

Cultural variables influence consumer demand for private-label brands

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James F. Towey Faculty Fellow at Illinois.

Consumer attitudes toward private-label store brands might be driven more by social variables than price, says new research co-written by Carlos Torelli, a professor of business administration and James F. Towey Faculty Fellow at Illinois. Credit: Gies College of Business

New research co-written by a University of Illinois expert in consumer behavior and global marketing explores why certain segments of consumers prefer national or global brands over their less-pricey private-label equivalents, and the managerial and marketing implications of those choices.

Private-label brands—think not-so-generic [store brands](#) such as Costco's Kirkland Signature line or Target's "up & up" labeled products—contribute significantly to retailer profits by catering to bargain-driven consumers who also value quality. But consumer attitudes toward store brands might be driven by the consumer's own social status and beliefs about societal hierarchy more generally, with results varying between products of high symbolism (sunglasses or jeans, for example) versus products of low symbolism such as bleach, according to a paper co-written by Carlos Torelli, a professor of business administration and the

"Private-label brands have been around for many years, but they've been undergoing an evolution lately," Torelli said. "In the past, they were considered and branded as generic products—laundry detergent or dish soap that didn't have a name on the label other than what it was. Just a container with the product inside. Now we have store brands that mimic the elements, attributes and packaging of their big-name competitors but cost less."

Although store brands are popular with consumers, their market share hasn't increased proportionally and has remained steady at 10-15% in most countries.

"Given the widespread belief that private-label brands offer good value, it's surprising that the market share of such brands has remained stubbornly low," said Torelli, also the executive director of Professional and Executive Education at the Gies College of Business. "The preference for national brands has puzzled marketers, who are continuously striving to understand the factors that drive consumer choice."

Torelli and his co-authors examined the interactive effect of "power distance belief"—the acceptance and expectation of hierarchies and inequalities in society—and consumers' social status on the effects they have on preference for private-label versus national brands. They used a data set spanning 32 countries from 2006-10 on the aggregate [market share](#) of private-label brands in 21 common product categories.

The researchers found that in societies high in power distance belief (countries such as China, Indonesia and Mexico), low-status consumers preferred national brands when purchasing low-status-symbol products such as laundry detergent—even though the national brands were

more expensive than their private-label equivalent—in order to fulfill their need for "heightened status." High-status consumers, on the other hand, preferred private-label brands for everyday products.

"You would assume that it would be the other way around—that low-status consumers would buy the cheaper private-label brand because they have less disposable income, but that's not what we found," Torelli said.

The research has implications for how private-label marketers can penetrate the developing markets of countries where people accept and endorse hierarchy, including the potentially lucrative markets of Brazil, China, India and Russia, Torelli said.

"There's an opening for the national brand to target low-status consumers who are not traditionally thought of as part of their consumer demographic," he said. "If national brands manage the size and certain other parameters to make the product slightly more affordable, then there is a market for premium brands in that demographic—as long as they don't cheapen or water down the quality of the product itself to make it more price competitive with the store brand."

The results also suggest that enhancing the prestige of private-label brands may more successfully attract low-status [consumers](#) than offering lower quality products at lower prices, Torelli said.

"If you're a private-label brand, the one thing you could possibly do is burnish your image by 'branding up,' much like what Target did, and create a higher-end private label to sell exclusively in your stores," Torelli said. "That's a trend we're seeing—a movement among retailers to do their own branding. Our research would suggest that just because it's a private-label brand doesn't mean it's destined to be low status.

"If you do a good enough job branding it, you spin it off into its own brand, much like how The Limited spun off Victoria's Secret, which was originally a private-label brand. We don't think of Victoria's Secret as a private label now, but that's how it

started. In order to do that, the parent company really has to be invested in the [brand](#)—invested in the packaging, the advertising, the signage, everything."

The paper was published in the *Journal of Business Research*.

More information: Jessie J. Wang et al, The interactive effect of power distance belief and consumers' status on preference for national (vs. private-label) brands, *Journal of Business Research* (2019). [DOI: 10.1016/j.jbusres.2019.10.001](#)

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