference group) will affect the
reaction to the stimulus object. According to Gehrt and Yan (2004), the greatest strength of modern interactionism is that it captures a more complete set of factors that affect consumer behavior.

The extant literature on consumers' decision-making has abundant number of studies examining the impact of consumer related factors, situational factors and product characteristics on consumers' decision-making. All the key theories of consumer decision-making suggest the existence of different cognitive orientations of consumers while making buying decisions. Due to increase in number of choices available in the market, consumer choice has become a complex task. Consumers tackle this complexity by displaying particular decision-making styles and employing certain purchasing strategies. Sproles and Kendall (1986) postulated that particular decision-making styles could be identified in consumers when they make purchase decisions. They assumed an integrative approach towards consumer decision-making behavior and defined the consumers' decision-making style (CDMS) as a "patterned, mental, cognitive orientation towards shopping and purchasing, which constantly dominates the consumer's choices resulting in a relatively-enduring consumer personality". They referred to consumers' decision-making style as the basic consumer personality, a concept similar to 'personality' in psychology. They identified eight decision-making style traits and developed a forty items instrument using the consumer characteristics approach of understanding CDMS (See Figure 2-1).
Figure 2-1 Sproles and Kendall (1986) Model of Consumers' Decision-Making Styles
The eight dimensions are:

1. **CDM1: Perfectionist, High Quality Conscious Consumer**
   
   Quality consciousness or perfectionism is characterized by a consumer's intention to search for the highest or very best quality in products. Consumers with this style are expected to shop more carefully and more rationally.

2. **CDM2: Brand Conscious, Price equals Quality Consumers**
   
   Brand consciousness is defined as consumer orientation towards buying the more expensive, well-known national brands, believing that a higher price means better quality. Consumers with this style generally prefer to buy the best-selling advertised brands.

3. **CDM3: Novelty-Fashion Conscious Consumers**
   
   Innovative/novelty/fashion consciousness characterizes novelty seekers, who find seeking out new things pleasurable. Consumers with this style like up-to-date styles, with the intent of gaining excitement and pleasure from buying a large variety of new things.

4. **CDM4: Recreational, Hedonistic Consumers**
   
   Recreational/hedonistic shopping consciousness characterizes the consumers who view shopping as recreation and entertainment. Consumers with high level of this trait find the shopping a pleasant activity and shop just for the fun of it.

5. **CDM5: Price Conscious, Value for Money Consumers**
Unlike quality conscious and brand conscious styles of decision-making, price and value for money consciousness refers to consumer mental characteristics that results in consumers looking out for sale prices, being conscious of lower prices in general and are likely to be comparison shoppers. Consumers with this trait are primarily concerned with getting the best value for money. Unlike the quality conscious and brand conscious consumers, they tend to look for lower prices.

6. CDM6: Impulsive, Careless Consumers

In contrast with the perfectionism, impulsiveness/carelessness dimension measures an orientation that is characterized by careless and impulsive shopping. These consumers pay less attention to the price they spend or value for money. They are more likely to regret after making choices, since they make purchase decisions quite impulsively.

7. CDM7: Confused by Over choice Consumers

Furthermore, the confused from over-choice style of decision-making characterizes consumers experiencing an overload of information. Consumers with this style are unable to manage the large number of choices available in the market.

8. CDM8: Habitual, Brand Loyal Consumers

Unlike the variety seeking behavior of novelty conscious consumers, consumers with habitual and brand loyal orientation endorse their favorite
brands and form habits of choosing them repetitively. They exhibit a strong
tendency to stick with certain brands and stores while shopping.

Decision-making styles have been interpreted as basic buying decision-making
atitudes that consumers adhere to, even when they are applied to different
goods, services or purchasing situations (Walsh, Mitchell, & Hennig-Thurau,
2001).

Though it was initially developed for US consumers using student samples, it has
been validated across cultures by testing the inventory in nine countries. These
countries are the United States of America (Lyonski, Durvasula, & Zotos, 1996;
E. K. Sproles & Sproles, 1990; G. B. Sproles & Kendall, 1986), Great Britain
(Bakewell & Mitchell, 2003; Mitchell & Bates, 1998), Germany (Walsh, et al.,
2001), Greece (Lyonski, et al., 1996), New Zealand (Durvasula, Lyonski, &
Andrews, 1993; Lyonski, et al., 1996), South Korea (Hafstrom, Chae, & Chung,
1992), China (Fan & Xiao, 1998; Hiu, Siu, Wang, & Chang, 2001), India
(Lyonski, et al., 1996) and Iran (Hanzaee, 2009).

According to a multi-country investigation (Lyonski, et al., 1996) the presence of
price and value consciousness was not confirmed in any of the four countries
(USA, New Zealand, Greece & India). Additionally, perfectionism was not
confirmed in case of Greece and recreational and impulsive buying behaviors
were not confirmed in India’s sample. In a New Zealand study (Durvasula, et al.,
1993) originally proposed eight styles were confirmed. Hafstrom et al (1992)
attempted to test the validity of consumer style inventory in South Korea and
found only five dimensions in their sample. Three dimensions of price
consciousness, habitual buying and novelty consciousness were not confirmed in South Korean study. Fan and Xiao (1998). Hui et al. (2004) validated the style inventory on Chinese consumers. Both the studies did not confirm the undivided presence of dimensions like impulsiveness, confusion from over-choice and habitual buying orientation.
Table 2-1 Summary of Previous Research Findings on Consumer Decision Making Styles

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<td>Brand Consciousness</td>
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<td>Novelty and Fashion Consciousness</td>
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<td>Confused by Over-choice</td>
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<td>Habitual and Brand Loyal Orientation</td>
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Remarks

2. Lyonski et al., (1996)
4. Hafstrom et al. (1992)
8. Walsh et al. (2001)
2.4. Concept of Store Brands and Manufacturer's Brands

At the onset, it is worthwhile to differentiate between store brands and manufacturer's brands. The concept of 'Store brand' and 'Manufacturer's brand' have been described as different forms of brand sponsorship (Kotler & Armstrong, 2006). 'Store brands' refer to the merchandise that carries wholesalers or retailer's own brand name or a brand name created exclusively for that particular wholesaler or retailer (Dunne & Lusch, 2009; Kotler & Armstrong, 2006; Levy & Weitz, 2008). Thus, the store brand carries either the retailer's own name or a name that is exclusively created by the retailer. The terms 'Store brand', 'Private brand', 'Private label' and 'Distributor's brand' are used interchangeably in the marketing literature (Dunne & Lusch, 2009; Gilbert, 2001; Kim, 2001; Levy & Weitz, 2008; Richardson, et al., 1994). Store brands are the only brands for which retailers take on all the responsibility for marketing activities, including development, sourcing and warehousing to merchandising and marketing (Dunne & Lusch, 2009; Gilbert, 2001; Raju, Sethuraman, & Dhar, 1995). A brand needs to fulfill two requirements to be classified as a store brand; firstly, it must be a unit package (this means, for e.g. 5 kg of rice sold loose from a 100 kg sack will not qualify as a store brand) and secondly, the unit pack must distinctly bear only the brand name of the store or any other brand name created by the store (Roy, 2008). A private label is thus a strategic tool, which helps
retailers position their offering to the consumer in light of the competition, consumer need gaps and the retailer costs.

In India, store brands presently contribute to a turnover of Rs 7000 millions, accounting for 25% of the turnover of key retailers in the country. The majority of store brands are present in the food and grocery category, followed by apparel, laundry and personal care products. Among the household consumption food products, the popular store brands are Tasty Treat, Fresh n Pure and Premium Harvest from Pantaloon Retail, More Feasters, More Saver, More Selecta, Kitchen's Promise and Best of India from Aditya Birla Retail, Spencer's Value and Smart Choice from Spencer's Retail, Great Value from Bharti Retail, Star India from Trent Retail, V Fresh and V Needs from Vishal Retail, Reliance Select and Reliance Value from Reliance Retail, etc. Among the household consumption non-food product categories, common private labels in India are Clean Mate, Care Mate, Pink & Blue from Pantaloon Retail, More 110%, Paradise, Fresh-o-Dent, AU79 Stay Ahead, Enriche and Pestex from Aditya Birla Retail, Expelz, Mopz, Scrubz and Sudz from Reliance Retail, etc.

In contrast to store brands, manufacturer's brands are products designed, produced, controlled and marketed by a manufacturer (Dunne & Lusch, 2009; Kotler & Armstrong, 2006; Levy & Weitz, 2008). Thus, a manufacturer's brand refers to the brand owned by manufacturers. The term 'Manufacturer's brand' and 'National brand' have been used in marketing literature interchangeably (Bellizzi, et al., 1981; Cunningham, et al., 1982; Kotler & Armstrong, 2006; Kotler, Keller, Koshy, & Jha, 2007). Retailers have very little or no influence over product
quality, advertising and brand image, packaging and wholesale cost in case of Manufacturer's brands (Dick, et al., 1995).

2.5. Evolution of Store Brands

Store brands were first introduced by Great Atlantic and Pacific Tea Company in USA over hundred years ago in tea and are now available in more than 60% of all grocery products in United States (Keller, 2003). Since then Store brands have come a long way and are now established as strong competitors to manufacturer’s brands in economies with developed organised retailing. Globally private labels account for seventeen percent of value sales across eighty consumer packaged goods category as per the survey carried out by Nielsen in thirty-eight countries (Nielsen, 2005). While Europe is the most developed region (23% of value shares) for private labels, North America ranked second with 16% share and sales growth of 7%. Growth rates of store brands have outpaced those of manufacturers in all the regions except for Latin America. Globally, store brands sales grew by 5%, while manufacturer’s brands grew only by 2% (Nielsen, 2005).

70% of supermarket categories have been reported to contain store brands in the United States (Sayman, et al., 2002) contributing to at least 20% of total category sales. Store brands have 17% value share (See Figure 2-2) in the consumer packaged goods market of the United States (Nielsen, 2005). Since the store brands are priced on an average 31% lower than their manufacturer's
counterparts globally, they record higher unit shares than value shares in the market. Store brands have higher unit shares in at least 77 of 250 supermarket categories in the United States (Quelch & Harding, 1996).

Figure 2-2 Share and Growth of Private Label by Region (Based on Value Sales)

European market is considered as the most developed region for private labels globally (See Figure 2-2). Switzerland has the highest value share of store brands at 45% followed by Germany at 30% and UK at 28%. European retailers give store brands a large amount of shelf space and advantageous positions with store layout, which reflects the contribution of these products to retailers' profits (Baltas, 1999). In many European markets, store brands have created unfavorable conditions for small brands competing on price, thus creating an
oligopolistic condition with presence of store brands and strong national brands across categories (McGoldrick, 1984; Dereck McMaster, 1987; Morris, 1979). Europe’s high level of retailer concentration strongly correlates with strong private label development in this region. The retailer concentration in this region varies in a range of 60% to 86% (Nielsen, 2005).

Private labels in Asia Pacific, Latin America and emerging markets are less developed. However, they currently garner low value shares in the range of 2-6%, they are growing at faster pace (Nielsen, 2005).

In India, Store brands presently contribute to a turnover of Rs 7000 millions and private labels are gaining popularity among consumers (Roy, 2008). The majority of store brands are present in the food and grocery category, followed by apparel, laundry care and personal care products and they are usually priced at 20-30 percent lower than their manufacturer’s counterparts (Priya & Baisya, 2009) Some organised retail chains in India generate more than 40-50 percent of their sales from private label products (Rajesh, 2009).

2.6. Strategic Importance of Store Brands

There have been numerous studies in the economies with developed organised retailing to understand the strategic importance of store brands to the retailers and the manufacturers of branded consumer packaged goods as well. The creation and maintenance of the store brands have been considered as one of

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5 Retailer Concentration was measured as the share of sales held by the top five retailers within each country in the study "The Power of Private Label" carried out by Nielsen, the premier global market research company in 2005.
the most important activities of organised retailers. For retail chains, development of store brands is viewed as a strategy for improving store image and profitability (Quelch & Harding, 1996). Store brands serve as a basis for store differentiation because the store brand cannot be bought elsewhere and therefore it is not easily substitutable by switching to another store. On the other hand, national brands cannot be used to differentiate the store unless they are sold on lower prices (Baltas, 1999; Hansen, et al., 2006). For the retailers, store brands are the only brands that require taking full responsibility for product introduction, product sourcing and warehousing, advertising and promotions. In contrast to shared risk and returns for manufacturer's brands, the retailers play the sole role in success of store brands (Dhar & Hoch, 1997).

In private label developed regions like Europe, dilemma to produce or not to produce store brands for the retailers is a major strategic issue for manufacturers of branded goods and there are arguments both in favor of and against this (Glemet & Mira, 1993). Some manufacturers choose to supply store brands in categories where they do not have important branded sales. More than 50% of U.S. manufacturers of branded consumer packaged goods make private labels goods as well (Quelch & Harding, 1996). Private label production also offers entry to new market players without the high costs of branding and distribution (Dereck McMaster, 1987).
2.7. Performance of Store Brands in Marketplace

Numerous studies have examined the performance as well as factors affecting the performance of store brands. Understanding of price competition among manufacturer’s brands and price competition between store brands and manufacturer’s brands is important for decisions related to introduction of store brands in a retail chain. If the price competition between manufacturer’s brand and store brand is high, it is more profitable for retailers to introduce store brands and in such a situation the store brand garners a higher share. On the contrary, in categories with high price competition among manufacturer’s brands, it is not so profitable for the retailers to introduce a store brand and the share is lower (Raju, et al., 1995).

Private labels do better in large product categories that offer retailers attractive gross margins and they have trouble when competing against multiple national brands, which invest significant resources in media advertising (Glemet & Mira, 1993; Hoch & Banerji, 1993; Morris, 1979).

Brands in categories with low price elasticity and high marketing mix elasticity compete with each other on image differentiation and non-price promotional strategies. In such categories store brands are less likely to succeed (Glemet & Mira, 1993). At the same time, categories with higher levels of product innovations such as consumer durables are negatively associated with store brand penetration (Baltas, 1999). Cites from Surgent’s study that categories, which do not allow for any easy assessment of product performance during the...
consumption (for example, toothpaste, are less suitable for store brand development).

Competitive positioning of store brands against the leading manufacturer's brand in a category leads to lowering of wholesale prices of both the leading and the secondary manufacturer's brands, and thus generating higher margins for retailers on manufacturer's brands and higher profits from the store brands. Store brands give greater competition to the leading national brand in categories, provided store brands are high in quality (Sayman, et al., 2002).

Studies have also tried to understand the factors that explain inter-temporal and cross-country differences in the performance of store brands. Strength of store brands varies with economic conditions. Their market share generally increases when the economy is weak and decreases during better economic conditions (Quelch & Harding, 1996). A negative association is found between personal disposable income and private label share, justifying for relatively weak position of store brands in the United States by suggesting that store brands satisfy the economists' definition of "inferior goods" (Dhar & Hoch, 1997). Concentration of organised retailing, greater presence of national rather than regional chains, decline of traditional independent stores in countries have been found as factors facilitating the development of store brands (Davies, Gilligan, & Sutton, 1986; Quelch & Harding, 1996). The United States with a private label share of 16% has a far more fragmented retail environment (36% retailer concentration) as compared to European countries like Switzerland, which has 86% retailer concentration and a 45% private label share (Nielsen, 2005).
2.8. Store Brand Buying Behaviour

Understanding how consumers make product choices is a central issue in marketing theory. Studying consumer choice behavior under situations where Manufacturer's brands and Store brands compete directly for the consumer's patronage has been an important stream of store brand research. We find a rich body of literature being evolved over the years on the subject. The first attempt to understand the characteristics of private brand prone and non-private brand prone consumers was made by Frank and Boyd (1965) and the study brought attention of the academia towards store brand buying behaviour and several research studies followed subsequently. The empirical literature on store brand buying behaviour has guided us in developing the conceptual framework of this thesis. There are broadly two kinds of research found in the available literature on store buying behaviour: those investigating the antecedents and consequences of store brand attitude and second, those examining the correlates of store brand proneness. At the end of this section we present a tabular summary of review of research literature on store brand buying behaviour (See Table 2-2).

2.8.1. Research on Store Brand Attitude

The ability of attitudes to predict consumer behaviour is the most important concern for most researchers who are interested in understanding consumer behaviour (Pachauri, 2002). In line to this, we find studies on private brand
attitude carried out with a broader objective of understanding store brand buying behaviour.

Myers (1968) for the first time attempted to identify the determinants of private brand attitude among the United States consumers of organised retailers. The emphasis of his pioneering empirical work was on testing the extent to which characteristics related to personality, perceptions and socio-economic demographics of consumer explained differences in private brand attitude. However, these variables were not found explaining the variance in private brand attitude substantially, socio-economic and perceptual variables as groups were found to be superior to personality variables in explaining differences in private brand attitude.

Another study on development of multi-item measure of consumer's attitude towards store brands and assessment of its psychometric properties, the researchers (Burton, et al., 1998) conceptualized private brand attitude to be related with three broad constructs of consumer price perceptions, marketing constructs and deal-proneness constructs. They found private label attitude positively related to value consciousness, deal proneness, reliance on internal reference prices and smart-shopper self-perceptions. Though the store brand attitude was positively related to consumer deal proneness in general, the relationship was found stronger for price-related than non-price-oriented deals. Private label attitude was found negatively related to brand loyalty, risk averseness, impulsiveness and price-quality perceptions of consumers. Analysis of variance results suggested significant differences between levels of education
and family income and private label attitude. While level of education was found to be positively associated with private brand attitude, income was negatively related to the attitude towards private labels. However, there is a positive relationship between store brand attitude and deal proneness, at the behavioral level the desire for transaction utility underlying both leads into above-average purchases of either store brands or deal-based purchases, but not both on a single purchase occasion.

In a more recent study, researchers (Garretson, et al., 2002), they developed and tested a model that addresses the similarities and differences in the antecedents of private brand attitude and national brands promotion attitude in context of grocery products. Although, both price and non-price constructs were found affecting private label attitude and national brand promotion attitude, the directionality and strength of several of these relationships were different. Value consciousness was again found positively related to private label attitude as well as national brand promotions attitude. The price-quality schema had opposite effects on private label attitude and national brands promotion attitude. Consumers who believed in price as an indicator of quality viewed positively towards national brand promotions and negatively towards private brands. Smart-shopper self-perception positively associated with both the private label attitude and national brand promotion attitude. However, the perception of smart shopping was found more strongly associated with national brands promotion attitude than the private label attitude. Brand loyalty was found negatively
associated with both the attitudes, but the relationship between brand loyalty and national brands promotion attitude was not significant.

2.8.2. Correlates of Store Brand Proneness

Exploratory investigations of correlates of store brand purchase dominate the empirical literature on store brand buying behaviour. There are numerous studies done to understand factors influencing consumer's propensity to purchase store brands in an organised retail setting where store brands compete with manufacturer's brands. The majority of studies are done in context of frequently bought household consumption food and non-food consumer packaged goods. Two kinds of research are available in literature related to store brand proneness: first, those attempting to study the differences between store brand prone and non store brand or manufacturer's brand prone consumers and the second, which tried to measure store brand proneness and attempted for joint determination of explanatory power of correlates of store brand proneness. We first present a review of studies that typically attempted to find differences between store brand buyer and manufacturer's brand buyer and then we present the studies that examined the factors affecting consumer's propensity to store brand purchase.
2.8.2.1. **Exploratory Investigations on Store Brand Buying Behaviour**

Burger and Schott (1972) in their study on store brand buyer identification observed that price-consciousness and brand loyalty of consumers significantly differentiate between store brand and manufacturer's brand buyers. Demographic variables, consumption volume, advertising attitude and careful shopping orientation were not found to be significantly discriminating between store brand buyers and manufacturer's brand buyers for both the consumer goods and durables.

Bettman (1974) examined the phenomenon of store brand purchasing in grocery category from the perspective of information-processing approach. The variables included in the study were perceived risk, perceived quality, demography (number of children in a family) and familiarity. He analysed the data using two-group discriminant analysis technique and found lower perceived risk, higher perceived quality, greater familiarity and larger family size significantly discriminating for private brand purchasing and manufacturer's brand purchasing.

In a consumer perception study (Bellizzi, et al., 1981) of national, private and generic brands were found to be different on various parameters. Private brands were viewed in the middle between national brands and generic brands. Brand loyalty and influence of advertisement on purchase behavior were found to be significant in discriminating national brands from generic and private brands.

In another study on differences in profile of loyal consumers of national brands, generic brands and store brands in the United States across selected canned food products, buyers groups were found to be different on demographic
variables and their reasons for brand preferences. Store brand buyers were found to be less educated, younger and more price conscious (Cunningham, et al., 1982).

Dick, Jain and Richardson (1995) created profile of heavy and light store brand prone consumers on demographic and attitudinal variables based on large consumer. Chi square and F tests were applied to statistically establish the difference between a store brand prone and non store brand prone consumer. Among the demographic variables, store brand proneness was found more amongst young, married, and five plus members' households with family income in the middle range as the lower income might not have expertise in brand selection and higher income households may afford premium national brands. A favorable quality, value for money perception for store brands and lower risk perception associated with purchase of store brands results in higher level of store brand proneness.

Omar (1996) attempted to understand differences between British grocery shoppers of national brands and store brands due to the shopper's personal characteristics and their behavioral patterns related to shopping supermarkets. As far as personal characteristics are concerned, store brand buyers were found to have less formal education, young, female and having children. Store brand buyers show high level of price consciousness and value for money consciousness and they use more of in-store information and shops frequently.

In a subsequent study on store brand buying behaviour, researchers (Dick, et al., 1997) examined the degree to which store brand buyers and manufacturer's
brands buyer depend upon extrinsic cues to assess the quality of the products. They conducted the study into two phases. The first phase identified the four surrogate cues that consumers use in evaluating product quality; price, advertising, brand name and packaging and the three intrinsic attributes consumers used to define quality in food products; taste, ingredient quality and overall quality. The data was analyzed using ANOVA technique to determine difference between the two customer segments to understand the degree to which each of the four extrinsic cues was used in evaluating the three intrinsic attributes for 14 food product categories. The study revealed significant difference in utilization of extrinsic cues between the store brand prone and non-store brand prone consumers regardless of the intrinsic attribute under consideration. The study found that people who equated brand name with quality are less likely to buy store brands. Store brand buyers considered price as the most important cue for assessing quality of products followed by brand name, advertising and packaging.

In a single category (chocolates) study in Finland, it was found that heavy store buyers of chocolates had a more favorable attitude towards store brands, were more price-sensitive and were more deal-prone. Amongst the demographic variables, this study found age and education being significant predictors of store brand buyers in chocolates (Lybeck, et al., 2006)

Now we present the review of empirical literature available on the examination of factors influencing consumer's propensity to buy store brands.
2.8.2.2. Analytical Modeling of Store Brand Proneness

The first illustrious work on store brand proneness came in 1965 when Frank and Boyd made the first attempt to understand factors that affect private brand proneness because of socio-economic factors and shopping behaviour characteristics. Frank and Boyd (1965) coined the term 'private-brand-proneness' to indicate consumer's propensity to purchase store brands in a supermarket shopping situation. In their pioneering study, they examined the influence of socio-economic characteristics; consumption related and store shopping habits on private-brand-proneness across forty grocery product categories from the 400,000 purchase records generated from a consumer panel. Two different formulations of regression model were used; the first one carried out separate analysis for each of the forty-four food product categories and another formulation of regression model used private-brand-proneness at the aggregated level. Proportion of total purchases devoted to supermarkets had the highest degree of correlation with private-brand-proneness. Amongst the socio-economic characteristics, they found education, family size and income to significantly associate with private-brand-proneness. Income was negatively correlated, while education and family size were positively correlated to the private-brand-proneness. Households with large number of purchases appeared to be less private-brand-prone. However this study was inconclusive about power of these consumer characteristics in discriminating between a private brand buyer and manufacturer's brand buyer.
The first attempt to build a comprehensive model of factor affecting store brand proneness was made by Richardson, Jain and Dick (1996). They developed a structural model to assess the relative importance of factors influencing store brand proneness at a household level. The influencing variables chosen for the study were broadly from consumer personality and demographic characteristics, consumer knowledge and perception about store brands. They tested their model using partial least square approach of structural equation modeling technique and found that familiarity with store brands critical for store brand proneness. Another important aspect was consumer's dependence on extrinsic cues for product quality assessment. They hypothesized that consumer's excessive reliance on extrinsic cues would negatively affect their perception about store brands because store brands usually invested lesser resources on product characteristics like brand name, packaging and advertising. Lesser quality variation between store brands, competing manufacturer's brands, and high value for money perception for store brands, lower risk perception associated with store brand purchase are other important factors influencing store brand proneness. Results also indicated positive influence of personality trait: ambiguity tolerance on store brand proneness. In terms of socio-demographic characteristics, the study found more affluent and smaller households showing lesser propensity to buy private labels. We found a good number of studies following this work. Several analytical modeling exercises on panel and survey data as well have been performed to develop deeper understanding of store brand proneness in an integrated manner.
A nested multinomial logit modeling exercise on Milward Brown's consumer panel data of Greece suggested that consumer's response to change in brand attribute would differ depending upon whether it was an manufacturer's brand or a store brand (Baltas, et al., 1997). According to this study, a regular buyer of manufacturer's brand would more likely switch to another manufacturer's brand than a store brand, provided there was a change in attribute of the manufacturer brand. They concluded that consumer choice process can be interpreted as hierarchical or tree like decision process where choice between branch of branded alternative and branch of private label alternative comes before the choice within each of two branches.

Store brand proneness has also been viewed as a discrete choice in studies. Qualitative response model frameworks have been applied to understand the various attitudinal and behavioral variables that influence the decision to buy store brands or not. Baltas (1997) in a similar exercise modeled the store brand proneness as a categorical variable in a logistic regression model. The predictors were chosen from the four broad categories of shopping behavior, reasons for store brand purchase, indicators of consumer relationship with store brands and consumer involvement with the category. The model was applied on data obtained from a representative panel of 750 British consumers. Amongst shopping behavior descriptors, planned shopping and innovativeness were found to be insignificant in store brand purchase-decisions. Price related deal proneness was negatively associated with store brand purchase-decisions. Consumer propensity to choose the cheapest alternative and lack of brand
loyalty were found to be good predictors of store brand purchase-decision. Price of the store brands had a favorable impact on purchase of store brands. The study found strong positive influence of familiarity on store brand choice. While higher category involvement resulted in lesser chances for store brand choice, higher shopping frequency had an opposite impact on store brand choice.

The share of private label across categories varies substantially. Batra and Sinha (2000) examined this cross category differences in private label share from consumer's perspective. Consumers were found to be more prone to buy store brands in categories where they perceived lower consequences of making a mistake in their brand selection and where they perceived lower variability in quality levels across brands. In addition to these, categories where consumers thought that they could accurately gauge the quality of key product attribute or benefit based on written descriptions on the packaging, private label share were higher.

In a study on understanding differences of a national brand promotion consumer and a store brand consumer, researchers (Ailawadi, et al., 2001) first identified the psychographic and demographic traits that potentially drive usage of the store brands and national brand promotions. They found the store brand usage to be primarily correlated with traits related to economic costs and benefits like price consciousness, low quality consciousness. They also found the impact of demographics on store brand purchase mediated through consumer psychographics.
Baltas (2003) developed a comprehensive discrete/continuous model of store brand consumption that allowed for simultaneous determination of whether or not to consume store brands and how much to spend on such products. The model was empirically tested using data for a frequently bought consumer product obtained from UK Super panel data. The expenditure share of store brands was used as dependent variable in the continuous stage of the model. Frequency of purchase, store loyalty and familiarity were found positively related to store brand consumption, whereas cost of store brands was negatively associated with its consumption. Category expenditure is positively related to the decision regarding store brand purchase; however the same variable is negatively related to expenditure share of store brands indicating that consumers with greater category budget can afford high priced national brands. Promotion proneness was not associated with store brand proneness. Amongst the demographic variables, age, family size, social grade did not have significant impact on store brand consumption.

Fin and Suh (2005) adopted theory of reasoned action to examine if the individual perception factors increase private brand purchase intention directly or via a positive private brand attitude Korean discount store context. They developed an integrative framework consisting of four consumer characteristics, namely, price consciousness, value consciousness, consumer innovativeness and perceived quality variability affecting the private brand attitude and private brand purchase intention. It is worthwhile to point out here that perceived quality variability cannot be classified as a consumer characteristic. It is rather consumer
perception about store brands. Their research findings suggested insignificant direct relationship between price consciousness and purchase intention for home appliances. Similar results were found for perceived quality variation and purchase intention for private brands of food products. While value consciousness affects purchase intention directly and via private brand attitude in case of home appliances, no such direct relationship is observed in case of food products.

A multinomial nested logit modeling was developed to examine the impact of brand loyalty, price and other demographic variables on store brand choice across three supermarket categories (Cataluna, et al., 2006). They tested the model using consumer panel data of TNS- Spain. Their study provided evidence for brand loyalty and price paid as the main driver affecting the brand choice decision. Price discounts and demographics did not significantly influence brand choice decisions.

In another research on store brand purchase intention, researchers (Harcar, et al., 2006) validated the role of consumer characteristics like involvement and brand loyalty, store brand perceptions about quality, price and risk and knowledge about store brands on store brand purchase intention in a consumer study in the United States using confirmatory factor analysis.

Hansen et al. (2006) investigated whether the propensity to buy store brands is category specific or an enduring consumer trait. They developed a multi category brand-choice model to analyses the cross-category similarities in household preference for store brands. They applied the model to ten food and non-food
product categories dataset from a frequent shopper database of a retail chain in the United States. They found strong evidence of correlations in household preference for store brands across categories.

In a bivariate examination of correlates of store brand proneness of Greece consumers, researchers (Baltas & Argouslidis, 2007) found insignificant role of demographic variables like gender, age and family size, though education and income had positive impact on the private brand proneness. A favorable assessment of store brands in comparison to national brands resulted in higher levels of store brand proneness. While price sensitivity affected store brand proneness positively, brand sensitivity had a negative impact on the same. Shopping frequency positively correlated with store brand purchase, while store loyalty had a negative correlation with store brand proneness indicating no primary store patronage.
Table 2-2 Summary of Review of Literature on Store Brand Buying Behaviour

<table>
<thead>
<tr>
<th>Variable</th>
<th>SB Attitude</th>
<th>Identification of SB and manufacturer's brand Buyers</th>
<th>Analytical Modeling of Store Brand Proneness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic Characteristics of Consumers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>+ x x x - x - x + x x x x x x x +</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>- x x x x - x - - x x x x x x x +</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family Size</td>
<td>x x + x x + + x x + x x x x x x x x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>x x x x - - - + x x x x x x x x x x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marital Status</td>
<td>x x x x x + + x x x x x x x x x x x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personality of Consumers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tolerance to Ambiguity</td>
<td>x x x x x x x x x + x x x x x x x x x</td>
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<td></td>
</tr>
<tr>
<td>Risk Averseness</td>
<td>- x x x x x x x x x x x x x x x</td>
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### Table 2-2 continued

<table>
<thead>
<tr>
<th>Type of Study</th>
<th>SB Attitude</th>
<th>Identification of SB and manufacturer's brand Buyers</th>
<th>Analytical Modeling of Store Brand Proneness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Consumer Perception of Store Brands</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extrinsic Cue Perception</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Quality Perception</td>
<td>x</td>
<td>x</td>
<td>+</td>
</tr>
<tr>
<td>Risk Perception</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>Value for Money Perception</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Store Brand Pricing</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Consumer Knowledge of Store Brands</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Familiarity</td>
<td>x</td>
<td>x</td>
<td>+</td>
</tr>
<tr>
<td>Shopping Behaviour</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modern Format Share of Spends</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Shopping Frequency</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Store Loyalty</td>
<td>x</td>
<td>x</td>
<td>x</td>
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Table 2-2 continued

<table>
<thead>
<tr>
<th>Type of Study</th>
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<th>Analytical Modeling of Store Brand Proneness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopping Characteristics of Consumers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price Consciousness</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Brand Loyalty</td>
<td>-</td>
<td>-</td>
<td>x</td>
</tr>
<tr>
<td>Value for Money Consciousness</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Brand Consciousness</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Deal Proneness</td>
<td>+</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Reliance on Extrinsic Cues</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Planned Shopping</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Consumer Innovativeness</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Value Consciousness</td>
<td>+</td>
<td>+</td>
<td>x</td>
</tr>
<tr>
<td>Smart Shopper Perception</td>
<td>+</td>
<td>+</td>
<td>x</td>
</tr>
</tbody>
</table>
Table 2-2 continued

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Consumer Involvement</td>
<td>-</td>
<td>-</td>
<td>x</td>
</tr>
<tr>
<td>Impulsiveness</td>
<td>-</td>
<td>-</td>
<td>x</td>
</tr>
<tr>
<td>Price=Quality Consciousness</td>
<td>-</td>
<td>-</td>
<td>x</td>
</tr>
</tbody>
</table>

Remarks: [+] indicates positive influence on store brand buying behaviour; [-] indicates negative influence on store brand buying behaviour; [x] indicates variable was either not studied or had no significant influence on store brand buying behaviour.

List of Studies
1. Burton et al. (1998)
2. Garretson et al. (2002)
5. Cunningham et al. (1982)
8. Lybeck et al. (2006)
9. Frank & Boyd (1965)
10. Richardson et al. (1996)
13. Ailwadi et al. (2001)
15. Fin and Suh (2005)
2.9. Summary

This chapter began by reviewing the theoretical underpinnings of consumer decision making and then the literature available on evolution of store brands, their strategic importance and their market performance. Then the chapter provided an elaborate description of store brand buying behaviour based on the review of literature, with a special reference to store brand proneness.

Store brands are the brands owned and marketed by the retailers through the chain of their own stores while manufacturer's brands are owned and marketed by the manufacturers. Store brands are hence completely controlled by the retailers.

Store brand proneness refers to consumers' propensity to purchase store brands in supermarket situations. Store brand prone consumers can be distinguished from national brand prone consumers on several accounts. Correlates of store brand proneness include a wide range of consumer-related characteristics like demographics, behavioral pattern, psychographics, private brand attitude, perceptual variation between national brands and store brands, consumer product knowledge, etc.

The gaps found in extant literature on store brand buying behaviour are;

- The empirical findings on many of these correlates vary widely across studies in terms of direction of association between individual correlate and store brand proneness and relative importance of factors in jointly explaining store brand proneness.
The tabular summary clearly depicts that there have been very few attempts in past towards creating a unified and cohesive framework of understanding store brand proneness by integrating various factors identified in studies on store brand buying behavior.

Moreover, there is hardly any such study in Indian context that attempts to understand consumer choice behavior concerning store brands. Most of the studies originated from U.S.A. or Europe presenting a different socio-economic, political and retail environment.

Consumer decision-making styles are referred as consumer personality, which consumers adhere to, even when they are applied to different goods, services or purchasing situations. In store buying behaviour literature, we do not find any reference to a study that examines the behaviour in relation to the consumer decision-making styles.

These are the gaps, which this research attempts to fill, at least partially and develop a more comprehensive understanding of store brand proneness in an emerging economy context.

The Chapter three proposes the conceptual framework for the study and the rationale for several testable hypotheses suggested by the review of literature.