

**A study of buyer behaviour and attitudes towards
national brands and store brands in the food
industry**

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Abstract

Purpose: The purpose of this study is to investigate how the attitudes which consumers have towards national brands and store brands in the food industry and how this influences their purchasing behaviour.

Methodology: Data collection includes three phases. The first phase is a quantitative approach consisting of a questionnaire distributed to 100 consumers. Phase two of the data collection included a focus group with eight consumers and the final phase consisted of one semi structured in depth interview with a grocery store brand manager.

Findings: The findings from this study indicate that consumers do compare national and store brands whilst grocery shopping. The overall preference is for national branded products however the brand preference is dependent on the product category for example there is a high preference for national branded teas and coffees. Overall the consensus is that national brands benefit from brand equity and brand image. Their high levels of advertising, quality controls and good reputation allows for the high price that they charge but the overall consensus is that they are still overpriced and a lot of national brands and store brands are similar in quality except store brands charge a lower price. Price and promotions are a huge influencer when it comes to brand purchase decision other factors include packaging, the store, ingredients and brand loyalty. Findings also show that many consumers make purchases out of habit and that they have loyalty towards specific brands and stores.

Research limitations: This research is limited to a sampling frame of 18 – 40 year olds. Therefore the findings and analysis from this study are limited to this age category.

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Chapter 1

Introduction

1.1 Introduction

Understanding consumer behaviour is critical to successful marketing. Consumer's perceptions, attitudes and behaviours can all be influenced by marketing activities. Therefore it is important for a marketer to understand what it is that triggers these attitudes and leads the consumers to behave the way they do when choosing which brand to purchase.

This study will be focusing on branding and a brands product attributes, in particular store brands versus national brands.

For the purpose of this research, the researcher will focus their study on a population of younger consumers aged 18-40. Studies have suggested that a person's age affects their choice of brands when purchasing products. Wakefield and Baker (1998) argue that age is not only a predictor of consumer behaviour but also a moderator. Studies suggest that younger consumers exhibit a stronger brand consciousness (e.g. McLeod and Nelson, 2005) and have more of a tendency to purchase brands for self expressive purposes and younger consumers, compared with older ones, have a greater appreciation for manufacturer brands instead of emulator or private-label brand which makes this segment an interesting one to study. Younger consumers are expected to rely on more decision criteria such as brand name and product quality when making a purchase decision.

1.2 Research Objectives

The objective of this study is to investigate the attitudes consumers have towards brands in the grocery sector focusing on national and store brands. The researcher will investigate how consumers respond to branding i.e. their purchasing behaviour when comparing national and store brands for all product categories

The researcher will also investigate the reasoning behind why consumers purchase certain brands. The researcher aims to discover whether consumers prefer national or store brands and understand why they have such a preference. The research objectives and questions can be found in greater detail in chapter 3.

1.3 Context

There is usually reasoning in why a consumer chooses one brand over another. There are ways marketers can influence how a consumer perceives a particular brand and why they will chose a particular brand over another. The researcher has a great interest in investigating how branding along with other aspects associated with branding i.e. the packaging, prices and promotions of the brand influence the consumers purchasing decision. The researcher is very interested in understanding how important branding actually is with regards to the consumer buying process.

By researching into this area one can gain a better knowledge as to how a branding expert should package and promote their brands in a way that will attract consumers and increase sales. This study will be beneficial for all brand managers as they will gain an understanding of how their consumers perceive various brands and how they act upon their perceptions and attitudes.

As the researcher will be focusing on a population of 18 – 40 year olds it is important to note that specific attributes of branding will have more influence on this segments behaviour in store as previous research indicates.

Chapter 2

LITERATURE REVIEW

2.1 Overview of the literature

The literature review includes authors from text books, articles and journals in the fields of Marketing, Consumer Behaviour, Branding and Food Journals.

The literature provides an insight into what branding actually is and how consumers view branding as a whole with most literature focusing specifically on the branding of food products. Consumer attitudes towards brands specifically towards national and store brands are identified. This chapter includes literature with regards to quality of national and store brands and consumers perception of quality and taste of the two brand types. Previous research in the form of blind taste tasting has also been identified to investigate whether or not the perceptions consumers have with regards to quality of specific brands are in fact true. Previous research included in this chapter also identifies how quality perceptions of brands influence their purchasing decision.

The literature identifies both intrinsic and extrinsic brand attributes and how consumers compare national brands and store brands as a result of the various attributes. One attribute included in the literature is pricing and promotions. Previous research investigates how the influence of various pricing and promotions can change a consumer's perception about a product or brand and how this influences their purchasing decision as a result.

Another attribute which the literature focuses on is the brand packaging and the role of packaging in branding.

Brand equity with regards to national brands is also discussed in the literature. This is the strong image that national brands possess and benefit from as a result.

The literature also identifies how loyalty towards a specific store can influence a consumers branding purchase decision.

Consumers make habitual purchases according to the literature. This chapter also highlights why and how consumers make purchases out of habit.

2.2. Branding

Branding is just one of many aspects of marketing. Kotler et al. (1996) defines a brand as ‘a name, term, sign, symbol, design or a combination which is used to identify the goods or services of one seller or group of sellers and to differentiate them from competitors’. Branding is a huge consideration for consumers when making a product purchase decision. Brand creation and management is very important in today’s highly competitive environment (Seetharaman et al., 2001). Brand names have traditionally been shown to represent many attributes, and there is clear evidence that consumers recognize a brand name as an informational chunk (Jacoby et al., 1977). There are many functions of brands and this is proved by a research conducted by Kapferer and Lauren (1992) which proposed six generic brand functions stating that:

- 1 The brand allows the consumer to quickly identify different products under the same product category.
- 2 Consumers are more likely to buy the known brands.
- 3 Certain brands have specific attributes which portray somewhat a “unique” offering available in the market.
- 4 Consumers express their social position through the choice of certain brands and these brands represent both their personality and their social belongingness.
- 5 Consumers feel excitement, joy and satisfaction through the shopping activities.
- 6 The brand can differentiate a great amount of products.

Consumers view a brand as an important part of any product and thus branding can help differentiate a firm’s product from that of a competitor’s product (Kotler et al., 1996) and consumers can have perceptions with regards to various brands. The perceptions of any brand have two functions with regards to the brand choice process. Brands facilitate brand retrieval at the time of decision making and are also used to evaluate the various options available according to Nedungadi (1990) and Aaker, (1991).

Langcaster and Massingham (1993) states that within a shopping environment consumers evaluate the alternatives of products. The evaluative criteria are usually the price and the brand image. Then once brands have been evaluated one product is selected for purchase.

Consumer brand choice and purchasing behaviour are driven by the needs of a consumer. Consumer needs are satisfied by the products, services and brands. Many brands are able to satisfy many needs of the customer (Park et al. 1986; Orth and Marchi, 2007) because brands can add symbolic meanings to physical goods through a number of dimensions such as brand names, packaging and advertisement. Branding has such a strong impact on the thoughts consumers have on any product. It has been proven that brands convey a specific set of features and benefits to consumers with some of the best brands benefiting from high quality, value and product satisfaction. Kotler et al. (1996) states that powerful brand names have consumer franchise i.e. consumer loyalty and that if a customer perceives its brand as superior then they will prefer it and as a result they are willing to pay more for it.

Olson and Jacoby (1973) classified product attributes as intrinsic and extrinsic to products. Intrinsic cues represent attributes which are specifically related to the product and cannot be manipulated without altering the physical product itself and may include such attributes as ingredients, texture and nutritional value. On the other hand, extrinsic cues are product-related attributes that are not part of the physical product itself and that may include price, brand name, advertising and packaging. Evidence shows that extrinsic cues are more easily recognized and interpreted than intrinsic cues (Purwar, 1982). It is reasonable to assume, however, that in determining the real quality of goods consumers see intrinsic cues as more important to extrinsic cues i.e when a consumer determines the quality of a loaf of bread they might feel it to determine the freshness of the loaf (Richardson et al., 1994). There are debates as to whether intrinsic attributes are more important than extrinsic attributes or vice versa. Research shows that the type of attribute that is the most important depends on the product type. De Chernatony and Knox (1990) observe that extrinsic attributes especially brand name and packaging may be more important than intrinsic cues for products for which image is important e.g. Beer.. With regards to taste consumers view the national brand as being better for differentiated categories than in generic categories. Mendez et al. (2011) conducted a study by blind taste testing a number of consumers and came to the conclusion that once a product is consumed taste is the strongest attribute determining the choice but price and brand packaging can also affect customer preference towards a brand. The results

also clarifies that the ranking of attributes towards a product does depend on product choice since the influence of price and product packaging is specific to the product category. It is clear from previous research that it is not the intrinsic product attributes nor extrinsic product attributes which are most important to the consumer and that in fact this depends on the product category.

Studies have proven that consumer's view brand types differently. There are specifically noticeable differences between national brands and store brands. Store brands increasingly compete with national brands in many product categories (Herstein and Gamliel, 2004; Levy, 2009). Store brands also known as private labels can be defined as products retailers sell under their own name (Burt, 2000). Private labels or store brands are generally brands owned, controlled, and sold exclusively by retailers. Baltas (1997) states that differences in product attributes and marketing activities between national and store brands lead to different perceptions and preferences among consumers. There are attributes which distinguish store brands from national brands with the price and quality being the main attributes in differentiating the two brand categories. The level of product quality is important in order to satisfy consumers needs and generate sales. Therefore research states that consumers differentiate store brands and national brands according various attributes, mainly pricing and quality.

In Western Europe the Private Labels category is worth 20 percent of grocery sales (Nielsen, 2008) and is on the rise. Therefore, National Brands are the majority of sales within the grocery sector and it appears that most own-label suppliers are small regional players not coincidentally playing on the major manufacturers' field (Hoch, 1996). Therefore, the researcher can conclude that national brands are purchased more than store brands.

2.3 Consumer Attitudes:

Attitudes/ perceptions which consumers have towards brands play an important role with regards to purchase decision. Attitudes can be described as an 'individual's favourable or unfavourable inclination towards an attribute of an object which will lead to a tendency to act or behave in a predictable way in relation to it'. Attitudes represent a crucial link between customers' views of a product and what they decide to buy (Perry 1969). Perceived quality and the importance of different attributes have an impact on the willingness to buy store

brands (Veloutsou et al., 2004). According to previous research by Laroche et al. (1996) a consumers' intention to buy a specific brand depends not only on his or her attitude toward the target brand but also on attitudes toward competing brands. There is the attitude amongst consumers that store brands possess a lower quality than well known national brands. The attributes that signal product quality can be either the products flavour or colour etc or could be the price, brand name and advertising etc, also known as intrinsic cues or extrinsic cues (Jacoby and Olsen, 1977). Research has shown that identical products sold under different brand names will be perceived differently by consumers (Sullivan, 1998).

2.4. Product quality and the influence it has on brand choice

Kotler et al. (2006) defines quality as “the set of aspects and characteristics of a product and service that maintain a relationship with their capacity to satisfy consumers' expressed or latent needs”. Many researchers have focused their studies on store brands, and comparing their quality with manufacturer brands through the evaluation of their intrinsic and extrinsic attributes. Several studies have found that in general consumers perceive national brands to be superior to store brands on attributes such as quality, taste and reliability (Cunningham et al 1982; Hawes et al., 1982). Sethuraman (2000) states that National brands provide hedonic utility and quality whereas store brands are generally lower priced, poorly packaged, lack strong brand recognition, and are rarely advertised at the national level (Cunningham et al., 1982). Store brand grocery items are judged inferior to national brands in terms of quality of ingredients, taste, texture and aroma (Bellizzi et al., 1981). Cunningham et al. (1982) observe that consumers evaluate both the intrinsic and the extrinsic cues of national brands more positively. This proves that there is the belief that consumers prefer national brands over store brands in general. This is proven by results of previous research for example results of a particular research (Ming-Sung Cheng, 2007) indicates that national brands are perceived as significantly superior to store brands. A study by Richardson et al. (1994) examine the effect of intrinsic and extrinsic cues on consumer-perceived quality for five product categories and find that the most valued choices have the extrinsic cues of manufacturer brands, independently of their objective quality while Bellizzi et al. (1981) uses a likert scale to measure consumers' perceptions of different intrinsic and extrinsic cues such as design image and quality. Results found that there were significant differences in the evaluation of extrinsic cues in favour of national brands

2.5 Intrinsic and extrinsic product attributes

The intrinsic attributes are related to aspects of a product such as colour, flavour, form and appearance and ingredients on the other hand, extrinsic attributes are related to the product, but not in the physical part of this one e.g. brand name, stamp of quality, price, country of origin, store and packaging (Bernue's et al., 2003).

2.6 The role of pricing and promotions with regards to branding

On average, private labels are 10-30 percent cheaper than national brands in grocery product classes Baltas (1997) states. Consumers of private brands have previously been profiled as financially constrained, highly price conscious, and not very quality conscious (Baltas, 1997). Jacoby et al. (1971) suggest that a low price may make consumers suspect the products quality since higher price usually means higher quality.

The lower pricing can be a negative attribute of store brands since the lower price does often convey a sense of poor quality but on the other hand it can be perceived as value for money depending on the consumer. Bellizzi et al. (1981) states that price has also been found to be the major selling point for store brands in past studies. Zeithaml (1998) also suggests that a store brands major selling point has been their price advantage and can act as a cue to trigger a perception of value. Pricing leads to a store brand having competitive advantage according to Mendez et al. (2011). Therefore one can conclude from previous research that price is a major factor which differentiates the store brands from national brands.

Szumanski and Busch (1987) suggest that younger consumers may be willing to pay smaller premiums for national brands, because their preferences are not as strongly formed as older consumers on the other hand Sethurman and Cole conducted a study and results indicate that younger consumers are willing to pay larger price premiums than older consumers.

2.7 The role of packaging with regards to branding

Good packaging can influence a consumer's decision to purchase a brand and creates instant consumer recognition of any brand. Recognising brands is extremely important with regards

to brand loyalty. Packaging seems to be one of the most important factors in purchase decisions made at the point of sale (Prendergast and Pitt, 1996). Kotler et al. (1996) defines packaging to include the activities of designing and producing the container or wrapper for a product. Many factors of packaging has made it a good marketing tool and the critical importance of packaging design is growing in such competitive market conditions, as packages become a primary vehicle for communication and branding (Rettie and Brewer, 2000). Therefore, innovative packaging can give a company an advantage over competitors e.g. Toblerone, Cidona and jiff lemon all have distinctive packaging which aids in their well known brand image. Food product brands use a range of packaging attributes, combining colours, designs, shapes and symbols (Nancarrow et al, 1998). Products often are chosen without planning. This is a form of Impulse buying (Hausman, 2000). National brands use distinct packaging including logos, symbols, colours and shapes and a consumer identifies them immediately on the store shelf. It is evident that many stores and minor brands tend to package their products similar to the well known brands in the hope that consumers associate their products with those well known brands and as a result purchase the product. E.g. Aldi's crisps 'stackers' resembles that of Pringles and their curry sauce resembles 'McDonalds' curry sauce. Schmalensee (1978) confirms this statement by pointing out that Store Brands often imitate the category leader, presumably to signal comparable quality at a lower price.

2.8 Brand equity

Price and packaging are just some product attributes that influences a consumer's brand choice. There are however other factors such as consumers have a certain level of brand equity towards national brands. In other words national brands benefit from a high level of equity and image which is not influenced by the lower price of store brands (Ailawadi, 2001). Consumer-based brand equity (CBBE) is underpinned by the knowledge that consumers hold about brands in their memory (Keller, 2003). A high equity brand limits consumers' negative inferences after a price increase (Campbell, 1999) which can allow for the national brands to continue to have customers purchase their products even if they are at a much higher price. Richardson et al. (1994) stated that high levels of extensive advertising; strict quality controls have contributed to the strong national brand image which leads to quality reassurance for many consumers. Brand image relates to the perceptions about a brand as reflected by the brand associations in the memory of consumers (Keller, 1993).

The question still remains are national branded products of higher quality than store brands or is it just a belief that consumers have. Nielsen (2005) suggests that the notion of branded products' higher quality increasingly is being challenged. Research shows that in fact there is not much difference between store brands and national brands. Quelch and Harding (1996) claim that retailers have been introducing store brands whose quality matches or even exceeds that of national goods, while still selling for a slightly lower price. A study by De Wulf et al. (2005) proves this statement. In their research they blind taste tested consumers, using various orange juice brands using both national brands and private labels and their results confirm that private label products can offer the same or even better quality than national brands, but at a lower price. The national brands benefited from brand equity with their non blind test score, being higher than the blind test score while the private labels blind test score was similar to the non blind test score. Overall, under blind testing the results showed that there was not much difference in taste preference between national brands and private labels. The researcher can therefore assume that there is not much difference in store brands and national brands however the overall preference will be towards national brands even though they charge a higher price.

Some consumers see product similarities between brands. According to Kirmani and Rao (2000) if consumers see products as being similar then they won't rely as heavily on their perceptions that the national brand is of a higher quality. The improved quality and image of private label products nowadays appeals to a segment of value-conscious consumers (Davis et al., 1986). Retailers have been devoting increasing effort to marketing their own brands – through active communication about these brands (Richardson et al., 1994), and through market segmentation of store brands (Dunne and Narasimhan, 1999).

Overall store brands are at a disadvantage relative to national brands. National brands clearly stand out from store brands; however private labels can be much harder to differentiate from one another. Glemet and Mira (1993) showed that consumers tend to buy private brands when they can easily compare products based on product packaging, advertising, promotional campaigns, and other informational messages. Therefore to reduce risk consumers may purchase well known national brands. Store brands are also less well known than national brands and lack a distinct identification with a particular manufacturer (Dick et al., 1996). Richardson (1997) suggested that store brands are undifferentiated in consumers' minds.

Since they are viewed as just another brand on the market and are seen to be comparable with one another with regards to their quality they therefore can be said to lack brand equity.

Yoo et al. (2000) suggest various marketing activities affects Brand equity and that this brand equity can be influenced by price, promotions, store image, and advertising expenditures as elements potentially affecting brand equity. Other marketing activities which contribute to brand equity are the use of public relations, slogans, jingles, symbols and packages (Aaker, 1991).

2.9 Product involvement

Similar to brand equity mentioned above is the product involvement which refers to feelings of inherent needs, values, interest, and enthusiasm toward product categories (Zaichkowsky, 1985). These feelings can lead to consumers having more importance to specific products and to have more knowledge about specific product attributes and brands. Research has confirmed that product involvement is positively associated with the preference towards a brand (Auty and Elliot, 1998 and Dholakia, 2001). Therefore, product involvement can explain why a consumer chooses to buy a particular brand (Baltas and Doyle 1998). Previous studies have shown that strong consumer-brand relationships enhance consumers' brand loyalty (Park et al., 2006). It is said that emotional aspects are an important factor with regards to brand relationships/brand loyalty in that those who are emotionally attached to any brand show greater commitment to it as a result (Thomson et al., 2005).

McLeod and Nelson (2005) suggest that younger consumers exhibit a stronger brand consciousness and are more desirable targets because of their purchasing power and tendency to buy brands for self expressive purposes (Aaker, 1997).

2.10 Consumer habits:

It is important to understand that it can be difficult to change a consumer's brand choice. People form preferences for a favourite brand and then may never change their minds in their life time as stated by Solomon et al. (2010). Therefore it can be very difficult for Merchandisers to be successful with their store brands if consumers have already formed preferences for well known brands. E.g. Tesco might find it hard to compete with well known

ketchup brands such as Heinz and Chef. Preferences can date right back to a consumer's childhood. Peter and Olson (1996) state that some adults still use the same brands of products their parents purchased for them as children. Davies and Brito (2004) is a good study since the researchers blind tested a number of consumers in order to examine the consumer's preferences for national and store brands, analyzing the brand, taste and price using four categories of food products namely margarine, cereal, crackers and mayonnaise. Most of the consumers taking part in the blind test stated that they usually bought the national brand in the four product categories analyzed. Out of these consumers only a small number actually chose the national brand in the blind taste test of the product. Very few of those who chose the manufacturer brand continued to do so once they were informed of its price of sale to the public. These results would make one conclude that brand image is often the only explanation for the higher prices consumers pay to acquire manufacturer brands.

It is suggested that the younger consumer are influenced more by brand name and inferred quality when making a purchase decision since brand quality perceptions should influence buying decisions of younger consumers more than older consumers since brands help define younger consumers sense of self (Chan et al., 2003).

The task however is to get the consumers to switch or to try the store brands. Changing brands can be perceived as switching cost. This can be defined as a consumer's perception of the time, money, and effort related to changing a brand or a product (Jones et al., 2000). In other words consumers may see switching to another brand as expensive, risky, too much effort and time consuming. Promotional tools are usually used for this purpose. Blackwell et al. (2001) explained that a manufacturer might utilize coupon incentives to encourage consumers to try a new product at a discounted price. According to Cook (2003), coupons are easily understood by the consumer and can be highly useful for trial purchase. It is important to understand that Price promotion does influence new product trial (Brandweek, 1994). This is a common tactic of retailers to get consumers to try their own brands i.e. encourage store brand product trial. Effective marketing in general of store brands can create a larger consumer base and make the chain less vulnerable to price pressures or aggressive attacks by competition (Dick et al., 1995).

2.11 Store loyalty

Research by Barnett et al. (2006) suggests that stores with favourable store image create customer satisfaction which in turn leads to store loyalty. The corporate image of the store is defined as a combination of the store as a brand, and the selection of store brands and manufacturer brands offered by the store (Grewal et al., 2004). Store image can be defined as the way that consumers view the store, i.e. their perception of the store (Hartman and Spiro, 2005). Several studies demonstrate that the store image, if good, affects consumer product judgments and responses in a positive manner (Dacin and Brown, 1997). A study by Dimitriadis and Langeard (1990) showed that the store image offers recognition, familiarity, confidence, and other associations that make it easier for consumers to make the decision to try out their product. There are also studies showing a negative effect that a store image can have. One study showed that the quality rating of store brands increased by 21 percent, if the store had an attractive store atmosphere (Richardson et al., 1996). Therefore one can conclude that it is not only the quality of the products offered but also how the store is managed that influence the image of store brands.

2.12 Summary of the literature and conclusions:

Branding can help differentiate a firm's product from competitor's products. There are two types of brands in the grocery industry; National and Store Brands. The literature states that consumers view brands differently especially between these national and store brands and consumers differentiate between the two brands. The attributes which customers use to mainly differentiate the brands include price and product quality.

Research indicated that national brands are typically purchased more than store brands. This could be down to the attitudes that consumers have about store brands in that they are of lower quality to national brands. Overall, previous studies indicate that consumers have a preference towards national brands as they perceive them to be of higher quality. Previous research and blind taste tasting has indicated that the belief that national brands are of higher quality in comparison to store brands is not necessarily true and that there is very little quality differences between the two.

Since National Brands have a good reputation for their high quality they therefore can charge a higher price as consumers are willing to pay more for a high quality and have a certain level of brand equity towards national brands. National brands benefit from brand equity and image through their extensive advertising and brand image. Marketing activities can influence the brand image however through pricing and promotions, jingles, slogans and

much more. The lower prices of store brands can either be viewed as a competitive advantage or ultimately be associated with lower quality.

Brand Loyalty and Store loyalty have an influence on brand purchase choice. Many consumers have loyalty towards certain brands or products and this can be down to their habits and therefore tend to make habitual purchases i.e. purchasing what they always have. Previous research also states that store image also has a major influence on the purchasing behaviour of consumers stating that if a store has a nice image and atmosphere then consumers will purchase more of their store brands.

Research has also indicated that packaging can be a major influence in purchasing decisions especially at point of purchase and that many store brands try to mimic the packaging of national brands.

Chapter 3

METHODOLOGY

3.1 Introduction

This chapter describes the primary research methods conducted to collect information about consumer behaviours, attitudes and influences with regards to brand decision making in the food industry.

Primary research is first-hand raw data. It is the result of conducting some type of exploratory, descriptive or causal research that employs mainly surveys, focus groups, observation or in depth interviews to collect the data (Shui et al., 2009). Primary research will utilise both qualitative and quantitative data collection methods.

3.2 Primary Research Objectives

Research Objective:

To investigate the attitudes and purchasing behaviours consumers have towards national and store brands.

Research Sub Objectives:

1. To determine the extent to which consumers compare national brands of food products with store brands of food products.
 - a. To determine how consumers compare national brands and store brands.
 - b. Determine which brands consumers have preference towards in terms of national brands versus store brands.
2. Establish the degree of consideration consumers give to intrinsic product attributes in store i.e. content, nutritional value etc.
 - a. Clarify the extent to which consumers rate these attributes.