

2012 International Conference on Applied Physics and Industrial Engineering

## The Strategic Management of Store Brand Perceived Quality

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### Abstract

Store brand plays a vital role in the success of retailers. Perceived quality is one of important factors influencing consumers' store brand purchase intention. Store brand perceived quality is lower compared with objective quality or national brand. For this end, the purpose of this article is to examine how to manage store brand perceived quality in strategic level. This article firstly discusses how consumers evaluate product quality, and the theoretical background of the reason that store brand perceived quality is lower from the view of cue related theories. Then, consumers' store brand quality evaluation is explored. Finally, this article presents several strategic tactics to increase store brand perceived quality. These tactics include choosing store's name as store brand name, making large advertising investment, improving store brand product package, and strengthening the relationship with store brand product suppliers.

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*Keywords: retailer; store brand; perceived quality; strategic management*

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### 1. Introduction

In an era of rapid growth of service economy, a growing body of empirical work supports that store brands, "are generally brands owned, controlled, and sold exclusively by retailer" (Sethuraman and Cole, 1999, p340), can become the differentiation tools from others competitor retailers and build consumers' store loyalty (Corstjens and Lal, 2000; Yang and Wang, 2010).

The theoretical model of Corstjens and Lal (2000) indicated that store brand builds up store loyalty. Sudhir and Talukdar's (2004) empirical study also determined that consumers' store brand patronage can improve store patronage.

Store brands get significant market share penetration. Furthermore, the scope of store brands products expand from grocery categories to high-risk goods, such as electronic appliances, style products and so on (Sheinin and Wagner, 2003). In China, the domestic retailers such as lianhua, Hualian, Wumei, and foreign retailers, such as Carrefour, Wal-Mart, Lotus and Hy-Mall all have introduced their own store brands.

In the academic research area of store brand, how to improve consumers' store brand purchase intention is one of important directions. There are many factors determining the purchase behavior of store brand, but many prior studies have proposed that store brand perceived quality is the most important factor influencing consumers' store brand evaluation and purchase. However, store brand is still a brand of lower quality in consumers' mind, which can not compete with national brand.

Why the perceived quality of store brand is lower than national brand, although their objective quality is almost the same? In order to explore how improve store brand perceived quality and purchase intention, this article will examine the strategic management of store brand perceived quality.

## **2. Literature Review and Theoretical Background**

Because of the complication of products, consumers can not evaluate product with complete information. For this reason, they infer quality with certain information. Sullivan and Burger (1987) stated that consumers want to choose the suitable one from a great number of products, but it is difficult to measure the product function "directly and objectively". In order to overcome this barrier, consumers may indirectly evaluate quality with available information. Such kind of information is a cue. Product is made of a series of cues which can be used to evaluate quality, that is, the cue is a function of product attributes.

The original classification is intrinsic cues and extrinsic cues (Richardson, Dick, and Jain, 1994). Intrinsic cues represent "product-related attributes that cannot be manipulated without also altering physical properties of the product" (Richardson, Dick, and Jain, 1994, p30), which involve the size, shape and taste of product. Extrinsic cues are "product-related attributes which are not parts of the physical product" (Richardson, Dick, and Jain, 1994, p30), which include price, brand name, package, store name, color, store reputation, and country-of-origin, etc.

According to the cue utilization theory, the value of cues for consumers can be classified into two forms (Richardson, Dick, and Jain 1994). One is predictive value (PV), which is the degree that consumers predict product quality by perceiving a cue. It is also the degree that consumers link a certain cue to quality, which expresses the reliability of the cue and accuracy of judgment. The other is confidence value (CV), which presents the confidence of consumers in accurate judgment and cues utilization (Richardson, Dick, and Jain 1994).

The significance of extrinsic and intrinsic cues in perceived quality evaluation is determined by PV and CV. The cue of high PV and High CV will play a key role in value estimation. And intrinsic cues are more accurate than extrinsic cues. However, when intrinsic cues are unavailable, their PV or CV or are both very low, consumers tend to use extrinsic cues (Richardson, Dick, and Jain 1994).

Cue diagnosis theory argues that the effect of cue is dependent on cue diagnosis, and consumers have "negative bias", that is negative cue be more diagnosis (Herr, Kardes and Kim 1991). Cue Consistency theory indicates that when all cues give consistency quality information, these cues can play large roles in the product quality evaluation (Miyazaki, Grewal and Goodstein 2005).

According to above cue theories, consumers deduce quality information from certain cues during the quality evaluation process. After consumers deduce the quality, more complicated information searching process is unnecessary. Therefore, consumers can benefit more from it. With respect to store brand quality, consumers also have similar evaluation mechanism.

## **3. Store Brand Perceived Quality**

In terms of objective quality, Quelch and Harding (1996) argued that the quality gap between national brands and store brands have narrowed in 1990s compared to that in 1980s. For example, in one study, Apelbaum, Gerstners and Naik (2003) chose 78 categories products. And they found, the objective quality

of store brand is higher than the average quality of manufacturing brand in 22 categories, and in other 56 store brand is lower.

But consumers give lower evaluation to store brand products quality no matter how the real level of store brand objective quality is. Extant research provides the proof for this point. For example, Dick, Jain, and Richardson (1995) found that subjects think store brand products with low price and brand image, and those who are unwilling to buy store brands tend to regard store brand as products with low quality, low nutrient value and trustless ingredients. Richardson, Dicks and Jain (1994) concluded that consumers hold that national brand quality is higher than that of store brand regardless of the ingredients of store brand.

In fact, when consumers evaluate the quality of store brand, scholars have argued many cues influence consumers' store brand product evaluation. Richardson, Dick, and Jain's (1994) research showed that extrinsic cues are more powerful than intrinsic cues. Richardson, Jain, and Dick (1996) concluded that store aesthetics can enhance the quality evaluation of store brands.

Vahie and Paswan's (2006) empirical results concluded that store image has positive effect on store brand perceived quality. Dick, Jain, and Richardson (1996) argued that price will play a significant role when consumers doubt the ingredients of store brand and low price is regarded as low quality.

From cue related theories and the characteristics of store brand perceived quality, retailers need to integrate marketing tactics to develop store brand image. And good store brand image can result in high level of store brand perceived quality.

#### **4. Increasing Tactics of Store Brand Perceived Quality**

It is necessary for retailers to strengthen marketing strategy. Based on above analysis, this article suggests following strategies for developing higher perceived quality.

##### *4.1 Choosing Store's Name as Store Brand Name*

To consumers, brand name expresses a certain quality implications (Rao and Monoe, 1989). Brand name affects the evaluation, purchase willingness, and product attitude (Gardner, 1985). Perceived quality can be increased greatly with brand name. In addition, Grewal, Monroe and Krishnan (1998) proved that brand name has positive effect on quality evaluation.

In the choice of brand name, corporate, house and individual brand name are normal. Laforet and Saunders (1994) developed a classical framework that constitutes three core categories: corporate dominant form, mixed brands and brand dominant form. Corporate dominant form comprises company name and embranchment name dominant form; mixed brand comprises dual brand and endorsed brand; and brand dominant comprises mono brand and furtive brand.

Consumers are more familiar with retailers' brand name, as a consequence, consumer's purchase intention are higher. For example, Dhar and Hoch (1997) found that store brands entry into more categories, using retailers' name as store brands and the increase of chain stores all enhance the market share of store brand in categories.

To this end, retailer name or store name both have high awareness. If they are as store brand name, consumer will have high confidence and evaluation in the store brand perceived quality. In practice, some retailers have known this point. They have introduced similar store brands.

##### *4.2 Making Heavy Advertising Investment*

The purpose is to fortify the communication with consumers and help consumers be aware of store brands. In Lamey, Deleersnyder, Dekimpe and Steenkamp's (2007) study, they observed that consumers

tend to purchase store brands in depression, but all of consumers are not going back to manufacturing brand, and some of them will continue to buy store brand when the economy recovers. The business cycle results in part of store brand market share gained in the extension period becoming long-term share, that is, store brands don't lose all the market gained in the depression. This indicates that consumers give higher evaluation on store brand perceived quality when they acquire more store brand knowledge.

Miquel, Caplliure, and Aldas-Manzano (2002) argued that, when consumers get more knowledge on store brand, the possibility of consumers purchase it increases. Mieres, Martín, and Gutiérrez (2006) stated consumers' familiarity with store brand can increase store brand perceived quality.

Compared with national brand, retailer's investment for store brand advertising is not enough. If retailer makes more store brand advertising, consumers will understand store brand value and benefit; furthermore, they will give high store brand quality evaluation. Therefore, retailers should increase marketing budget and improve consumers' accumulation level of store brand name.

#### *4.3 Improving Store Brand Product Package*

The level of store brand product package is so low that consumers can't believe store brand has high quality. For example, Dick, Jain, and Richardson (1995) noted that subjects think store brands products with cheap packages.

Similarly, in other research, Richardson, Dick, and Jain (1994) also concluded that the reason of consumers give low evaluation on store brand quality is that most store brands using cheap-looking packages.

For increasing store brand image, retailers should improve product package. It should not uphold a low level package in order to only emphasizing a "value brand" position because product package is one cue used by consumers in evaluating store brand image and product quality. Now, some retailers have recognized this problem, and they will do more in product package and design.

#### *4.4 Strengthening the Relationship with Store Brand Product Suppliers*

Retailers are in charge of store brand's communication, price, sale distribution, and manufacturing. Retailers usually don't directly manufacture store brand products. In contrast, they often outsource production to other manufacturers.

In order to control store brand product quality, retailers have to develop strong relationship with their manufacturers. Retailers may share their expected quality plan and level, share their quality management experience with store brand manufacturers, because these manufacturers are often small or medium companies.

### **5. Conclusion**

For retailer, not only store brand is a brand which they sell in the store, but also store brand play strategic role. To this end, how to develop store brand is vital.

Even through some retailers have strengthened marketing strategies in advertising, packages and so on (Davies, 1998), and built store brand image through advertising. There is still a large gap between store brands and manufacturing brands in production, advertising and other investment designed to develop brand image (Richardson, 1997). In strategic level, retailers should actively strengthen store brand perceived quality.

In terms of managerial implications, retailer can develop store brand through following strategic moves. The first is to choose retailer name or store name as store brand name. The second is to increase

advertising budget for store brand. The third is to improve store brand product package. And the fourth is to develop strong relationship with store brand outsourcing manufacturers.

## Acknowledgment

The author acknowledges Yanling Liu for the research assistance. The author acknowledges the financial support of the Humanities and Social Science Program in the Education Ministry of the People's Republic of China (Number: 09YJC630100); Outstanding Youth and Innovation Talents of University Cultivation Program in Guangdong Province; and Research Cultivation and Innovation Program in Jinan University (Number: 10JYB2045).

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