

# Modelling consumer responses to an apparel store brand:

## Store image as a risk reducer

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### **Abstract**

To make informed private label (PL) strategy decisions, retailers must understand the factors influencing consumer's brand choices. Previous PL studies have investigated grocery products, and ignored unique features of different types of own brands. We investigate attitudes towards buying a retailer-endorsed brand, or store brand (SB), in apparel retailing. Customers of a Finnish department store were surveyed. Data were analysed using SEM. Perceived value and quality of SB apparel appear to be the main drivers of purchase intentions. Perceived risk reduces SB value and purchase intentions. Store image affects purchase intentions indirectly, by reducing perceived risk and increasing SB quality perceptions.

**Keywords:** Store brand, Purchasing behaviour, Store image, Apparel

## 1. Introduction

Goods and services sold under a private label do not bear a manufacturer's brand, but are generally associated with a particular retailer. Private labels thus identify "the goods and services of a retailer and differentiate(s) them from those of competitors" (Ailawadi and Keller, 2004, p. 332). More and more retailers carry private labels, and these labels continue to increase in importance in terms of market share, particularly in Europe. There are reports to the effect that private label sales "account for about one fifth of total volume sales in the United States, one-fourth in Canada, and nearly one-half in Europe" (Sethuraman, 2003, p. 3). Hoch and Banerji (1993, p. 58) even found that "the imagination and management talent devoted to private labels in Europe (also) tends to be of a higher level than in the United States." The United Kingdom is a prime example of a territory with a high level of successful private label sales (Richardson et al., 1996a), but other European countries are catching up (Håkansson, 2000). Private label sales are up everywhere and premium private labels are increasingly challenging manufacturers' brands, also in non-traditional private label categories (ACNielsen, 2003). For example, in addition to some well known own-brand clothing stores (e.g., Hennes and Mauritz, and Zara), retailers like Tesco and Asda in the UK, and department stores like Printemps in France and De Bijenkorf in the Netherlands also offer private labels in apparel, home decoration, textiles and other areas. The penetration of private label sales in the apparel business is substantial, having exceeded 50% in the UK (Moore, 1995). In the US, studies have shown that a majority of consumers are willing to buy private label clothes (Vahie and Paswan, 2006).

Our present understanding of consumer responses to private labels is mainly based on studies of groceries and commodities bought from the local supermarket

(e.g. Anselmsson et al., 2008; Deleersnyder et al., 2007; Juhl et al., 2006; Labeaga et al., 2007; Méndez et al., 2008), while studies of other product categories are rare. For instance, the rise of retailers' own brands in fashion has received scarce attention in marketing and branding literature (d'Astous and Saint-Louis, 2005; c.f. Moore, 1995; Morganosky, 1990; Vahie and Paswan, 2006). It is therefore essential to extend research to other product categories than groceries and commodities, and at the same time to other geographic regions than the US, where hitherto most research has been conducted (Baltas, 1997).

Furthermore, most studies have been devoted to private labels in general. Little is known about consumer reactions to particular types of own brands. For example, very little attention has been paid to store brands, a private label using the name of the store in the label. Store brands are a sub-brand with the retailer as the endorser (c.f. Aaker, 1999). As Quelch and Harding (1996, p. 103) note, "What could be more convenient, some store owners argue, than to have consumers remember a single store name?". This raises the question of how consumer attitudes towards the store brand are affected by their perception of the image of the store whose name they carry (Ailawadi and Keller, 2004). Manufacturer's brands are available in various stores, and as such do not affect loyalty to a particular store. Own brands in fashion and apparel on the contrary are believed to possess the power to enhance loyalty to the store they are associated with (Birtwistle et al., 1998). To successfully launch and manage a store brand, it is necessary to understand consumers' specific perceptions of, and response to, this particular type of private label.

Little is known about consumer perceptions of apparel store brands, and how these perceptions are affected by the image of the store, whose name the products carry. The aim of the present study is therefore to investigate what drives consumers'

behavioural responses to a store-branded apparel product, and which role the perceived store image plays in determining these responses.

The paper is structured as follows. First, the phenomenon of store brands is discussed and contrasted with other types of brands. Second, a framework is presented for the identification of determinants of consumer responses to store brands, and relationships between the constructs are proposed. Third, the empirical setting and the data collection procedure are described. Fourth, the data are analysed using Structural Equation Modelling (SEM) with SmartPLS software (Ringle et al., 2005), and the results of this analysis are reported and discussed. Finally, a conclusion, managerial implications, and suggestions for further research are provided.

## **2. Review of the literature**

In the literature review, the constructs used in this study are introduced, defined and discussed. Based on an analysis of existing literature, hypotheses are formulated with respect to their interrelationships.

### **2.1. Store brands**

Many terms are used to denote various forms of retailers' private labels, such as private brands, store brands, own brands, retailer brands, wholesale brands and distributor's own brands (Håkansson, 2000; Moore, 1995), all of which appear to be used interchangeably in the literature (Ailawadi et al., 2001; De Wulf et al., 2005; Richardson et al., 1996a; Sayman et al., 2002; Sethuraman, 2003). Nonetheless, consumers respond in different manners to different types of own brands. According to Kapferer (1997, p. 218), the choice of a branding strategy depends on "the image value of the store name...[and]...the product's degree of involvement." The brand name thus influences consumers' overall quality perceptions of the product (Dick et al., 1996).

To develop a better understanding of how consumers respond to these brands, and to develop an appropriate private label strategy, a distinction should therefore be made between different types of own brands, in particular between store brands and retailer named brands (d'Astous and Saint-Louis, 2005). Keller (2003) suggests that a store name may not always be appropriate to brand ego-expressive products (Hirschman and Holbrook, 1982), like ready-to-wear clothing. Own brands could, therefore, be distinguished according to if and how the retailer's own name is displayed on the product. A store brand is defined as a private label brand, or retailer brand, that bears the name of the store (Keller, 2003; Morganosky, 1990).

Almost two decades ago, Morganosky (1990, p. 46) noted that "many apparel retailers (especially department stores) are expanding the percentage of store brands that they carry." This trend, however, has changed and today store brands have almost disappeared in favour of retailer named brands (c.f. Henricks, 1998; Ryan, 2003, 2004). The advantages and risks to retailers of launching a store brand can be compared with those of introducing brand or line extensions (Grønhaug et al., 2002; Keller, 2003; Van Riel et al., 2001). The success of the store branded category depends, in analogy with brand extension theory, on the perceived quality of the parent brand (i.e. the store) and the fit between the parent brand and the sub brand category. It is considered essential that the store image, associated with the parent brand, somehow supports the store branded product category (Arndt, 1967) and mitigates the perceived risk of buying the category.

In the following, we argue that the perceived risk of buying a store brand, the perceived product quality and value associated with the store brand, and the store image, are particularly important determinants of customers' intentions to purchase store branded products. These determinants and their relationships will be discussed

in the specific context of apparel store brands.

## **2.2. Consumer perceived risk**

Bauer's (1960) seminal article on the concept of consumer perceived risk set off a surge of research that peaked in the 1970's (Stone and Grønhaug, 1993). Perceived risk is important for understanding many consumer behaviours, such as the willingness to buy private label products (Batra and Sinha, 2000; Richardson et al., 1994; Sinha and Batra, 1999). Detailed reviews of research on risk can be found, for example, in Gemünden (1985), Stone and Grønhaug (1993), and Mitchell (2001).

According to Bauer (1960, p. 390), "Consumer behaviour involves risk in the sense that any action of a consumer will produce consequences which he cannot anticipate with anything approximating certainty, and some of which at least are likely to be unpleasant". Risk has been conceptualised as the product of two dimensions: the perceived (adverse) consequences of behaviour, and the likelihood, or impact, of their occurrence (Arndt, 1967; Dowling, 1986; Peter and Ryan, 1976). Since the likelihood of occurring and impact of a risk are often highly correlated, the impact component is generally considered redundant in understanding consumer behaviour (Dowling, 1986; Peter and Ryan, 1976).

Adverse consequences may vary between and within product categories, on the brand level and between consumers (Dowling, 1986). Six main risk dimensions have been proposed to explain consumers' choice behaviour: performance, financial, social, psychological and physical risk (Jacoby and Kaplan, 1972), as well as time or convenience risk (Roselius, 1971). Different measures of risk have been used throughout the years, making it difficult to synthesise and compare the results (Dowling, 1986; Stone and Grønhaug, 1993).

The dimensions that have been measured most often are overall risk, and

financial and performance risk (Agarwal and Teas, 2001; Grewal et al., 1998; Shimp and Bearden, 1982; Sweeney et al., 1999), since they appear to be less product-specific than other dimensions. Social risk (Campbell and Goodstein, 2001; Stone and Grønhaug, 1993), or self-image risk (Dowling and Staelin, 1994), however, appears particularly important for products that are visible to others and communicate the consumer's self-image, such as clothes and other fashion items. Clothing is related to consumers' social identity and used to communicate the identity to others (Feinberg et al., 1992).

Support for the importance of social risk when buying clothing can be found in the much-cited study of Jacoby and Kaplan (1972), where students were asked to rank a number of products on their susceptibility to performance, financial, social, psychological, physical and overall risk. The study shows that a suit, a winter coat and dress shoes score particularly high on social and psychological risk. Furthermore, the overall perceived risk of purchasing a winter coat was best explained by performance and social risk.

Though most studies have treated risk dimensions as independent, total independence cannot be assumed (Dowling, 1986). Factor analyses on single-item risk measures have often resulted in fewer dimensions. For example, Brooker (1984) merged six risk dimensions into two second order constructs: personal risk (including psychological and social risk) and non-personal risk. Peter and Ryan (1976) also extracted two factors, labelled psychosocial risk - consisting of the congruence with self-image and reference group image - and expected performance risk.

From the above we conclude that apparel consumers likely will be affected by 1) the perceived psychosocial risk involved in buying store brand clothing, because of the visibility of the product and the fact that clothes tend to form an important part of

consumers' self-image, 2) the performance or functional risk that might be associated with less expensive apparel and their handiwork, and 3) the financial risk of buying a cheap item that may be unsuitable for its purpose, or that could become unusable after the first wash.

### **2.3. Relationships between store image, perceived risk and store brand quality**

At about the same time when Bauer (1960) introduced the concept of consumer risk, a seminal article by Martineau (1958) led to a surge of research on the store image. He defined store image as "The store personality or image – the way in which the store is defined in the shopper's mind, partly by its functional qualities and partly by an aura of psychological attributes" (Martineau, 1958, p. 47), a definition that has been widely used in marketing (e.g. Doyle and Fenwick, 1975; Jain and Etgar, 1977; James et al., 1976; Lindquist, 1975; Sirgy and Samli, 1985; Zimmer and Golden, 1988).

Research in other categories has shown that the store name mitigates consumers' perceived risk of buying a brand (Agarwal and Teas, 2001) and that intentions to purchase private label products are influenced by consumers' perceptions of the retailer's capability of producing the product (DelVecchio, 2001; Semeijn et al., 2004). Retailers' own brands are generally associated with higher perceived risk levels than corresponding national brands. Hence, by revealing the store as the manufacturer and endorser of the brand, a store with a good image can add value to the product (Moore, 1995) by reducing the perceived risk of buying the brand (Semeijn et al., 2004). A negative store image, on the other hand, is likely to have a negative impact on consumers' store brand perceptions.

**H1.** Store image negatively affects consumers' perceived risk of buying store branded apparel products.

In addition, empirical studies have demonstrated a positive direct effect of the store image on consumer evaluations of private label products (Richardson et al., 1996b; Semeijn et al., 2004). However, a meta-analysis by Rao and Monroe (1989) demonstrated that compared to brand name and price, the store name had the smallest effect on perceived product quality. For apparel products, studies show a mixed effect of store image on the perceived quality of apparel (see Baugh and Davis, 1989). A positive relationship between store image and the perceived quality of store branded apparel can be inferred from a study by Morganosky (1990), who did not study store image directly. The study showed that product quality was perceived higher when associated with department stores than when associated with chain stores, discount stores, or off-price stores. A study on students' perceptions of department store image and private label clothes found that only store atmosphere had a positive effect on perceived private label quality, whereas the price/value image of the store had a positive effect on satisfaction with private label clothes (Vahie and Paswan, 2006). A similar study by Collins-Dodd and Lindley (2003) on food products found weak support for the relationship between store image (only store variety and atmosphere were significant) and private label brands for one of three stores.

Mutual reinforcement exists between the store image and the perceived quality of goods, in that the store image is also influenced by the quality of the merchandise (Baker et al., 1994). Adding a downscale store brand category may thus have an adverse effect on consumer perceptions of the store image (Aaker, 1999). In the case of a store brand the name of the store and the brand are the same. Therefore, stores

need to ascertain that the merchandise category they carry under the store brand is consistent with the image they want to create (Grewal et al., 1998). We propose that:

**H2.** Positive consumer perceptions of the store image affect the perceived quality of store branded apparel positively.

#### **2.4. Store brand quality and perceived risk**

Although private labels are often positioned as cheap alternatives to manufacturers' brands, and often perceived by consumers as inferior in quality, the quality of retailers' own brands is generally improving (Richardson, 1997). It approaches, but seldom surpasses, the quality of manufacturers' brands (Sethuraman, 2003). Nonetheless, private label brands sometimes compete directly and successfully with the top manufacturers' brands in their category<sup>1</sup>, but most often the quality will not equal that of the higher priced national and international brands. Studies have indicated that consumers sometimes perceive no difference between national brands and private label brands of clothing (d'Astous and Saint-Louis, 2005; Forsythe, 1991).

Private label buyers, on the other hand, are often thought to be less quality conscious than buyers of national brands (Ailawadi et al., 2001), but studies show that quality is more important than price, when private labels compete with national and international brands (Hoch and Banerji, 1993). For example, Sayman, Hoch and Raju (2002) demonstrate that supermarkets' own brands often target the market share of strong national brands. Direct competition was found to be most intense for high quality store brands.

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<sup>1</sup> For example, the much cited example of President's Choice in Canada, a private label, which is also sold in other stores than the retailer owning the brand (Quelch and Harding, 1996).

In a study of electrical appliance brands, perceived quality had a strong negative effect on consumers' perceptions of performance and financial risks of buying private label products (Sweeney et al., 1999). Although the quality of some private label apparel brand approaches the quality of international brands, consumers are still likely to associate private labels with a higher risk. However, the perceived functional or financial risk is reduced if quality is perceived as high. For apparel, perceived quality is also expected to reduce the perceived social risk of buying a store brand. From these reflections it follows that:

**H3.** Perceived quality of store branded apparel has a negative effect on consumer perceived risk of buying the store branded product

## **2.5. Perceived value of and willingness to buy a store brand**

A major purpose of branding is to add to the perceived value from a consumer perspective (Grønhaug et al., 2002). This is made more difficult by the fact that value means different things to different people (Zeithaml, 1988, p. 13). Value for money and a good quality/price relationship are currently believed to drive consumers to choose retailers' private label brands.

Low priced private label brands can be used to improve the price image of a store and to attract price and value conscious consumers (Ailawadi et al., 2001; Burton et al., 1998). Burton et al. (1998) distinguish two types of private label buyers: a first group is driven by the low price; the second group is more value conscious, seeking good quality for a lower price than international brands. In an empirical study of grocery shoppers' reactions to private labels and deals on national brands, Garretson et al. (2002) found that value consciousness and smart shopper self-

perception both have a positive effect on consumer attitudes toward private labels, whereas value consciousness has a negative effect on loyalty to national brands. Furthermore, Aaker (1999, p. 96) suggests that a sub-brand that is perceived as a “‘value’ premium offering, can be attractive to consumers who consider themselves independent thinkers with no need to buy image in order to impress people.”

However, low prices may also signal lower product quality, and in the absence of other positive brand associations that are built through extensive brand communication programs, consumers may become uncertain of the value of a store brand (Arndt, 1967). In general, though, product quality has been positively associated with perceived value in previous research (Dhar and Hoch, 1997). Hence:

**H4.** Perceived quality of store branded apparel positively affects the perceived value of the apparel.

Perceived risk has been shown to have a negative effect on the perceived value of private labels, measured as ‘good value for money’ and a bargain price (Agarwal and Teas, 2001; Richardson et al., 1994). Furthermore, Sweeney et al. (1999) found that both financial and performance risk were significant mediators of the relationship between perceived product quality and value-for-money perceptions. Product quality had a negative effect on perceived risk but a positive effect on value. Based on these results, we propose that:

**H5.** Perceived risk mediates the effect of perceived store brand quality on perceived store brand value.

Perceived value, on the other hand, has been shown to positively affect consumers' willingness to buy a product (Richardson et al., 1996b; Sweeney et al., 1999). Further, price-quality associations have been shown to significantly affect private label purchases in categories that are perceived as risky (Sinha and Batra, 1999). Based on these results, we propose that:

**H6.** Perceived value of store branded apparel has a positive effect on consumers' willingness to buy the brand.

Figure 1 visually summarizes the proposed relationships in a structural model.

“Take in Figure 1”

### **3. Method**

A large Finnish department store carrying store brands was chosen for the empirical study. Finland has a moderate proportion of private label products compared with the leading European countries. For example, the penetration of private label brands in the fast moving consumer goods market was only 7,6% in 2001 (Peura, 2003), but at the same time it was also the fastest growing market. The department store is, to our knowledge, the only retailer in Finland offering retailer endorsed sub-brands in any product category. The private label brand strategy of the focal store has changed over the years. It used to carry store brands in many product categories, of which now only a few remain. Some of these brands could be called umbrella rather than endorsed brands. The store has developed a number of own brands, as well as retailer line brands for different categories. The pricing strategy varies with the category. For example, their private label food items are positioned at the upper end, because the store is known for its high quality food market, whereas all

other private label products are positioned at the cheaper end of the price scale. For this study we chose an endorsed brand of men's shirts. There were two main reasons for this choice. In the first place, choosing a product from a category that the store is not known to excel in, provides a better picture of the effect of store image on consumer attitudes. In the second place, women often buy men's accessories, which allowed us to collect data from both genders.

The focal product was a regular men's shirt that can be worn with a suit. It was positioned at the cheaper end of the assortment, thus complementing manufacturer brands. The shirts are at least 20-40% cheaper than any of the national or international manufacturer brands. They were mixed with other brands of shirts in a relatively confined space, and clearly labelled with a name that combines the store name with a label. They were displayed in the same manner as other brands, neither more visibly, nor more obscurely, giving consumers equal opportunity to spot them. Like other shirts, they were displayed in a plastic cover. Consumers rely to a large extent on the information (search qualities) provided on the package, when choosing a shirt.

### **3.1. Measurement**

Measures validated in previous studies were used as far as possible. Some measures were adapted or designed to fit the specific context of the study. Store branded product quality<sup>1</sup> and perceived value were measured based on scales developed by Agarwal and Teas (2001) and Sweeney et al. (1999). Intentions to purchase the store brand were measured based on a scale developed by Sweeney et al. (1999). We measured social risk based on scales from Dowling and Staelin (1994) and Jacoby and Kaplan (1972). Financial risk was measured based on measures taken from Grewal et al. (1998) and Jacoby and Kaplan (1972). Store image has been

measured in a variety of ways in the past, including dimensions such as employee service, product quality, product selection, atmosphere, convenience and price/value (cf. Vahie and Paswan, 2006). However, empirical studies have failed to demonstrate a relationship between all of these dimensions and consumer perceptions of private labels. We therefore decided to include a smaller number of image components, those proposed by Martineau (1958): atmosphere, which has been found to have a positive effect on private label evaluations, and service (personnel) and goods quality, which are generally considered key indicators of store image (Baker et al., 1994). Findings on the effect of the price/value component on private label evaluations have been mixed (c.f. Collins-Dodd and Lindley, 2003; Vahie and Paswan, 2006), but we included in the semantic differential 'image' scale an item on consumer perceptions of how cheap or expensive the store is. The store is conveniently located in the centre of the capital of Finland and it has the widest product selection of all stores in the city centre. Since no other stores were included in the study, we decided to leave out convenience and product selection from the 'image' scale.

Questionnaires were prepared separately for men and women, with small changes in wording (buying for yourself, for someone else etc.). Items were modified to fit the Finnish and Swedish language, and to accommodate all customers. The questionnaires were double back translated (Churchill Jr., 1979) and identical in these languages. A pilot test showed that consumers understood the questions correctly.

### **3.2. Data collection and sample**

We collected data by intercepting customers in the men's outfit department near the men's shirts display. As a result, our sample consists of both men and women, who were interested in the men's shirts on display, without necessarily purchasing anything. 223 questionnaires were completed, but 5 questionnaires were

discarded, because the respondents indicated that they did not normally buy men's shirts. Thus, 218 questionnaires were retained for further analysis. The average age of the respondents was 38 years (range 18-77) and they bought on average 5 men's shirts per year, which indicates that they were experienced buyers. 51.6 percent of the respondents were male and 48.4 percent female.

## **4. Analysis and results**

### **4.1. Data analysis**

The hypotheses were tested by simultaneously testing the proposed relationships using Partial Least Squares (PLS) path modelling (Chin, 1998). PLS is a prediction oriented, variance-based approach to Structural Equation Modelling (SEM), that makes very few assumptions about the distribution of the variables, and requires relatively few observations, compared to more traditional Maximum Likelihood (ML) SEM techniques such as LISREL (Jöreskog and Sörbom, 1989). Before conducting any analyses, the data were screened for missing values, but none were found. The distributions of all variables were checked for normality, and no extreme cases were found.

Since the scales we used were taken from different studies, exploratory factor analyses (EFA) were performed to identify potential cross-loadings and resulting problems with the discriminant validity of the factor solution. As a result of these analyses, a few items exhibiting cross-loadings or not loading highly on the expected factors were dropped from the analysis (e.g., cheap/expensive from the image scale). SmartPLS performs a Confirmatory Factor Analysis (CFA) while estimating the structural model. We report a list of the retained items, as well as the quality statistics obtained in the CFA, and means and standard deviations for the total sample in Table 1-A in the Appendix. As can be seen from this table, all remaining items load highly

(>0.70) and significantly on their respective constructs, while composite reliability measures largely exceed 0.70 for each construct (Nunnally and Bernstein, 1994). To guarantee sufficient discriminant validity between the factors, the square root of the Average Variance Extracted of each factor should exceed the correlations between that factor and all other factors (Fornell and Larcker, 1981). This was the case for all factors in our study. A matrix containing correlations between the factors, and the square root of the Average Variance Extracted (AVE) on the diagonal is presented in Table 1.

“Take in Table 1”

SmartPLS (Ringle et al., 2005) was used to simultaneously estimate all relationships put forward in the conceptual model, and further adapt the model to maximize the amount of explained variance in the dependent variable(s) (Streukens et al., 2005). Although PLS estimates for factor loadings are often overestimated while path coefficients may be underestimated (Hsu et al., 2006), these negative effects have been balanced by using a sufficiently large sample size and by the number of indicators per construct (Chin and Newsted, 1999). Given the exploratory nature of the present research and our emphasis on theory development, PLS was particularly useful given its prediction-oriented nature (Barclay et al., 1995; Fornell and Cha, 1994). In Figure 2, a revised model is presented, reflecting the empirically validated relationships. Beta values for the PLS regressions, as well as their T-values, and r-squares for each partial structural equation are reported in the figure.

Currently available PLS software does not automatically provide goodness-of-fit measures for the full path model, but only r-square values for the individual regression equations. However, a method to calculate an overall goodness-of-fit measure was proposed by Amato et al. (2004), taking into account both the quality of

the measurement model and the structural model. This statistic, called *GOF*, can be calculated according to the following formulas (Amato et al. 2004; Streukens, 2008):

$$GOF = \sqrt{\overline{communality} \times \overline{R^2}} \quad (1)$$

In formula (1), the term  $\overline{R^2}$  represents the average of all r-square values in the full path model. The term  $\overline{communality}$  is calculated as:

$$\overline{communality} = \frac{1}{p} \sum_{j=1}^J p_j communality_j \quad (2)$$

Where  $communality_j$  in formula (2) is the same as the Average Variance Explained (AVE) for  $construct_j$ . Coefficient  $p_j$  represents the number of items used in obtaining the factor, while  $p$  is the total number of items used. Using this technique, the GOF value our model was found to be .4810, which is comparable to the value calculated for the European Consumer Satisfaction Index (ECSI) model estimated by Tenenhaus et al. (2005).

Please Insert Figure 2

## 4.2. Testing of the hypotheses

Our first hypothesis (H1) posited a negative effect of the store image on the level of risk consumers perceive in buying store branded apparel. The data confirm that both dimensions of store image found (atmosphere and quality) negatively affect consumers' perceived risk. Each dimension of the store image affected different dimensions of risk. The reputation of the store regarding merchandise and service quality (reflected in the store image 'quality' dimension) negatively affects the perceived risk of financial losses. The personality of the store (reflected in the store image 'atmosphere' dimension) influenced the perceived social risk. Functional risk,

or the risk that the purchased product would not fulfil quality expectations, was not affected directly by the store image, but only indirectly, through the perceived quality of the store branded product. The first hypothesis is therefore partially confirmed.

Our second hypothesis (H2), stating that consumer perceptions of the store image have a positive effect on the perceived quality of store branded apparel is confirmed by the data for the store image 'atmosphere' component, but not for the store image 'quality' component.

Our third hypothesis (H3), stating that the perceived quality of store branded apparel has a negative effect on consumer perceived risk is only confirmed by the data for the functional risk dimension. No effects were found on financial or psychosocial risk. Although the quality of the store branded product explains a substantial part of functional risk, only a very small part of its effects on purchase intentions pass through risk perceptions.

Our fourth hypothesis (H4) states that the perceived quality of the store branded apparel positively affects its perceived value. This is confirmed by the data, to the extent that a very substantial part of the variance in perceived value is explained by perceived quality.

In hypothesis (H5), we put forward that perceived risk would mediate the effect of perceived store brand quality on perceived store brand value. This was not the case for any of the risk dimensions. Financial and psychosocial risk were not directly influenced by perceived product quality, nor did the only risk perception that was influenced by store brand quality, i.e. functional risk, affect perceived value. The hypothesis is therefore not confirmed by the data.

In the sixth hypothesis (H6), it was proposed that perceived value of a store brand has a positive effect on consumers' willingness to buy the brand. This is indeed

the case in our data, although it must be said that perceived store brand quality also quite strongly and directly influences consumers' store brand purchase intentions. Although the role of perceived value is therefore more a mediating one, the hypothesis is confirmed by our data.

## **5. Discussion**

Past research has focused on variations in perceived quality, and on private label products in general, or a range of products, for example a product category. Furthermore, most studies have been conducted on food products and no differentiation has been made between different types of private labels. Our study shows that the perceived quality and value of the store-branded products depend on: a) the levels of perceived risk, which are product-specific, and b) the perception of store related variables, such as store brand quality, and store image. Both categories influence consumers' willingness to buy the specific store brand category.

We found that overall store product and service quality (store image 'quality') significantly helps to reduce consumers' perceived financial risk. This finding implies that, in order to develop intentions to buy a store-branded product, consumers need to have confidence in overall product and service quality. The role of service quality could be explained by the notion that consumers are likely to believe that stores with a high level of service quality will solve any potential problems through service recovery. For example, when a store has a superior return policy, consumers are likely to trust that when the product is defective, the money will not be lost. They will, in that case, expect to either get a refund or the product repaired, which will reduce their perception of financial risk.

The study confirmed that consumers perceive psychosocial risk in buying store-branded apparel (See Table 1), and that this psychosocial risk reduces the

perceived value of the category. Store image, however, was found to mitigate the perceived psychosocial risk. Clothes are visible and used to express one's self identity, which makes the social risk larger than for products that are not seen by others. However, men's shirts (often worn under a coat or suit) can be expected to be less sensitive to social risk than many other clothes items, where the brand is more visible to others. From a study that only included one example of a product category it is difficult to draw conclusions on how other items would be affected by being store brand named.

By using a made up brand name, stores may actually fool customers into thinking that the private label brand is really a national or international brand. Past studies on private label products seem to have taken for granted that all consumers are able to identify which products are retailer brands and which are not. In addition, there appear to be no studies on if or how consumers differentiate between private labels clothes of different department stores, sports stores, hypermarkets or specialized clothing retailers that exclusively sell their own brands (e.g., Benetton, H&M and Zara). At what point does a private label become a national or international brand in the mind of consumers, or when do the actual brands of the clothes become more important than the brand of the store itself? This certainly seems to be the case with H&M, though we have seen no studies on the subject. In some cases, store brands seem to have given way to 'own brands with fictional names', implying that the latter are more attractive to consumers. From our study, we cannot say if customers would perceive the shirts differently if they would have had a fictional brand name, instead of the store name, but this appears to be an interesting avenue for further research.

Store brands are unlikely to be successful at stores with a low image.

Although in our study no direct effect of store image on consumers' purchase intentions was found, store image certainly has an indirect effect through the other constructs. Stores with a good image can use their reputation to brand their private labels, thus giving the product a quality stamp. A good image reduces perceived risks, as quality is perceived to be higher while consumers trust the store's return policies, which indirectly affects their willingness to buy the brand.

Most branding literature discusses the issue of private labels only briefly. Both store brands and other types of private label brands deserve more attention. All statistics show that private label sales make up a very substantial part of all product sales, that consumers are increasingly buying private labels, and that private labels are attractive to retailers due to higher margins. As a consequence, more attention should be given to private label brand building in the branding literature. There is a need for further research on all types of private labels and on different types of product categories.

## **6. Conclusion**

### **6.1. Summary**

The increasing importance of own brand strategies, especially in apparel retailing, and the lack of research in this area, warrant further investigations into the determinants of consumer attitudes and purchase intentions regarding store-branded apparel. In this article, hypotheses were formulated based on theories of private label branding, and the issue was empirically investigated in the context of store-branded men's shirts in a large department store. We found that perceived value and quality of store-branded apparel products are the main drivers of consumers' purchase intentions. Perceived financial risk negatively affects consumers' intentions to purchase store-branded shirts. Psychosocial risk negatively affects the perceived value

of the product, but does not directly influence purchase intentions. Two store image dimensions affect purchase intentions indirectly, and positively, by reducing risk perceptions. Store quality reduces perceived financial risk, while store atmosphere reduces psychosocial risk. Store atmosphere positively affects perceived product quality, but the effect is relatively small.

## **6.2. Managerial implications**

For marketing managers, it appears to be important to stress the quality and value for money of the store-branded products to consumers, since these are the direct drivers of purchase intentions. Since most retailers do not explicitly market the different categories of store-branded products available, the packaging of the products and in-store displays could be used to communicate features such as durability, design, quality, and value for money to consumers.

An explicit guarantee regarding product quality, well communicated on the package, could reduce the perceived functional and financial risk, and thus increase the willingness, or reduce the unwillingness of customers to buy the store-branded fashion product.

Consumers are more likely to talk to store personnel about the brand when buying clothes than when buying groceries. It is not uncommon for consumers to ask if clothes shrink, expand or change colour when washed. A large part of the customers at men's accessories are women and since they buy clothes for someone else, they often need advice. At these times, it is important that the sales staff is knowledgeable about the store-branded apparel and able to reassure the customers about its quality and the return policies of the store. By increasing the perceived level of service, sales staff could play an important role in reducing the risks that customers may perceive.

Regarding the store image, few retailers would probably be prepared to adapt or change the image in function of the store-branded products they sell. Nonetheless, if fashion products are representing a substantial part of sales, they could stress the trendiness of the store in general marketing campaigns. The atmosphere of the store should support selling self-expressive clothes, making the customer confident in the store's ability to produce fashion items. Although this is not in any way an outcome of the present study, it could be speculated that this could have positive effects on the sales of other, producer branded fashion products.

### **6.3. Limitations and suggestions for further research**

Many of the established measures, such as the store image, were originally not devised for the apparel retail-branding context, and needed adaptation. In future research, we therefore recommend to develop product and context specific measures of store and risk related constructs.

The study focused on a single product category, and one single type of retail brand. To develop a fuller understanding of the role of the retail brand, it would be useful to investigate the antecedents of purchase intentions in a broader variety of product categories, especially including product categories that are associated with different levels and types of perceived risk. Store brands can also be found in, for example, home decoration. Would the same results be obtained for such products? In order to understand the role of retailer specific attributes, it would be useful to extend the research to investigating and comparing similar products sold under different retail brands.

Although our aim in this article was not to investigate gender differences, the product we investigated, apparel, calls for such an investigation. In our data, the only statistically significant differences found were in items measuring social risk and

functional risk, although this did not influence the overall results. Women appear to perceive slightly higher levels of risk, in shopping for apparel. This finding is interesting and warrants future research. Only men's clothing was included in the study, and since risk perceptions appear to vary between genders, it may be of interest to examine whether similar results would be obtained for women's clothing.

Furthermore, the role of the store image, and the perception of retail brands, may and probably will vary in different countries and cultures, which implies that it would be interesting to do cross-cultural comparative studies in store branding research.

The role, and the relative importance of various dimensions of the store image can be expected to vary with the product category. In fashion sensitive products, such as apparel, or products and services that require specific skills in the producer (See the literature on brand extensions, e.g. Aaker and Keller, 1990; Van Riel et al., 2001) such as high technology products, other dimensions, such as trendiness, or category specific expertise, will play a role than in other product categories. The dimensions traditionally used to measure store image perceptions, such as physical surroundings, merchandise, service and store atmosphere (e.g. Mazursky and Jacoby, 1986) appear not to capture these dimensions. It is therefore important, in our view, to develop a broader measure of store image, better adapted to capture the relevant aspects of the store image in a store brand context.

In the present study, we did not differentiate between different segments of private label buyers. Different attitudes and perceptions will prevail in different types of buyers, and different strategies may be needed to address the different needs and expectations of these segments, such as customers of different age, or with different involvement in fashion. We therefore suggest that research is needed to better

understand customer behaviour with respect to specific product and brand categories.

In addition one might ask if people always and necessarily compare private label brands with national brands, as seems to be the assumption in past studies. Do they possibly buy them for different purposes?

Although private labels may also increase store loyalty, our results seem to indicate that customers appreciating the atmosphere and product and service quality of the store – i.e. loyal customers - are more likely to buy store-branded products. To verify this thought, a comparative study of private label perceptions between loyalty cardholders and those without a loyalty card would be required. Furthermore, loyalty to a single store is decreasing notably, in favour of loyalty to a preferred ‘set of stores’, each visited by the same consumer for specific and unique purposes. This trend could also occur in the apparel business. There is a need for further research on which role the private labels play when customers choose stores and what associations customers make regarding private labels vs. other brands and the effect that this has on brand equity and store loyalty.

## Appendix 1

Table A-1 Scale items and mean values (7-point scales), in the order presented in the questionnaire.

| <u>Constructs</u> and measurement items   | Mean | Std   | Load | T      |
|---|------|-------|------|--------|
| <u>Store brand quality</u> <sup>1</sup> Composite reliability: .94  |      |       |      |        |
| The quality of the 'Store Brand' men's shirt brand is likely to be:   | 5.14 | 1.108 | .941 | 68.247 |
| The likelihood that 'Store Brand' men's shirt brand is durable is:  | 5.15 | 1.040 | .908 | 40.452 |
| In comparison with national and global brands the quality of 'Store Brand' men's shirt is likely to be:               | 4.63 | 1.193 | .895 | 42.921 |
| <u>Perceived value</u> Composite reliability: .91   |      |       |      |        |
| I consider the 'Store Brand' shirts to be a good buy  | 4.86 | 1.222 | .934 | 83.971 |
| The 'Store Brand' shirts are very good value for money  | 4.91 | 1.176 | .897 | 29.750 |
| <u>Purchase intentions</u> Composite reliability: .89   |      |       |      |        |
| I will definitely consider buying a 'Store' branded men's shirt   | 4.45 | 1.610 | .902 | 28.108 |
| There is a strong likelihood that I will buy a 'Store' branded shirt  | 4.17 | 1.501 | .917 | 54.570 |
| I prefer another brand of men's shirts (re-coded)   | 3.74 | 1.562 | .742 | 10.756 |
| <u>Social risk</u> Composite reliability: .89   |      |       |      |        |
| A 'Store Brand' shirt would not fit in with my self-image   | 2.99 | 1.548 | .688 | 7.288  |
| Purchasing a 'Store Brand' shirt would be risky, because my friends, relatives and colleagues would not approve of it | 2.12 | 1.362 | .923 | 15.948 |
| Purchasing a 'Store Brand' shirt would be risky, because others would think less highly of me                         | 2.05 | 1.421 | .932 | 19.382 |
| <u>Functional risk</u> <sup>3</sup> Composite reliability: .90  |      |       |      |        |
| How risky do you perceive it that the shirt would not be a good fit?  | 3.28 | 1.523 | .866 | 22.575 |
| How risky do you perceive it that the shirt would not feel good on your skin?   | 3.32 | 1.546 | .918 | 51.881 |
| How risky do you perceive it that the shirt will not match your other clothes?  | 2.84 | 1.382 | .799 | 15.618 |
| <u>Financial risk</u> Composite reliability: .86  |      |       |      |        |

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|   |      |       |      |        |
|---|------|-------|------|--------|
| What are the chances that you stand to lose money if you buy a<br>'Store Brand' shirt instead of a national or global brand <sup>4</sup>                            | 2.64 | 1.244 | .892 | 32.157 |
| Given the financial expenses associated with purchasing the 'Store<br>Brand' shirt, how much overall financial risk is associated with the<br>purchase <sup>3</sup> | 2.34 | 1.101 | .846 | 16.631 |
| <u>Store image - atmosphere</u> <sup>6</sup> Composite reliability: .86   |      |       |      |        |
| Not trendy – Trendy   | 5.13 | 1.385 | .882 | 16.844 |
| Old-fashioned – Modern  | 4.99 | 1.377 | .881 | 17.606 |
| Dull – Exciting   | 4.09 | 1.199 | .586 | 4.042  |
| Inelegant – Elegant   | 5.48 | 1.318 | .751 | 9.637  |
| <u>Store image - quality</u> Composite reliability: .90   |      |       |      |        |
| Overall, the merchandise sold at the store is of low quality - high<br>quality  | 5.59 | 1.209 | .899 | 19.189 |
| Overall, the service of the store is of low quality - high quality  | 5.57 | 1.337 | .858 | 6.721  |

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Anchors: <sup>1</sup>low-high, <sup>2</sup>strongly disagree-strongly agree, <sup>3</sup>low risk- high risk, <sup>4</sup>low chance of losing  
 money-high chance of losing money, <sup>5</sup>not at all risky – extremely risky, <sup>6</sup>semantic differential

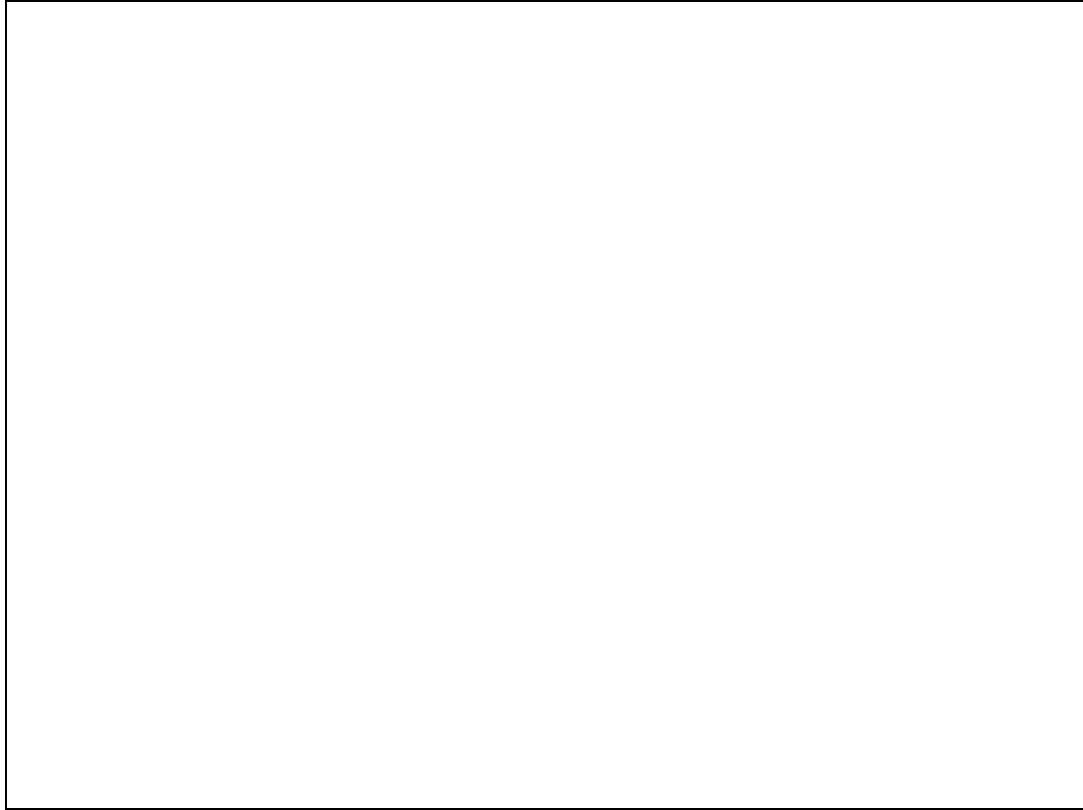


Figure 1: Determinants of consumers' willingness to buy a store brand

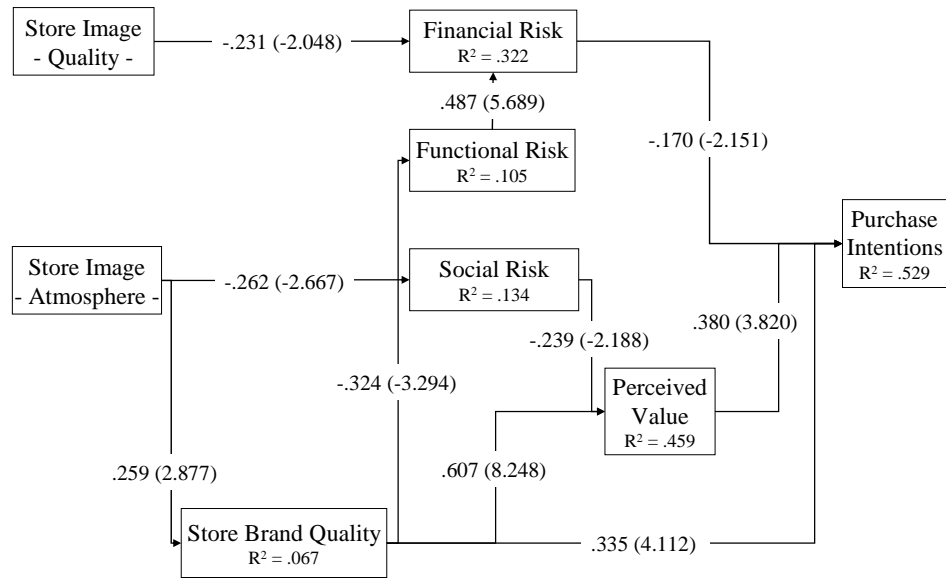


Figure 2: Empirically validated model

Table 1 Pearson correlation matrix of constructs

|                        | Mean | Std. Dev. | 1)         | 2)         | 3)         | 4)         | 5)         | 6)         | 7)         | 8)         |
|------------------------|------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|
| 1) SI 'quality'        | 5.58 | 1.141     | <b>.89</b> |            |            |            |            |            |            |            |
| 2) SI 'atmosphere'     | 4.92 | 1.033     | .49**      | <b>.78</b> |            |            |            |            |            |            |
| 3) Store brand quality | 4.97 | 1.019     | .17*       | .26        | <b>.91</b> |            |            |            |            |            |
| 4) Functional risk     | 3.15 | 1.282     | -.16*      | -.26*      | -.32**     | <b>.86</b> |            |            |            |            |
| 5) Financial risk      | 2.50 | 1.021     | -.31**     | -.34**     | -.33**     | .52**      | <b>.87</b> |            |            |            |
| 6) Social risk         | 2.39 | 1.220     | -.14*      | -.26*      | -.11*      | .33**      | .37**      | <b>.85</b> |            |            |
| 7) Store brand value   | 4.88 | 1.099     | .14*       | .26*       | .63**      | -.39**     | -.34**     | -.31**     | <b>.92</b> |            |
| 8) Purchase intentions | 4.12 | 1.332     | .04        | .15*       | .63**      | -.36**     | -.41**     | -.28*      | .63**      | <b>.85</b> |

\*\* :  $p \leq 0.01$ , \* :  $p \leq 0.05$  (Square root of average variance explained on the diagonal)

SI = Store image

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