Résumé: Les distributeurs introduisent de plus en plus de marques de distributeur (MDD) bio, envoyant ainsi deux signaux de qualité opposés (positif et négatif). Ces signaux ont un impact sur la perception et le comportement des clients vis-à-vis de ces marques. Dans cette étude, nous proposons de voir lequel de ces deux signaux contraires prédomine sur l’autre. Ainsi, au travers d’une expérience en ligne, nous mesurons l’impact de l’ajout d’un label bio pour une MDD sur la valeur perçue pour le coût et la fidélité à la marque. Nous cherchons également à savoir si cet effet diverge pour les consommateurs soucieux du prix ou non. Nos résultats revêtent un intérêt managérial important car ils montrent que l’ajout d’un label bio permet aux MDD d’arriver au même niveau de fidélité et de valeur perçue pour le coût que les marques de producteur bio. Cet effet ne diffère pas suivant les consommateurs.

Mots clés: Marque bio; Marque de distributeur; Expérience en ligne; Fidélité à la marque; Valeur perçue pour le coût.

The Impact of Adding an Organic Label for Private Label Brands. An Investigation on the Effect on Perceived Value for Money and Brand Loyalty

Abstract: Retailers are introducing more and more organic private label (PLB). These brands convey two quality signals both positive and negative. These signals have an impact on consumers’ perception and behaviors towards the brands. Understanding what signal prevails for consumers and for what type of consumers is thus of major importance for retailers and marketers. In this study, we investigate the impact of adding an organic label for PLB on perceived value for money and brand loyalty and the difference of impact for (non-)price conscious consumers. We do it through an online experiment. Our results show that adding an organic label to PLB allows it to reach organic national brand level in terms of perceived value for money and brand loyalty and that these effects do not differ between non-price and price conscious consumers.

Keywords: Organic brands; private label brands; online experiment; brand loyalty; perceived value for money.
THE IMPACT OF ADDING AN ORGANIC LABEL FOR PRIVATE LABEL BRANDS. AN INVESTIGATION ON THE EFFECT ON PERCEIVED VALUE FOR MONEY AND BRAND LOYALTY

Introduction

Following the success of organic brands and their growing importance in the retail markets (Sahota, 2012), retailers have started to introduce organic private label brands whose market shares are increasing (Bauer, Heinrich and Schäfer, 2013). Research shows that organic brands and private label brands (PLB) are product characteristics that convey quality signals that consumers use to judge products and influence their perception. For instance, organic brands are seen as products of high quality (Yoo, Donthu and Lee, 2000), whereas PLB as brands of lower quality (Nenycz-Thiel and Romaniuk, 2009). This, in turn, influences their perceived value for money and brand loyalty. However, the combined effect of these two product characteristics (negative and positive) is less known. It is thus important for retailers and managers to investigate if: a) one of these effects prevails in consumers’ perception of products and, b) if the impact is similar for all consumers.

In this article we fill this gap by studying the effect of organic PLB on consumers’ perceived value for money and brand loyalty. Moreover, we compare it to the separate impact of these product characteristics on perceived value for money and brand loyalty. In addition, we test how consumers’ price consciousness moderates this effect.

Literature review

Perceived value for money and brand loyalty are the two main concepts considered in this study. Perceived value for money is the value of the product relative to the price (Richardson, Jain and Dick, 1996). It represents the value consumers expect to get from a product not in absolute terms but in relation to the price of the product. Brand loyalty can be defined as a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1999). They have both been studied at great length in the literature (Sweeney, Soutar and Johnsons, 1999; Chaudhuri and Holbrook, 2001). We focus here on the link between product characteristics and these concepts. Product characteristics have an impact of consumers’ perception and purchase intention of products. This impact can be either positive or negative. For instance, organic brands are perceived as being of high quality (Yoo et al., 2000). PLB are perceived as low quality brands (Nenycz-Thiel and Romaniuk, 2009). Consumers expect to get good value from organic brands even considering its high price. When it comes to PLB, not all consumers consider them to be of good value for money. A part of them consider them of poor value even considering their low prices (Richardson et al., 1996). This makes us expect that organic brands display higher levels of perceived value for money. Consumers are more loyal towards organic brands (Marian, Chrysochou, Krystallis and Thogersen, 2014), whereas consumers are more price sensitive to PLB than to national brand (NB, Berges, Hassan and Monier-Dilhan, 2013). The conjoint effect of these two product attributes is less clear. A study from Bauer et al. (2013) shows that adding an organic label to a PLB improves the product’s quality perception and purchase intention. They also find no difference between organic NB and organic PLB in terms of products’ perception and purchase intention. Nevertheless, their study does not test the perceived value for money and brand loyalty of the products. Following their results, we expect that perceived value for money for organic PLB is on the same level as organic NB and is higher than PLB.
We also expect the same results for brand loyalty with organic PLB displaying the same level of brand loyalty as organic NB and a higher level compared to non-organic PLB. Hence:

\[ H1a: \text{Organic PLB display the same level as organic NB and a higher level than PLB of perceived value for money.} \]

\[ H1b: \text{Organic PLB display the same level as organic NB and a higher level than PLB of brand loyalty.} \]

The role of consumers’ characteristics is also not clear. In our study, we choose to consider the role of consumers’ price consciousness. Price conscious refers to the degree to which the consumer focuses exclusively on paying low prices (Lichtenstein, Ridgway and Netemeyer, 1993). We focus on this particular aspect as price is one of the main differences between organic brands and PLB as organic brands are generally high priced and PLB lower priced (Sethuraman and Cole, 1999; Marian et al., 2014). Price conscious consumers are more likely to focus exclusively on low price when they purchase products (Lichtenstein et al., 1993). They thus have different reactions to PLB and organic brands. They are more likely to have better attitudes and behaviors towards lower priced brands such as PLB and worse attitudes and behaviors towards higher priced organic brands (Van doorn and Verhoef, 2015; Sethuraman and Gielens, 2014). When it comes to organic PLB, there should be an ambivalent effect for consumers when both product characteristics are present. However, Nenycz-Thiel, Sharp, Dawes and Romaniuk (2010) show that consumers generalize characteristics of one PLB onto other PLB. Therefore, we expect them to transfer the low price factor of PLB to the organic PLB which brings price conscious consumers to have better attitudes and behaviors towards organic PLB than non-price conscious consumers. Hence:

\[ H2a: \text{Price conscious consumers display a higher level of perceived level for money to organic PLB than non-price conscious consumers.} \]

\[ H2b: \text{Price conscious consumers display a higher level of brand loyalty to organic PLB than non-price conscious consumers.} \]

**Methodology**

To test our hypothesis we conduct an online experiment with 641 French consumers. The considered product category is eggs. One third of our respondents is exposed to PLB, one third to organic PLB and one third to organic NB. We use mock-ups to rule out any possible effect of brand equity that would exist with actual brands. Prior to exposure to the stimuli, we ask them what they consider as an average price for the type of brands they will see. We then use this declared price for the experiment. We thus avoid biases in price and every respondent considers a product whose price seems fair. We then use scales on perceived value for money (Sweeney et al., 1999) and brand loyalty (Chaudhuri and Holbrook, 2001) about the product. These variables are our dependent variables. The type of brand (PLB vs organic NB vs organic PLB) is our independent variable. To measure consumers’ price consciousness we adopt the scale by Lichtenstein et al. (1993).

To analyze the moderating effect of price consciousness on the relationship between the type of products and the perceived value for money and on the relationship between the type of products and brand loyalty we split the respondents between those whose price consciousness is high and those whose price consciousness is low. To do so, we compute the median of the scores of price consciousness in our sample and we consider respondents that are above to be highly price conscious and those below to be lowly price conscious.
Results

We first check for reliability. Cronbach’ alpha for price consciousness is 0.72 which appear reliable. We first prove H1a. An analysis of variance shows that perceived value for money is significantly different depending on the types of product ($F(2, 637)=6.76, p=0.001$). More precisely, a Scheffe pairwise comparison test shows that organic PLB (M=3.95, SD=1.49) are better perceived than conventional PLB (M=3.59, SD=1.52) and organic NB (M=4.12, SD=1.52) are perceived better than conventional PLB as well. We find no significant difference in perceived value for money between organic NB and organic PLB. We then validate H1b. Indeed, a second analysis of variance shows that brand loyalty is significantly different depending on the types of product ($F(2, 637)=11.38, p<0.000$). More precisely, a Scheffe pairwise comparison test shows that consumers are more loyal to organic PLB (M=3.84, SD=1.72) than to conventional PLB (M=3.12, SD=1.71) and consumers are more loyal to organic NB (M=3.75, SD=1.64) than to conventional PLB as well. Finally, there is no significant difference in brand loyalty between organic NB and organic PLB. Thus, organic PLB display the same level of perceived of value and brand loyalty than organic NB and a higher level than conventional PLB.

Concerning the moderating effect of price consciousness, we do not validate H2a and H2b. A mean test for organic PLB shows no significant difference ($t(210)=-0.423, p>0.1$) in terms of perceived value for money for (non-)price conscious consumers (M=3.91, SD=1.32 vs. M=3.99, SD=1.64). For brand loyalty again there is no significant difference ($t(210)=-0.165, p>0.1$) between (non-)price-conscious consumers (M=3.82, SD=1.59 vs M=3.86, SD=1.84). Additionally, we observe the same patterns for organic NB: there is no significant difference ($t(212)=1.09, p>0.1$) in terms of perceived value for money for (non-)price conscious consumers and for non-price conscious consumers (M=4.24, SD=1.60 vs M=4.02, SD=1.44) and no significant difference ($t(212)=-0.002, p>0.1$) between (non-)price-conscious consumers (M=3.75, SD=1.72 vs. M=3.75, SD=1.56). Finally, we find significant differences for conventional PLB between (non-)price conscious consumers in perceived value for money ($t(213), p=0.05; M=3.83, SD=1.52 vs M=3.99, SD=1.64$) and in brand loyalty ($t(231)=-1.81, p<0.1; M=2.94, SD=1.63 vs M=3.36, SD=1.79; see figure 1).

Figure 1: Perceived value for money and brand loyalty across consumers and product characteristics
Discussion and implications

Overall, our results shed light on the impact on product characteristics on consumers’ product perception and behaviors towards it. It contributes to the existing theory (Bauer et al., 2013) by testing the effect of product characteristics on perceived value for money and brand loyalty. We also test the moderating impact price consciousness to see what type of consumers is more receptive to this effect. This study offers theoretical and managerial implications.

First, we prove our first hypothesis by showing that organic NB and organic PLB exhibit the same level of perceived value for money and brand loyalty. This is in line with Bauer et al (2013) who show that adding an organic label to a PLB allows them to reach the same level in terms of perception and behaviors as organic NB. Conventional PLB have a lower level of perceived value for money and brand loyalty than both these types of product. From a managerial perspective, it shows that organic PLB can help retailers overcome the low level of quality perception associated with their brands and bring it to a NB level (Bauer et al., 2013).

Second, we show that price conscious and non-price conscious consumers have the same perception and behaviors towards organic PLB. Moreover, we confirm the literature by showing that price conscious consumers have a better perception of PLB compared to non-price conscious consumers. PLB are usually priced lower than other brands (Sethuraman and Cole, 1999) and thus attract more price conscious consumers (Sethuraman and Gielens, 2014). We also find no significant effect when it comes to organic NB even if we observe a slight decrease in perceived value for money for price conscious consumers.

It seems then that when both product characteristics are combined, the low price claim and perceived quality associated with conventional PLB are not transferred onto organic PLB. This is not in line with the existing literature (Nenycz-Thiel, Sharp, Dawes and Romaniuk, 2010). However, we do not observe the slight decrease in perception that can be observed for organic NB but we observe instead a slight increase. A possible explanation is that when both product characteristics are combined the price effect associated to organic is stronger than the price effect associated to PLB. As a result, price conscious consumers are not as favorable to organic PLB as they are to conventional PLB but they still consider organic PLB slightly better than non-price conscious consumers. This is an interesting result as it shows that all consumers react in the same way to organic PLB and thus retailers will be able to attract every type of consumers and not only consumers that are drawn by low price when they sell organic PLB. This will enable them to widen their potential customer base in the process.

Limitations and directions for further research

Our study is not free of limitations that define avenues for future research. Further research is necessary to assess the impact of other consumer characteristics, as we consider only one, namely price consciousness. Characteristics related to quality consciousness, for instance, could be interesting to test. Including additional product categories and other countries would also help generalize the results of our study.

References


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