

**Customer Attitudes to Private Labels:
The Role of Store Image**

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Attestation of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgments), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

Alison Fraser

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Abstract

Private labels have become a major force in the global grocery market yet their market penetration varies between countries, retailers and product categories. Researchers have investigated consumer, retailer and market factors in a bid to identify and explain the determinants of private label success. While retailer differentiation has been recognised for some time as a key motivation for private labels, the link between retail image and private labels is currently receiving greater attention with the rise of the concept of retailer as brand. This concept is associated with major grocery retailers in developed European markets moving to enhance their overall image by coordinating all aspects of their operations, including their private labels. Although the wider store image literature suggests that store image and brand image are interdependent, only more recently has there been research of the role of store image in attitudes to private labels. This research addresses the gap in the literature by replicating and extending Collins-Dodd & Lindley's (2003) (CDL) empirical study on the influence of store image on the perceptions of specific private labels. The New Zealand market context for the research allowed the relationship to be examined at two retail chain stores, both of which offered the same two private labels. The research confirms that store image is positively associated with attitudes to private labels, but finds that the nature of the store image determinants and their effect depend on both the retailer and the private label. Only weak support is found for CDL's conclusion that attitudes to private labels are related to the unique positioning of stores. Rather, the quality of the store's wider product assortment is the major determinant of attitude to private labels regardless of the store. These findings are at odds with the differentiation motive for private labels and point to the need for both practitioners and researchers to examine the 'fit' between store positioning and private label positioning. For retailers, the findings also highlight consumer reliance on extrinsic cues in the assessment of private label products, suggesting the need to reduce perceived private label risk. For researchers, the findings also suggest that store image should be incorporated in models predicting consumer proneness to private labels.

CHAPTER 1: INTRODUCTION

1.1 Background to the Research

Private label products have become a global phenomenon and are of increasing interest to practitioners and academics alike. Private labels have gained a sizeable share of global grocery sales and further growth is predicted for the future (Ailawadi, Pauwels, & Steenkamp, 2008). These brands, owned and controlled by retailers, have become a significant threat to national brand manufacturers as the quality gap between the two closes (Herstein & Gamliel, 2004). From the retailer's perspective, private labels are seen as a strategy to improve profitability and store image (Quelch & Harding, 1996). The image of a store in turn is regarded as critical to retail success given the impact it is considered to have on store patronage, loyalty and profitability (Hansen & Solgaard, 2004).

This dissertation examines the link between private labels and store image. Considerable work has been done to investigate consumer perceptions of private labels and the correlates of private label attitudes and preference (Baltas & Argouslidis, 2007; Bellizzi, Krueckeberg, Hamilton, & Martin, 1981; Dick, Jain, & Richardson, 1995). Similarly, store image, defined by Martineau (1958), has been the subject of academic research for over fifty years. The relationship between store image and attitudes to the brands carried by the store has also been investigated (Baker, Parasuraman, Grewal, & Voss, 2002; Mazursky & Jacoby, 1986). The relationship between store image and private labels has been investigated by some researchers, although mainly in terms of the effect of private labels on store image (Corstjens & Lal, 2000; Hoch & Lodish, 1998). Studies on the opposite causal relationship, the effect of store image on private labels (Collins-Dodd & Lindley, 2003; Lee & Hyman, 2008; Semeijn, van Riel, & Ambrosini, 2004), are less common and provide mixed evidence.

This chapter outlines the research problem and hypotheses together with the major bodies of theory that will be reviewed and the contributions the dissertation will make. This is followed by a justification for the research and an overview of the methodology used in the study. Subsequent sections provide an outline of the dissertation, explain

the definitions adopted and identify delimitations of the scope of the study. The final section provides a summary of the chapter.

1.2 The Research Problem

In line with the research gap indicated above, the research problem addressed in this research is:

How does store image affect customer attitudes to specific private labels?

The dissertation replicates and extends Collins-Dodd & Lindley's (2003) study on the influence of store image on attitudes to private labels. Hypotheses from the original study are examined in the New Zealand market context, providing the opportunity to examine the same private labels across different store chains as well as to examine more than one private label within the store.

The dissertation concludes that store image affects attitudes to private labels, although the extent of the effect depends on the specific private label and on the store. This conclusion largely confirms the main finding of the original study. The dissertation further concludes that the quality of the products carried by the store is a key determinant of attitudes to specific private labels, a departure from the findings of the original study. There is some support for the original study's conclusion that attitudes to private labels are influenced by the unique positioning of stores, although the evidence is relatively weak.

Private labels and store image together encompass a number of bodies of knowledge relevant to the research problem and these are discussed in depth in chapter two. The first is retailer differentiation, one of the key motivations for retailers to introduce private labels (Hoch & Banerji, 1993; Quelch & Harding, 1996). The next body of knowledge relates to brand positioning, by both retailers and manufacturers. This includes the positioning of private labels against national brands (Choi & Coughlan, 2006; Pauwels & Srinivasan, 2004) as well as the relative positioning of brands within a retailer's portfolio of private labels (Laaksonen & Reynolds, 1994). Retailer positioning of private labels in turn influences consumer perceptions and attitudes to private labels, an area that is examined in detail in chapter two. Key constructs

discussed in this context include quality (Hansen, 2001), perceived risk (Erdem, Zhao, & Valenzuela, 2004; Mitchell, 2001), cue utilization theory (Rao & Monroe, 1989; Richardson, Dick, & Jain, 1994) and brand equity (De Wulf, Odekerken-Schröder, Goedertier, & Van Ossel, 2005; Keller, 2003).

Store image is covered in chapter two in terms of the dimensions of store image (Ailawadi & Keller, 2004; Chowdhury, Reardon, & Srivastava, 1998) and the link between store image and brand image (Mazursky & Jacoby, 1986; Porter & Claycomb, 1997). More recent theoretical constructs relevant to store image are also briefly covered, namely the concepts of retailer as brand (Burt, 2000; Grewal, Levy, & Lehmann, 2004) and retailer brand architecture (Aaker & Joachimsthaler, 2000; Esbjerg, Grunert, Bech-Larsen, Juhl, & Brunsø, 2004).

The hypotheses developed to investigate the research problem are:

H1: *Customer perceptions of store image differ between stores.*

H2: *Customer attitudes to private labels differ between differently positioned brands*

H3: *Customer attitudes to the same private labels are the same between stores.*

H4: *Customer attitudes to private labels are positively associated with customer perceptions of store image.*

The dissertation contributes to the private label literature in several ways. First, it investigates a non-traditional private label market beyond the most commonly researched markets of Europe and North America. Secondly, it helps to clarify the results of earlier studies on the effect of store image on attitudes to private labels. Third, the dissertation adds a new perspective to earlier studies by examining the same private labels across more than one store. Finally, it provides rare empirical evidence of consumer positioning of more than one private label within a store.

1.3 Justification for the Research

In many countries private labels have become a common brand choice for shoppers, an important strategy for retailers and a significant concern to national brand manufacturers. Fast-moving consumer goods private labels gained a seventeen percent

share of the global market by value for the year ended April 2005 and global sales grew by five percent (Perrin & Nishikawa, 2005). Sales were continuing to grow even in the most developed private label markets, for example Western Europe enjoyed four percent growth while national brand sales in the region remained flat (Perrin & Nishikawa, 2005). In 2007, global private label sales were valued at just over US\$268 billion (Perez, 2008). The business media predicts yet further rapid growth for private labels in the future, as the world's major grocery retailers intensify their private label penetration (Ailawadi et al., 2008).

Retailer motivations and strategies for private labels have developed over the years. Retailers initially viewed private labels as a means to improve profitability, through both higher retail margins and increased bargaining power with national brand manufacturers (Steiner, 2004). While private labels were generally positioned below national brands in terms of price and quality, from the mid 1970s retailers started to view them as a means to achieve retailer differentiation and began to upgrade their quality (Herstein & Gamliel, 2004). By the mid 1990s, private labels in the food sector were growing faster than national brands and had become a significant threat to national brand manufacturers (Herstein & Gamliel, 2004; Hoch, 1996). By that time, retailers had begun to view private label brands as “one of the most dynamic forces in food retailing”, especially in developed markets characterized by stagnant growth and intense competition (Laaksonen & Reynolds, 1994, p.73). The growth of private labels is seen by industry as the most important indicator that grocery retailers have moved away from the role of merchants to become marketers (PLMA, 2006). Today, retailers continue to view private labels as critically important, ranking them sixth out of their top ten critical issues (Baltas & Argouslidis, 2007).

Reflecting this changing focus, private labels are now regarded as brands in their own right, with similar characteristics and advantages to brands in general, including as a base for brand extension. “Private labels are becoming major brands in their own right with their own identities and quality images” (Semeijn et al., 2004, p.248). Kumar & Steenkamp (2007) concluded that private labels are “brands in their own right, deserving as much respect as, say, the competition between Coke and Pepsi” (p. 52). Retailers in the United Kingdom have used their private label brands to extend into non-food categories such as cosmetics and toiletries and household care products, signifying

“the evolution of these brands into consumer lifestyle solutions rather than products” (Hayward, 2002, para 5).

Private label penetration and growth have varied between countries (Erdem et al., 2004), categories (Hansen, Singh, & Chintagunta, 2006) and retailers (Dhar & Hoch, 1997). Private label market shares vary significantly by country. At 22 percent market share by value, Western Europe is the most developed private label region, led by Switzerland at 45 percent, followed by Germany at 30 percent and the United Kingdom at 28 percent. Private label share in the United States is lower at 16 percent (Perrin & Nishikawa, 2005). Private label market share is lower again in developing countries, but these countries are showing high private label growth rates and market share is expected to grow significantly to reach levels similar to those in developed countries (Herstein & Gamliel, 2004).

The New Zealand private label market is reasonably well established but shows room for further growth. Private labels grew by five percent in 2005 (ACNielsen, 2006) and gained a 12 percent value share of the grocery market (Perrin & Nishikawa, 2005). Consumer acceptance of private labels in New Zealand is relatively high, with 77 percent of shoppers believing they are a good alternative to other brands and 72 percent agreeing that their quality is as good as that of national brands (ACNielsen, 2006). Evidence suggests, however, that there will be further development of private labels in the New Zealand market. Private labels tend to move through stages of sophistication as market penetration increases, as evidenced by the tendency for private label market share to be higher in countries where private labels are innovative and sophisticated, but lower in countries where generics are still commonly found (Laaksonen & Reynolds, 1994). Private labels also tend to have large market shares in developed markets where retail concentration is high and retailers exert control over suppliers. Finally, while it can be more difficult for retailers in countries with small populations to obtain the volume needed to support private labels, there are examples of small countries, for example Denmark and Switzerland, where private label penetration is high (Laaksonen & Reynolds, 2002). All these factors tend to suggest that despite the small size of the New Zealand market, where grocery retailing is concentrated and where generics still feature, there is potential for further private label growth.

Despite the increasing interest in private labels by academics, some areas have been relatively neglected. First, the majority of studies have focused on the United States and European markets where private labels are well established, whereas there has been relatively little research of non-traditional markets (Anselmsson & Johansson, 2007) such as New Zealand. Second, most studies have examined generalized attitudes to private labels rather than attitudes to specific private labels (Collins-Dodd & Lindley, 2003) even though attitudes to specific private labels may be more important (Zielke & Dobbstein, 2007). Finally, few empirical studies have examined the effect of store image on attitudes to private labels, despite the fact that the relationship between private labels and store image is frequently referred to in the literature, and that the relationship between brand image and store image is clearly interdependent (Porter & Claycomb, 1997). Research of the link between store image and private labels in the New Zealand market is intended to provide further insights for researchers and practitioners in terms of both retailer and private label positioning.

1.4 Methodology

This section provides a brief overview of the methodology used in the study. More detailed information on the methodology and research procedures is provided in chapter three. The research design is based on the replicated study, Collins-Dodd & Lindley (2003). In line with the quantitative methodology used in that study, hypotheses will be tested through statistical analysis of collected data. Data will be collected from shoppers at two supermarkets in Auckland, New Zealand's largest city. The desired sample size is 250, or 125 shoppers at each store. A structured questionnaire will be used, with measurement scales based on those used in the original study as far as possible, augmented by reference to extant store image studies (Chowdhury et al., 1998) where appropriate. T-tests will be used to compare perceptions of different stores and attitudes to different brands, while multiple regression analyses will be used to examine the relationship between store image and attitudes to brands for the various combinations of stores and brands.

1.5 Outline of the Dissertation

The dissertation is presented in five chapters. This introductory chapter is followed by a review of the literature in chapter two. The literature review begins with an overview of retailer motivations for introducing private labels, then provides a brief discussion of retailer positioning of these brands. This is followed by an in-depth discussion of consumer attitudes to private labels and of the determinants of those attitudes. The review then focuses on store image as it pertains to private labels and identifies the research gap on which this dissertation is based.

Chapter three develops and discusses the hypotheses of the study. It identifies the stores and private labels that have been selected for the study and explains how the selection compares to that of the original study. It then explains and justifies the proposed methodology and research procedures in detail. The discussion of the methodology covers the development of the scales and the survey instrument, collection of the data, estimation of the sample size, treatment of the data and data analysis. Ethical considerations are also identified.

Chapter four presents the results of the data analysis and discusses the findings in respect of each of the hypotheses. The response rate and a profile of respondents are provided, and a preliminary examination of the data is presented, including descriptive statistics, normality and outliers and missing data. The reliability and validity of the scales are examined before the hypotheses are tested.

The final chapter discusses the significance of the findings arising from the research, comparing them with the findings in the original study and placing them within the context of the wider literature. Conclusions are drawn about the research problem and implications for researchers and practitioners are discussed. Limitations of the study are identified and areas for further research are suggested. Overall conclusions of the dissertation are provided in the final section.

1.6 Definitions

This section defines and explains the term ‘private label’ and how it will be used in this study. Private labels are defined as “consumer products produced by, or on behalf of,

distributors and sold under the distributor's own name or trade mark through the distributor's own outlet" (Economist Intelligence Unit, 1968, cited in McGoldrick, 1984). As will be seen in chapter two, a variety of private label branding strategies have emerged over the past twenty years and private labels today may carry the retailer name only, a separate brand name or a combination of both. For example, in New Zealand the New World supermarket chain carries the Pams and Budget brands, while Woolworths' private labels include the Signature and Woolworths Select brands. For the purposes of this study, the term private label will be used to encompass the range of different private label types and the various terms used for them.

There is no universally agreed terminology for private labels and a variety of terms are used in the literature, although they generally refer to the same phenomenon (Veloutsou, Gioulistanis, & Moutinho, 2004). The terms include private label brands (Hoch & Banerji, 1993), own brand and own label (Veloutsou et al., 2004), private labels (Richardson, 1997), house brands and distributor brands. In addition, the term retail brand or retailer brand (Burt, 2000) can also refer to the overall brand or name of the retailer. Generics are another type of private label and are also known as no-name, unbranded, brand-free or no-frills products. Generics are generally austere packaged in white or a single colour background with plain lettering and only the minimum required product information on the package, and are usually priced well below other brands (McGoldrick, 1984). In keeping with the general approach taken in the literature, in this study generics are included within the scope of private labels. Finally, the trade name PAK'nSAVE will appear as Pak'nSave throughout this dissertation.

1.7 Delimitations of Scope

This research is conducted in fast-moving consumer products in the grocery market in New Zealand. It is not intended that the results will be applicable to other private label markets such as apparel. Further, it is likely that the findings would differ in other countries where market and consumer factors such as the stage of development of private labels, retail concentration and consumer attitudes may vary. Finally, the stores in the study were selected in order to examine attitudes to specific private labels and to the same private labels across stores. Consequently the findings may not generalize across all stores and private labels.

1.8 Summary

This chapter set out the basis for the dissertation. It provided a brief background to the broad field of study and introduced the research problem and hypotheses. The major bodies of theory to be reviewed were outlined, together with the contributions that the dissertation will make. The research was justified and the methodology underpinning the study was briefly described and justified. An outline of the dissertation was provided and definitions were explained. Some delimitations of the research were identified. On these foundations, the dissertation will proceed with a detailed investigation of the effect of store image on customer attitudes to private labels, beginning in the next chapter with a review of relevant literature.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The growing importance of private labels to both retailers and national brand manufacturers, and the variation in their market penetration between countries, categories and retailers, as outlined in chapter one, has given rise to a number of streams of private label literature investigating the consumer, retailer and market factors for their success. Broadly categorized, these streams include motivations and benefits of private labels for retailers, consumer segmentation studies, studies of consumer perceptions, attitudes and behaviour, retailer positioning of private labels and the strategic responses of national brand manufacturers.

The purpose of this chapter is to review the private label literature relating to the role of store image in consumer attitudes to private labels. To contextualize the discussion, the first section provides an overview of retailer motivations for introducing private labels. This is followed by a discussion of retailer positioning of private labels, given the impact this has on consumer positioning and attitudes. The next two sections review consumer perceptions of private labels and determinants of consumer attitudes to private labels respectively. The review then focuses on store image. It discusses the relationship between store image and brand image in general before focusing on the link between store image and private labels in particular. Key findings from the review are then summarised before the final section develops the research question for the current research.

2.2 Retailer Motivations for Private Labels

One of the early motivations for retailers to introduce private labels was to improve retailer gross margins. Competition between retail stores on the same or similar national brands is a major contributor to lower retailer margins (Steiner, 2004). According to industry sources, retailer gross margins on private labels are 20 to 30 percent higher than on national brands (Hoch & Banerji, 1993). Retailers also sought to strengthen their bargaining power with manufacturers through the actual or potential threat of private labels taking share from national brands, and so negotiate lower

wholesale prices (Narasimhan & Wilcox, 1998). This outcome has largely been confirmed in the private label literature (eg Mills, 1999; Pauwels & Srinivasan, 2004; Scott-Morton & Zettelmeyer, 2004) although manufacturer responses may depend on the extent of customer loyalty to the national brand (Gabrielsen & Sorgard, 2007).

Another key motivation for retailers is to create competitive advantage through store differentiation by offering products unique to the store (Juhl, Esbjerg, Grunert, Bech-Larsen, & Brunsø, 2006; Laaksonen & Reynolds, 1994; Quelch & Harding, 1996). Store differentiation in turn is expected to increase store patronage and create store loyalty (eg Quelch & Harding, 1996). There is mixed evidence on whether private labels create store loyalty in practice. Richardson (1997) found that consumers do not differentiate between the private labels of different retailers but rather perceive them as “just another brand” in the market (p. 399). Consequently private labels are purchased at the store most shopped. Similarly Juhl et al. (2006) found that consumers are more store loyal than brand loyal in general.

Nevertheless, there is significant support for the argument that private labels do create store loyalty. Richards, Hamilton, Patterson, & Portland (2007) reported that private labels play an important role in attracting customers from other retailers, and Anselmsson & Johansson (2007) found that the more private labels consumers buy, the more loyal they are to the store. Corstjens & Lal (2000) argued that high quality private labels create store differentiation and loyalty through customer ‘inertia’, while Sudhir & Talukdar’s (2004) study found that private labels improve store patronage through store differentiation.

Private labels are also introduced to compete with leading national brands by creating brand loyalty. Private labels do take share from national brands, an exception to the accepted norm that consumer goods markets are stationary (Hoch, Montgomery, & Park, 2002). Private label brand loyalty, however, is driven at least in part by store loyalty (Anselmsson & Johansson, 2007).

2.3 Private Label Positioning

Consumer perceptions and attitudes to private labels are based in large part on perceptions of the quality, price and value of private labels relative to that of national

brands. This positioning of private labels in the minds of consumers is obviously influenced by the positioning strategies of both retailers and manufacturers. These strategies are reviewed in this section.

2.3.1 The Evolution and Repositioning of Private Labels

Laaksonen & Reynolds (2002) developed a typology showing how retailers have repositioned their retail brands over time. According to this typology, private labels tend to evolve through four stages or 'generations'. The first generation is lower quality and low price 'generics', while the next generation comprises private labels of slightly higher quality but still lower quality than national brands, where price is still important. The next stage of development is third generation 'me too' private labels of comparable quality to national brands but which have slightly lower prices than national brands and are perceived as value for money. The more advanced fourth generation private labels offer innovative, unique products of the same or better quality than national brands and prices that are equal to or higher than national brand leaders (Laaksonen & Reynolds, 1994). While this typology was developed largely in relation to developments in the United Kingdom and Europe, retailers in North America have also started to introduce private labels of equal or even better quality than national brands although still at lower prices (Dunne & Narasimhan, 1999; Quelch & Harding, 1996).

2.3.2 Manufacturer Positioning of National Brands

The literature on optimal positioning of private labels and national brands relative to each other presents a somewhat mixed picture. Many researchers recommend that national brands should increase their distance from private labels (Bell, Davies, & Howard, 1997; Choi & Coughlan, 2006; Hoch, 1996; Quelch & Harding, 1996; Verhoef, Nijssen, & Sloot, 2002) and differentiate through quality and continuous innovation to increase quality or value for consumers (Hoch, 1996; Pauwels & Srinivasan, 2004). Choi & Coughlan (2006) found that manufacturers are likely to continue to strive for quality and feature differentiation from private labels over time. Paradoxically, however, differentiated national brands are likely to be imitated by high quality private labels.

2.3.3 Optimal Retailer Positioning of Private Labels

While national brand manufacturers are advised to distance their national brands from private labels, it is optimal for retailers to position quality private labels close to leading national brands (Choi & Coughlan, 2006; Richards et al., 2007; Scott-Morton & Zettelmeyer, 2004). Bergès-Sennou, Bontems, & Réquillart (2003) suggested that the retailer practice of positioning PLS close to national brands is evidenced by the large numbers of ‘me too’ private labels that are imitations of national brands. Sethuraman (2000) on the other hand found that not many private labels are positioned closely to leading national brands in practice, possibly because such a positioning may not be credible (Ailawadi & Keller, 2004). Sayman, Hoch, & Raju (2002) found there is mixed evidence about the success of the strategy since consumers recognize the positioning but do not alter their perceptions of the quality of the private label.

The literature on retailer positioning of more than one private label within stores or within categories is limited and is largely conceptual rather than empirically based. Laaksonen & Reynolds (1994) argued that “me-too” private labels positioned on value, that is, medium price and quality are not viable because they are not sufficiently differentiated from the retailer’s overall offer and from national brands, resulting in a lack of clear positioning. Private labels therefore need to be positioned either on low price or on high quality and innovation. The authors suggested that one way of doing this and meeting the needs of price-conscious consumers is to have separate own brand ranges that are clearly differentiated from each other. On a similar note, Zielke & Dobbelstein (2007) reported that consumers are more willing to try a new private label when there is a small or a large price differential between the private label and the national brand, but least willing when there is only a medium differential. The researchers concluded that private labels should be positioned in the lowest price tier or as close to the competing national brand as possible, but not in the middle. While Steiner (2004) reported that many large retailers do adopt a two tier strategy for their private labels, with a low price and a premium line, Ailawadi & Keller (2004) reported that more retailers are introducing a range of private labels to span the range of price-quality positions. Kumar & Steenkamp (2007) reported that retailers introduced price segmentation to their private labels in the 1990s, offering low, standard and premium priced products “within a carefully managed store brand portfolio” (p.48).

In a rare empirical study examining retailer positioning of two or more private labels, Sayman & Raju (2004a) argued that it is more profitable for a retailer to introduce multiple private labels in categories where existing national brands have similar market shares and are not price sensitive to each other, and that it is optimal to position each private label close to a different national brand. Having examined private label positioning from the perspective of both retailers and national brand manufacturers, the next section examines private label positioning from the consumer perspective, in other words, how consumers perceive private labels.

2.4 Consumer Attitudes to Private Labels

While many studies have attempted to identify private label buyers on the basis of demographic, socio-economic and psychographic segmentation variables, the evidence has been mixed (Dick et al., 1995) and remains inconclusive (Ailawadi, 2001). Consumer attitudes to private labels may be more useful than segmentation studies as a basis for identifying market segments (Myers, 1967). Researchers investigating consumer attitudes have examined attitudes to private labels with respect to factors such as quality, price and value. While some researchers simply highlight differences in consumer perceptions between these different brand types, others have drawn on the differences in an attempt to explain private label proneness and the success of private labels. This section briefly summarises the findings of studies relating to consumer attitudes to private labels spanning the past forty years. The determinants of these attitudes and preferences will be examined in the following section.

Consumer perceptions of private labels have changed as retailers have repositioned them over time. The reduction in the gap between own labels and national brands in terms of price and quality, together with the increasing promotion of retailer names and their own brands, has changed consumer perceptions of own labels and reduced perceived risk associated with their purchase (McGoldrick, 1984). Nevertheless, studies continue to show that private labels are perceived as inferior in quality to national brands. "Private labels suffer from a lack of a strong, quality image" (Vaidyanathan & Aggrawal, 2000, p. 216).

Early studies offered mixed evidence about consumer perceptions of private label price and quality. Some indicated that users of private labels had more favourable perceptions

than non-users. In Myers's (1967) study nearly one half of respondents considered private labels to have lower prices and lower quality than national brands, but regular private label users considered private labels to be the same quality as national brands. Similarly, Murphy & Laczniak (1979) reported that buyers of generic products perceived their price to be lower than that of national brands, but that they perceived the quality of generics to be comparable to that offered by national brands. This latter study was undertaken at the time generics were enjoying early popularity.

Studies comparing perceptions of private labels with generics and national brands found that private labels were perceived as inferior to national brands but superior to generics with respect to overall quality and quality consistency, regardless of category (Rosen, 1984). Wheatley (1981) found that the introduction of a generic enhanced consumer perceptions of private labels in that more consumers perceived private labels as offering quality rather than price savings, while generics were selected largely for their lower prices. Private labels were seen as offering the best value for money, although on most other attributes they were perceived as sitting between national brands and generics (Bellizzi et al., 1981). National brands rated highest with respect to intrinsic attributes, for example taste, reliability of ingredients, uniformity and overall quality, as well as on extrinsic attributes such as attractive packaging (Bellizzi et al., 1981).

In contrast to some of the earlier studies, Cunningham, Hardy, & Imperia (1982) found that shoppers shared similar perceptions of both private labels and national brands on all product characteristics such as quality, reliability, nutrition, appearance and taste regardless of which they purchased. However, private label users perceived private labels to be more favourably priced and national brand users rated national brands higher on quality. Interestingly, national brand buyers perceived the prices of national brands and private labels to be similar even though they were not, suggesting that their purchase decisions were driven by non-price factors.

More than a decade on, Dick et al. (1995) confirmed earlier studies that private label prone and non-prone consumers perceive private labels differently. The private label prone construct is commonly operationalised as frequency of private label purchase. Dick et al classified private label prone (and non-prone) consumers as those in the upper (and lower) quartile of consumers, when calculating the number of items for which a consumer 'often' or 'always' buys private labels in relation to the total number of items

purchased in the category. Batra & Sinha (2000) measured the degree to which consumers are prone to buying private labels on a continuous scale ranging from consumers who exclusively buy national brands through to those who exclusively buy private labels. Dick et al found that private label prone consumers rate the quality and value for money of private labels higher than consumers not prone to private labels. In general however, Richardson, Jain & Dick (1996a) found that “misgivings regarding private label quality are a major problem facing these products” (p.179).

Past studies on private labels have mostly examined the United States and United Kingdom markets. There has been relatively little research of conventional markets where private labels are not so well established or where they are in earlier stages of development (Anselmsson & Johansson, 2007). Perhaps in response to this gap, a number of more recent studies have examined private labels in these countries, for example Greece, Scotland, Spain, Sweden, Israel and Taiwan. These studies largely found that consumers in different countries have different perceptions of private labels, and that, as in more established markets, quality also plays a key role. Veloutsou et al. (2004) found that both Greek and Scottish consumers had similar perceptions of private label quality and taste or scent, but those in Greece had more favourable perceptions of private label packaging while those in Scotland perceived them to offer greater value for money. Familiarity may have been a factor here, as Greek consumers were less familiar with private labels than those in Scotland. In another study of the Greek market, perceived quality was the most significant indicator of private label proneness, although favourable perceptions of price, packaging, image and advertising were also relevant (Baltas & Argouslidis, 2007). In a Spanish study, consumers believed that private labels were inferior to national brands but that private labels were nevertheless reliable, value for money and of ‘acceptable’ quality (Guerrero, Colomer, Guàrdia, Xicola, & Clotet, 2000). In Israel, a less established market, private labels are perceived to be lower quality than national brands (Ghose & Lowengart, 2001). Finally, a recent Swedish study found that national brands out-perform private labels in terms of brand preference, though premium private labels rate more highly than other private labels (Anselmsson, Johansson, & Persson, 2008).

In one of the few studies of private labels in the New Zealand market, Prendergast & Marr (1997) studied consumer perceptions of generics. Penetration of generics in the market was relatively high but quality perceptions varied across product categories.

More standardised products such as toilet tissue and rice, with which consumers had lower levels of involvement, were perceived to be of high quality whereas higher involvement products such as shampoo and coffee were perceived to be low quality.

2.5 Determinants of Attitudes to Private Labels

This section explores the determinants of attitudes to private labels. Private label attitude is “a predisposition to respond in a favourable or unfavourable manner due to product evaluations, purchase evaluations, and/or self-evaluations associated with private label grocery products” (Burton, Lichtenstein, Netemeyer, & Garretson, 1998, p.298). These researchers reported that consumers with highly favourable attitudes to private labels purchased fifty percent more private label products than those who gave low ratings to private labels, indicating that favourable private label attitude translates to purchase behaviour. Consequently it is important to understand the drivers of those attitudes. This section examines the determinants of consumer attitudes to private labels with respect to two of the commonly studied positioning variables, quality and price, and to a related psychographic variable, price consciousness. Quality is discussed within the context of perceived risk, a recurring theme in the private label literature.

2.5.1 Perceived Product Quality

Quality is considered critical to achieving competitive advantage and is used by both practitioners and researchers to analyse key business indicators such as competitiveness, image and customer loyalty (Hansen & Solgaard, 2004). It is acknowledged, however, that there is some lack of clarity about the concept. Firstly, researchers offer many different definitions and interpretations of quality. For example, perceived product quality is defined as “consumers’ judgements regarding a product’s overall excellence or superiority” (Zeithaml, 1988, p.3) or “its ability to satisfy the expectations and needs of customers” (Bergman & Klefsjo, 1994, p.282, cited in Hansen, 2001). Secondly, the measurement of perceived quality can be problematic because it is subject to the consumer’s own interpretation of its meaning (Hansen & Solgaard, 2004).

With respect to private labels, quality is at the heart of the competition between private labels and national brands in terms of both the consumer’s desire for quality and the retailer’s ability to deliver quality on a par with that provided by national brands (Hoch,

1996). This view is supported by Veloutsou et al (2004), who reported that quality is an equally important choice criterion for consumers when buying both national brands and private labels. Some studies (eg. Hoch & Banerji, 1993; Miranda & Joshi, 2003; Sethuraman, 2003) have found that quality is more important than price in terms of consumer satisfaction with private labels, the decision to purchase private labels and private label market share. Further, Dhar & Hoch (1997) found not only that private label penetration is higher in higher quality categories, but also that the degree of a retailer's commitment to quality, together with the inclusion of a premium private label in their assortment, helps explain the variance in private label penetration across retailers.

Consumer perceived quality of private labels is often examined in the literature within the context of perceived risk. One of the most useful measures of overall perceived risk is the probability of negative consequences occurring (uncertainty) together with the importance of negative consequences (Mitchell, 2001). Dowling & Staelin (1994) proposed an extended model of risk which is also relevant to private labels. In their model, consumers assess their overall perceived risk based on prior knowledge, involvement, purchase goals and usage, uncertainty and consequences relating to relevant product attributes. The product attributes in turn are linked to functional, monetary, social, and psychological risks. These risks can be defined in terms of potential loss: functional risk relates to the potential loss resulting from inadequate product quality, financial or monetary risk is the potential financial loss resulting from a bad purchase, while social risk is the potential loss of image or prestige resulting from the purchase or use of a product, especially if used in public (Zielke & Dobbstein, 2007).

A number of empirical studies confirm that risk plays a key role in consumer perceptions of quality and ultimately in private label purchase. Shoppers who are not prone to private labels are more concerned that private labels may be of inferior quality and that their purchase will therefore result in financial risk (Dick et al., 1995). Non private label shoppers are also influenced by social risk, believing that others may judge them negatively if they buy private labels (Dick et al., 1995). Narasimhan & Wilcox (1998) confirmed that the willingness of national brand buyers to switch to private labels is related to perceived risk, specifically the consequences and probability of buying a private label product of unacceptable quality. DeVecchio (2001) found

private label quality perceptions to be higher in categories where functional risk is low, specifically, where consumers believe products are less complex to produce, and where they perceive there is little variation in functional quality or product performance across brands. Similarly, Zielke & Dobbstein (2007) found that consumers are more willing to trial new private labels in categories where perceived risk is low, and conversely less willing in categories with high perceived risk. Where social risk is high, premium private labels are preferred over 'classic' private labels and generics. Méndez, Oubiña, & Rubio (2008) reported that while a larger price differential between private labels and manufacturer brands leads to higher market shares for private labels in most categories, it has no effect on private label market share in categories involving high levels of functional, psychological or social risk. This finding suggests that consumers avoid private labels in high-risk categories regardless of their price advantage.

Having confirmed the importance of perceived risk in consumer evaluations of private label product quality, the discussion now turns to antecedents and moderators of perceived risk, namely quality variability of private labels, quality variation between national brands and private labels, reliance on extrinsic cues to assess private label quality and familiarity with private labels. Erdem et al. (2004) developed and empirically tested a model which captures the impact of quality variation between national brands and private labels, and of private label quality consistency. Drawing on consumer choice under uncertainty, the model shows that consumers are more likely to buy private labels when their prior uncertainty about the quality of private labels compared to national brands is low and when consumer experience of the product over time shows the brand is consistently positioned with respect to quality, in other words, when perceived risk is low. Erdem et al. suggest that uncertainty leads consumers to form expectations about quality based on learning, for example through communications. Expectations will be more consistent if communications are more consistent, which in turn is likely to reduce perceived risk about quality consistency.

A number of earlier researchers had also identified the role of variation in quality between national brands and private labels and the quality variability of private labels in consumer attitudes and behaviour towards private labels. The level of perceived risk between private labels and national brands is reduced when consumers perceive them to be of similar quality (Mieres, Martín, & Gutiérrez, 2006). High quality and quality consistency are more important than the price in determining the success of private

labels in terms of their market share (Hoch & Banerji, 1993). Product quality close to national brand quality and quality consistency are also key factors explaining differences in private label market share across categories (Hoch, 1996). Batra & Sinha (2000) found that private label purchasing increases in categories where consumers have lower perceived risk associated with the consequences of making a purchase mistake. This risk, in turn, is lower where consumers perceive lower quality variation between products in the category. In an empirical investigation of perceptions of food quality in the Danish grocery market, Hansen (2001) found that both producers and retailers consider products can be good quality as long as consumers perceive them to be the same every time, even if the quality is not 'excellent'. This is because product consistency helps consumers to form realistic expectations of the quality, so they are more likely to feel their expectations are being met. These findings are consistent with those of Erdem et al (2004).

In addition to quality levels and quality consistency, consumer reliance on search criteria or extrinsic cues to assess product quality has been found to impact on perceptions of private labels and on perceived risk. According to cue utilization theory, consumers often rely heavily on extrinsic cues – attributes that are not part of the product, for example, brand name, packaging and price – to assess product quality and evaluate brands (Rao & Monroe, 1989). Extrinsic and intrinsic cues are similar to search and experience attributes respectively. Search attributes of a product can be assessed before purchase, for example ingredients information on the package, whereas experience attributes or intrinsic cues can only be 'experienced' through actual use for example, taste and aroma (Batra & Sinha, 2000). These researchers found that private label purchasing is higher in 'search' categories where quality can be assessed from the information on product labels, for example an over-the-counter standard drug, and lower in more risky 'experience' categories, for example coffee, where product trial is needed to assess product quality.

There is mixed evidence from other researchers about the effect of consumer reliance on extrinsic cues. On one hand, one of the major extrinsic cues - use of the store name for private labels – is in part responsible for variation in private label penetration across retailers (Dhar & Hoch, 1997). Consumers also consider other extrinsic cues, namely price and packaging, to be the most important choice criteria when buying private labels (Veloutsou et al., 2004). Other studies, however, found that consumer reliance on

extrinsic rather than intrinsic cues, namely brand name, packaging and price, leads to unfavourable perceptions of the quality of private labels (Mieres et al., 2006; Richardson et al., 1994; Sprott & Shimp, 2004) and that private label prone consumers place significantly less emphasis on extrinsic cues to assess product quality (Dick, Jain, & Richardson, 1996).

Familiarity with private labels also has an important effect on perceived quality and risk. Bettman's (1974) study, one of the earliest to consider risk in relation to private labels, showed that familiarity with private labels lowers perceived risk and increases consumer confidence that the product quality will be acceptable. Baltas (1997) confirmed that private label consumers are more familiar with private labels and are therefore likely to have lower perceived risk. This, coupled with the finding that private label prone consumers rate private labels higher, led Dick et al. (1995) to conclude that familiarity may promote consumer awareness of private label quality. Richardson et al. (1996a) found familiarity with private labels to be the single most important factor affecting private label proneness, not only because of its direct affect but also because lack of familiarity increases perceived risk and perceived difference in quality between private labels and national brands. Their study found that lack of familiarity leads consumers to rely more heavily on extrinsic cues, which in turn results in lower perceptions of private label quality and higher perceived risk when compared to national brands. Mieres et al. (2006) similarly reported that greater familiarity reduces the reliance on extrinsic cues to assess quality and increases perceived quality.

2.5.2 Perceived Quality versus Image

Studies examining private label brand equity suggest that national brands have higher brand equity than private labels despite the fact that their objective ('real') quality may be similar. Keller (2003) defines customer brand equity as "the differential effect that brand knowledge has on consumer response to the marketing of that brand" (p.60). There is evidence that the quality of private labels has evolved over time and that there is no difference in objective quality between private labels and manufacturer brands in most categories (Méndez et al., 2008). Where there is a quality difference, this is related to the nature of the category: private label quality is similar to that of national brands in categories requiring simple production technology, and lower in high technology categories. Despite this, taste tests comparing blind (unbranded) and non-

blind (branded) scenarios or where private label and national brand packaging have been switched, show that image, in the form of brand name and packaging, is more important to consumers than intrinsic quality (Davies & Brito, 2004; De Wulf et al., 2005; Richardson et al., 1994). Image more than quality also explains why consumers are prepared to pay a premium for national brands over private labels (Sethuraman, 2003).

2.5.3 Price and Price Consciousness

In addition to the influence of perceived quality, it has long been assumed that the lower price of private labels relative to national brands is one of the main factors affecting consumer attitudes to private labels. A 2005 AC Nielsen study found the price gap between private labels and national brands in Europe was around 26 to 48 percent (Anselmsson & Johansson, 2007). A number of researchers have investigated the effect of this price differential, as well as related constructs such as price-quality associations and price consciousness. This section outlines the findings of relevant price-related studies.

There is mixed evidence about the effect of the price differential between national brands and private labels. Hoch & Banerji (1993) found that the price gap has no effect on private label market share, indicating that consumers do not buy private labels solely because they are cheaper. In an apparent contradiction to this finding, however, Hoch (1996) found that a large price differential between national brands and private labels promotes private label sales because if the differential is small, consumers are more likely to 'trade up' to the national brand. In an investigation of the optimal price gap between private labels and private labels, Hoch & Lodish (1998) found that consumers not only significantly overestimate private label prices, but also are not particularly sensitive to private label prices and to the price differential between private labels and national brands. These findings led the researchers to conclude that retailers are missing out on potential profits in many categories and should reduce the price gap between private labels and national brands by raising private label prices. Méndez et al. (2008) recently reported that a larger price differential between private labels and manufacturer brands leads to higher market shares for private labels in most categories, although as previously mentioned, not in high-risk categories where consumers are prepared to pay for higher-priced national brands.

Consumer attitudes to private labels are affected not only by price and quality, but also by price-quality associations. The early perception that private labels were of a lower quality than national brands was likely to have stemmed from consumers' propensity to associate quality with price (McGoldrick, 1984). Dick et al.'s (1996) research confirmed earlier studies that price is a major indicator of quality. Hoch & Lodish (1998) reported that as the price gap between private labels and national brands increases, consumers' perceived value for money (quality in relation to price) increases although the degree of value diminishes as the price gap gets larger, suggesting some degree of price-quality association at work. While some studies indicate that consumers who associate quality with price have less favourable attitudes to private labels (Burton et al., 1998; Garretson, Fisher, & Burton, 2002), most researchers now believe there is no generalised price-quality relationship, but rather that the price-quality inference depends on the context (Sinha & Batra, 1999). The latter found that consumers who have strong price-quality associations in a category tend not to buy private labels in the category, and that this affect is moderated by perceived risk.

The extent to which prices and price-quality associations affect attitudes to private labels may also depend on the degree of consumer price consciousness. Definitions of price consciousness include "a buyer's unwillingness to pay a higher price for a product", the "exclusive focus on paying low prices", and "a consumer's reluctance to pay for the distinguishing features of a product if the price difference for these features is too large" (Monroe & Petroschius, 1981, p.44, cited in Sinha & Batra, 1999). A number of studies have shown that attitudes to private labels are positively affected by price consciousness (eg. Anselmsson & Johansson, 2007; Burton et al., 1998; Sinha & Batra, 1999). Sinha & Batra (1999) also found that perceived category risk reduces price consciousness and hence reduces private label purchase in the category. In other words, consumers are willing to pay the higher prices for national brands in categories perceived as being higher risk. Other studies confirmed that private label prone consumers are price conscious (Baltas & Argouslidis, 2007; Burger & Schott, 1972), although interestingly Martinez & Montaner (2008) found that while the most price sensitive consumers are more prone to private labels, they are not characterized as budget-constrained.

Research on the relative importance that consumers place on price, quality and value when evaluating private labels is inconclusive. Some researchers have found that

private label prone consumers are price conscious but not quality conscious (Ailawadi, Neslin, & Gedenk, 2001; Martinez & Montaner, 2008), although this finding is apparently contradicted by studies that found perceived quality is an important factor in private label preference (Baltas & Argouslidis, 2007; Richardson et al., 1994; Veloutsou et al., 2004). Richardson et al. (1994) found some evidence that consumers are more interested in quality than value for money in terms of their willingness to purchase private labels, while Anselmsson & Johansson (2007) reported that consumers are more concerned with the value of private labels than with quality per se.

2.6 Store Image

The review has so far examined the literature on retailer and consumer positioning of private label products and examined in some depth the determinants of consumer attitudes to these brands. This next section turns to a discussion of store image, its role in attitudes to brands in general and the link between store image and private labels in particular.

2.6.1 The Store Image Construct

Businesses and business media regard store image as critical to retail success because of the influence it is believed to have on store patronage behaviour and hence profitability (Hansen & Solgaard, 2004). Store image, the subject of academic research for many years, was defined over fifty years ago as the ‘personality’ of a store or “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). Kapferer (1986) proposed that retailers need to differentiate themselves from competitors not only in terms of functional attributes like price and own brands but also with respect to consumer attitudes, for example to the personality of the store, which should be communicated in a coherent way to give the store a singular identity. Because consumers form images about a store relative to images of other stores, and because consumers differentiate between stores on various attributes such as service, price and quality, the image and positioning of a store is important in a competitive environment (Hansen & Solgaard, 2004). According to Richards et al. (2007), “retailers now regard horizontal competition with other retailers as perhaps their most pressing problem” (p.1).

There is debate, however, on the store image construct in terms of its conceptualisation and operationalisation (e.g. Chowdhury et al., 1998; Kasulis & Lusch, 1981; Keaveney & Hunt, 1992) as noted by Hansen & Solgaard (2004). There has also been research on whether store image is made up of a number of separate components (eg Lindquist, 1974) or whether it is an overall perception consumers hold (eg Dichter, 1985).

Reflecting the debate on the store image construct, researchers have identified a variety of store image dimensions. Chowdhury et al (1998) drew on a comprehensive review of the store image literature to develop and test a 'superset' of store image items. After testing to identify the most effective measures of shopping behaviour, they developed a final scale comprising six dimensions of store image: product variety, product quality, prices/value, service, atmosphere and convenience, with each dimension consisting of three items. The researchers concluded that structured scales measuring store image are more effective than non-structured scales in predicting shopping behaviour. Ailawadi & Keller's (2004) review of past research of store image focused on location, atmosphere, price and promotion and assortment. Hansen & Solgaard (2004) were able to map the images and positioning of a range of Danish grocery retail chain stores by measuring customer perceptions of twenty-one store attributes, including quality, variety, price, service and atmosphere.

2.6.2 Store Image and Attitudes to Brands

A number of studies point to a clear link between store image and perceptions of the brands a retailer carries, although the direction of the relationship is not clear-cut. It appears that brand image has a stronger effect than store image (Mazursky & Jacoby, 1986). That study found that retailers can improve low store image by associating with high image brands and that store image can suffer by being associated with low image brands. Further, low brand image cannot be improved by associating with higher image stores, although high image brands can be damaged by stores with a lower image. These findings were largely confirmed by Pettijohn, Mellott, & Pettijohn (1992), although the latter found high image brands were not affected by being associated with lower image retailers, which lends supports to the notion that brand image may outweigh store image.

As indicated above, store image is linked with consumer perceptions of the price and quality of the brands sold in the store. Baker, Grewal, & Parasuraman (1994) found that

consumer inferences about the quality of merchandise (brands) and service are antecedents of store image. Meanwhile, an empirical study by Baker et al. (2002) found that favourable store atmosphere in terms of store design, results in more favourable perceptions of merchandise quality but also leads consumers to believe that merchandise prices are higher. The latter study also found that perceived merchandise value is driven strongly by perceptions of merchandise price and quality but not by other store image factors such as perceptions of service. The interdependent nature of the relationship between brand image and store image is summed up by Porter & Claycomb (1997): “brand image and retail image are inextricably linked to one another” (p.373).

Store assortment or variety is another factor that has been examined in the store image literature. A broad cross-category assortment can offer consumers the convenience of one-stop shopping and encourage shoppers to purchase products in a category which they would normally seek in other stores (Ailawadi & Keller, 2004). With respect to depth or assortment within categories, a larger perceived assortment can improve store image (Kahn & Wansink, 2004), although on the other hand increased choice can result in ‘cognitive overload’ (Iyengar & Lepper, 2000). Sayman & Raju (2004b) found some evidence to suggest that the greater the number of private labels present in the store, the more favourably consumers regard the private labels in a given category.

Other studies have specifically examined the effect of store image, or aspects of it, on consumer responses to brands and products. Wheatley & Chiu (1977) confirmed that store reputation is a cue to product quality. Corporate image also has a positive influence on consumer responses to brands (Brown & Dacin, 1997). Store name, which is assumed to be a cue to store image, influences consumer product evaluations (Dodds, Monroe, & Grewal, 1991). Grewal, Krishnan, Baker, & Borin (1998) confirmed that store name positively affects store image and that store image affects purchase intentions for a product. Dawar & Parker (1994) on the other hand found that while consumers do use store name as a signal of product quality, they rely much more on other signals like brand name and price. The authors suggested this is because store name or retailer reputation is not specific to product quality since retailers sell competing products over a broad quality range. This outcome and explanation may well be different for private labels, however, given that they are generally exclusive to particular retailers and may even carry the store name.

It appears that few studies have been undertaken on the link between store image and brand image in the grocery market. Many of the studies outlined above, for example, have examined department stores (Zimmer & Golden, 1988) apparel stores (Mazursky & Jacoby, 1986; Pettijohn et al., 1992; Porter & Claycomb, 1997) or specific products such as consumer electronics (Dawar & Parker, 1994; Dodds et al., 1991) and even bicycles (Grewal et al., 1998). It cannot be assumed that the findings apply equally to grocery retailers.

2.6.3 The Effect of Private Labels on Store Image

While the thesis of this research is the role that store image plays in attitudes to private labels, the relationship is complex in that retailer brands can also have an important role in positioning the retailer in consumers' minds (Dawson, Findlay, & Sparks, 2008). Certainly, image-building is a key motivation for retailers: a study by the Private Label Manufacturer's Association in 1999 found that 62 percent of respondents cited image as one of the most important reasons for introducing private labels (Anselmsson & Johansson, 2007). Dawson et al. (2008) point to significant differences in the approach to private labels between Europe and the United States. In the United States, the approach still largely centres around offering low quality, low-price options, whereas in Europe and especially in the United Kingdom, retailers have begun to view the retailer as the brand. Dawson et al. explain that the retailer as brand encompasses not only private labels but all aspects of the retailer's operations including employee service and store format, in order to portray a certain image.

Burt (2000) associated the adoption of the retailer as a brand in the United Kingdom with changes in grocery retailing, whereby retailers gained greater buying power and became more centralized, leading to greater recognition of the importance of their trade name and corporate identity in developing image. Retailers also began to appreciate that customer perceptions of the store associated with the store name would transfer to perceptions of their retail brands. This development has seen the repositioning of retail brands over time, from the first generation generics (unbranded), through to fourth generation premium private labels (Laaksonen & Reynolds, 1994). Burt (2000) suggested that leading UK grocery retailers now treat their private labels as 'true' brands to which product packaging and labelling and overall store image all contribute. Burt argued that these private label products are perceived by consumers as equal in

quality and innovation to products offered by leading national brand manufacturers. In a similar vein, Burt & Sparks (2002) proposed that a fifth generation of ‘corporate’ brands should now be added to Laaksonen & Reynolds’ typology, reflecting the more recent development of corporate branding in retailing whereby retailers work to align internal vision and culture with external image.

The rise of the retailer as a brand is considered to be one of the most important trends in retailing (Grewal et al., 2004). Taking this concept further, Grewal et al. developed a conceptual model depicting store image as a combination of manufacturer brands, private labels and the store itself as a brand. This model was adopted by Martenson (2007) in an investigation of the impact of store image on customer satisfaction and loyalty. While the fact that the store offered private labels was relevant to store image, customers viewed ‘store as a brand’ (measured by relationships with customers, store aesthetics, assortment and price) to be more important. Manufacturer brands were the least important determinant of store image, which suggests that they do not play a role in store differentiation as they are found in many stores (Martenson, 2007). The study examined private labels and manufacturer brands in general, rather than specific private labels.

Earlier, Dhar & Hoch (1997) found that the use of the store name on private label products is a positive factor in explaining variances in private label penetration across retailers, and indicated that this branding strategy is likely to have an impact on retailer image. Later studies confirmed that private labels are important in building store image (Anselmsson & Johansson, 2007; Giraldi, Spinelli, & Merlo, 2003; Hoch & Lodish, 1998) and in enhancing retail store differentiation (Corstjens & Lal, 2000; Esbjerg et al., 2004; Sudhir & Talukdar, 2004). Collins-Dodd & Lindley (2003) suggested that there may be reciprocal effects between store image and private labels, for example a weak store image resulting from inconsistent positioning could be strengthened by a strong private label programme. Anselmsson & Johansson (2007) reported that private labels do build store image in that the perceived value of private labels increases the perceived value of the store’s products in general.

2.6.4 Retailer Brand Architecture

It is relevant within the context of the discussion of store image and private labels to comment briefly on retailer ‘brand architecture’, a notion developed by Esbjerg et al.

(2004). Applying Aaker & Joachimsthaler's (2000) brand relationship spectrum to grocery retailers, brand architecture refers to the combination of private labels, national brands and generic products offered by the retailer, together with the brand names used for private labels, for example whether they carry the store name or have other brand names. These decisions will impact on perceived store image and on store and brand choice. Esbjerg et al. note that retailers face conflicting demands in their brand architecture decisions. On the one hand they attempt to differentiate themselves by offering products that are unique to their stores, yet on the other hand they need to meet consumer expectations by offering national brands that are available elsewhere. Grunert, Esbjerg, Bech-Larsen, Brunsø, & Juhl's (2006) study investigating consumer preferences for retailer architecture found that consumers prefer lower priced stores that carry predominantly manufacturer brands. With respect to private labels, the preference is for their quality to be the same but not higher than the quality of national brands, and to carry the store name rather than different brand names. The second highest preference is for retailer brand only stores carrying high quality private labels, prompting the researchers to suggest that the market in future may polarize between stores adopting that concept, and discount stores.

2.6.5 The Effect of Store Image on Private labels

As the discussion above suggests, a number of researchers have highlighted the role of private labels in contributing to store image and retailer differentiation. Few studies have investigated the effect of perceived store image on consumer attitudes to private labels, however, despite the fact that store image is often mentioned as relevant. Dick et al. (1995), for example, suggested that because consumers still doubt the quality of private labels, retailers need to pay attention to private label quality and cues that signal quality such as packaging, brand image and store image. Ailawadi & Keller (2004) suggest that providing high quality national brands enhances consumer perceptions of the retailer's overall image, which in turn improves perceptions of the retailer's private label. The discussion that follows, examines the few studies that have specifically investigated the effect of store image on attitudes to private labels.

An early indication that store image affects attitudes to private labels is provided by Livesey & Lennon's (1978) study which found that the degree of private label acceptance is store-specific. Richardson et al. (1996b) investigated the effect of one

aspect of store image - store aesthetics - on consumer evaluations of private label grocery products. They found that whereas consumers judge the quality of national brands to be the same regardless of store aesthetics, evaluations of private labels are influenced by store attractiveness. Citing from Liesse (1993) “a national brand is a national brand everywhere”, Richardson et al (1996b) suggest that national brands have higher brand equity as a result of the marketing efforts of manufacturers. They surmise that an investment by retailers in store aesthetics will benefit all private labels offered since the effect is not product-specific.

In a more comprehensive study involving consumer attitudes to the private labels of three grocery stores across four product categories, Semeijn et al. (2004) found that consumer judgements of private labels are influenced by their perceptions of store image. Semeijn et al also found that store image can act as a ‘risk reducer’ by reducing functional and psychosocial risk associated with buying private labels in certain categories. Adding to these findings, Vahie & Paswan (2006) reported that consumer perceptions of the quality of private labels in the apparel market are influenced by the store image dimensions of store atmosphere and store quality. Liu & Wang (2008) found that store image is a strong predictor of general attitudes to private labels in Taiwan, while store image does not affect attitudes to national brands. Looking specifically at service, Huang (2009) found that the quality of service offered by retailers is a strong predictor of the perceived quality of private labels in Taiwan. In a Spanish study, Guerrero et al. (2000) found that the perception of private label quality depends on the store, which again suggests that store image plays a role in private label attitudes. Against these positive findings, however, Lee & Hyman (2008) found that store attitude had only a weak effect on attitudes to private labels, although the authors note that the significance of the relationship may depend on which stores and store image factors are studied.

Prior to the study by Semeijn et al. (2004), Collins-Dodd & Lindley’s (2003) study, which examined attitudes to the private labels of three large Canadian grocery chains, appears to have been the first to investigate the effect of store image on attitudes to *specific* private labels in the grocery market. While many previous studies had examined attitudes and proneness to private labels, as outlined earlier in this chapter, they did not include store image given the focus was on attitudes to private labels in general and not to specific private labels. The importance of research of specific brands

is highlighted by Zielke & Dobbstein's (2007) recent study which found that attitude to specific private labels is more important than general attitude to private labels in terms of willingness to buy new private label products.

Collins-Dodd & Lindley (2003) drew on cue utilization theory and the brand extension construct to posit that consumer perceptions of stores can be generalized to specific private labels. Their study confirmed the hypothesis that consumer perceptions of store image and specific private labels are positively associated. The authors also posited that because retailers are positioned differently in consumers' minds, perceptions of specific private labels also differ across stores. This hypothesis was not confirmed, however, since private labels were perceived most favourably by consumers who shopped most at the store. The authors concluded from this that familiarity plays a role. Overall, Collins-Dodd & Lindley concluded that private labels can play an important role in retail differentiation and hence store loyalty if consumers perceive them to be associated with the unique image of the store.

2.7 Summary

This chapter has reviewed studies relevant to consumer attitudes to private labels and to the link between store image and private labels. Retailer motivations for, and positioning of, private labels were outlined given that retailer strategies impact on consumer positioning and attitudes. Consumer perceptions and determinants of attitudes to private labels were discussed in some depth. Studies relating to the effect of store image on brands and on private labels in particular were also examined.

Retailer motivations to introduce private labels include improving retailer margins, creating competitive advantage through retailer differentiation, improving store loyalty and providing an alternative to national brands by creating brand loyalty. Retailers have repositioned their retail brands over time, from low quality generics through to premium quality private labels, although this evolution is more marked in Europe than in the US where private labels tend to be more at the stage of 'me-too' own brands. There has been limited empirical research on retailer positioning of two or more private labels, although some researchers recommend a two tier positioning either in the lower price tier or close to national brands but not in the middle.

Consumer perceptions of private labels have changed as retailers have repositioned them over time, yet studies generally continue to show that private labels are perceived as cheaper than national brands but inferior in quality. Private label prone consumers tend to view them more favourably than those who do not buy them. The determinants of consumer attitudes to private labels include perceived product quality, which is related to perceived risk, image, price and value.

Store image and retailer differentiation are considered by both practitioners and researchers to be critical to retail success, although there is debate in the literature on the conceptualisation and operationalisation of the store image construct. Studies show a clear link between store image and attitudes to brands sold in the store in terms of price, quality, value, image and assortment, although the relationship is interdependent. Similarly, private labels can influence store image and there is some evidence that store image influences attitudes to private labels although this evidence is mixed.

2.8 The Research Gap

Studies on private labels have mostly examined the United States and European markets whereas there has been relatively little research of markets like New Zealand where private labels are not so well established or where they are in earlier stages of development. Furthermore, research of attitudes to private labels has largely examined attitudes to private labels in general, even though there is some evidence to suggest that attitude to specific private labels is more important than generalised attitudes. Few studies have examined the effect of store image on attitudes to specific private labels in the grocery market, and the evidence from those few studies is mixed. Consequently the research problem to be addressed in the current study is: *How does store image affect customer attitudes to specific private labels?*

The current research will replicate and extend Collins-Dodd & Lindley's (2003) study on the influence of store image on attitudes to private labels, in the context of the New Zealand grocery market. Previous studies that have examined specific private labels, including Collins-Dodd & Lindley's, have generally examined one private label unique to the retail chain(s) in the study concerned, whereas the New Zealand market context allows for the same private labels to be examined across two store chains. It also allows

for an examination of consumer positioning and attitudes to more than one private label within stores, an area where there has previously been very little empirical research.

CHAPTER 3: METHODOLOGY

3.1 Introduction

The purpose of this chapter is twofold: it presents hypotheses to investigate the research question developed in chapter 2, and describes and justifies the methodology and research procedures that will be used to investigate the hypotheses. The main purpose of the research, as outlined earlier, is to investigate how store image affects attitudes to private labels through a replication and extension of the study by Collins-Dodd & Lindley (2003), in the New Zealand setting. The main constructs under investigation are perceptions of store image and attitude to private labels, together with the related constructs of store and private label positioning. Within this context, key underlying determinants of private label attitude and store image will also be investigated.

The chapter begins with a justification of the research methodology in terms of the positivist, quantitative approach adopted, and an explanation of the selection of stores and private labels. The following sections provide a detailed discussion of the research methods to be used, including development of the measurement scales, questionnaire design, data collection and sample size. Further sections explain the treatment and analysis of the data that will be used in the study. Ethical considerations relating to the research are then outlined. A summary is provided in the final section.

3.2 Research Methodology

Given that the current research is a replication and extension study, a similar quantitative approach to that used in the original study is appropriate. In the original study, hypotheses relating to the relationship between store image and attitude to private label were developed based on existing constructs. The hypotheses were empirically tested using statistical analysis of data measured by scales that were based on extant studies. For the current research, therefore, hypotheses will be developed and tested using statistical analysis of data collected through a highly structured customer survey.

For the current study, two store chains, New World and Pak'nSave, have been selected because they both offer the same private labels, Pams and Budget. Further, both the two

stores and also the two private labels are positioned differently. The two stores come under the umbrella of the same federation body and, while individual stores are owner-operated, they share a nationally coordinated private label programme (Foodstuffs(NZ)Ltd, 2007). The two stores have quite different formats: New World stores are described as “full service supermarkets” and Pak’nSave stores as “food barns/retail food warehouses” (Foodstuffs (NZ) Ltd, 2007, para 5). Pams appears to be positioned as a mid-range, value-for-money brand and Budget as a low-price ‘no frills’ option. Consequently the current study is able to examine attitudes to two different private labels between different stores as well as within the same store. This provides a new perspective compared to Collins-Dodd & Lindley (2003) and others who have examined private labels unique to different stores.

3.3 Development of Hypotheses

Four hypotheses relating to store positioning, private label positioning and to the association between store image and private label attitude, have been developed as follows:

- H1 *Customer perceptions of store image differ between stores.*
- H2 *Customer attitudes to private labels differ between differently positioned brands.*
- H3 *Customer attitudes to the same private labels are the same between stores.*
- H4 *Customer attitudes to private labels are positively associated with customer perceptions of store image.*

While hypotheses H1 relating to customer perceptions of store image was not set out as a separate hypothesis in the original study, it was specifically analysed and discussed as an important component of the study. The purpose of developing a specific hypothesis in the current research is to confirm that this key construct underlying the study does apply in the fundamental way expected within the New Zealand setting. In other words, it is assumed that the two stores are positioned differently in consumers’ minds and hence that customer perceptions of store image will be different for the two stores. Testing the hypothesis will also allow differences on specific attributes between the stores to be identified.

Hypotheses H2 and H3 are based on the original study, but have been altered to suit the context of this New Zealand research. The original study posited that because consumers hold distinct images of different retailers, they also hold distinct images of the private labels that are unique to a store (Collins-Dodd & Lindley, 2003). The relevant hypothesis in the study, which examined different private labels unique to different stores, was “Perceptions of store brands differ across stores” (p. 347). In the current study, it is expected that the two private labels are positioned differently in consumers’ minds (H2) and that attitudes to the same private labels will be the same, regardless of the store from which they are purchased (H3). As with hypothesis H1, the main purpose of including these hypotheses is to confirm that they do apply in the way expected. Testing of them will also allow similarities and differences on specific attributes to be identified.

The final hypothesis, H4, is central to the research. As in the original study, it posits that customers’ attitudes to specific private labels are influenced by their perceptions of the stores they purchase them from. Attitudes to individual private labels will be examined in relation to customer perceptions of more than one store, unlike the original study which examined each brand in relation only to its ‘own’ store.

A hypothesis in the original study that will not be examined in the current study, relates to whether attitudes to specific brands are also influenced by generalised attitudes to private labels. This angle will not be included in the current research, where there is a more narrow focus on the effects of store image.

3.4 Research Methods

The hypotheses presented in the previous section will be empirically tested through the analysis of collected data. This section describes the research methods that will be employed to collect the data. Similarities and differences between the methods to be used in this research and those used in the original study are also highlighted. Development of the measurement scales is discussed first, followed by questionnaire design, data collection and sample size.

3.4.1 Development of the Scales

The scales used to measure store image are based as far as possible on those developed by Collins-Dodd & Lindley (2003). Those scales in turn were derived from measures identified in Chowdhury et al.'s (1998) study which was outlined in chapter two. That scale comprised six dimensions of store image: product variety, product quality, prices/value, service, atmosphere and convenience, with each dimension consisting of three items.

While the store image scale in the original study was derived from Chowdhury et al.'s (1998) study, the exact number and nature of the items in the scale and the rationale for their selection were not immediately obvious. For example, it was unclear whether the scale used multi-item or single-item variables for each of the dimensions from Chowdhury et al. Also, an attempt was made to make the store image items commensurate with the private label items where possible. The apparent rationale was to facilitate pair-wise correlations between comparable store image and private label items as a preliminary examination of an association between the two variables. As part of this strategy, the authors indicated that 'friendly employees' (from the service dimension) and 'store atmosphere' (from the atmosphere dimension) were combined into one atmosphere variable and that the convenience dimension was not used. Further, the original study used prices and value as separate variables whereas they were considered to be one multi-item dimension in the study by Chowdhury et al. Finally, Collins-Dodd & Lindley (2003) included an 'overall' store perception variable, which was not part of Chowdhury et al.'s six dimensions.

In the absence of clarification on the items used in the original study, it has been decided that the scales used in the current research should take into account both the fact that this is a replication and extension study and also the finding that the reliability of a scale increases with the number of items used to measure it (Churchill & Iacobucci, 2002). Consequently this research uses the variables indicated in the original study as the main sub-scales, and the items from the relevant dimensions in Chowdhury et al.'s (1998) study to make up items within each sub-scale. The result is a store image scale comprising six main variables: variety, product quality, value, service, atmosphere and overall image, with the first five variables consisting of three items each and the last, overall image, standing on its own as a single-item variable. The scale therefore consists of a total of sixteen items.

A similar approach has been taken to the scale measuring attitude to private label. The private label scale in the original study used variables very similar to those used in the store image scale, as previously noted. Consequently the variables used in that study will also be used for this research and, where appropriate, items from the relevant dimensions from Chowdhury et al's (1998) study have been used to establish multi-item variables. The result is a scale with five variables and ten items in total: variety, consisting of two items, quality and value consisting of three items each and packaging and overall attitude both as single-item variables.

With respect to the type of scales used to measure the items in the study, Chowdhury et al (1998) used seven-point Likert scales, anchored by (1) strongly agree and (7) strongly disagree to measure store image items. Collins-Dodd & Lindley (1993) used the same seven point Likert scales for both store image and private label, but the anchors were reversed to (1) strongly disagree and (7) strongly agree. This approach would simplify data entry and interpretation, as higher scores mean higher ratings. While there is debate about whether to include a 'neutral' mid-point in rating scales, this point has yet to be resolved and is largely left to researcher preference (Garland, 1991). It is therefore appropriate in the current research to use the same seven-point Likert scales, including a neutral mid-point, as used in the original study.

3.4.2 The Survey Instrument

Having identified the scales used in the research in the preceding section, this section discusses the design of the survey instrument incorporating those scales. The survey instrument used to collect the data is a self-completion questionnaire, a copy of which is attached in Appendix A. The first three sections in the questionnaire comprise statements relating to perceptions of store image (the independent variables), and to attitudes to the two private labels (the dependent variables) respectively. The wording of these items has been taken from the measures adopted from Chowdhury et al (1998) and Collins-Dodd & Lindley (2003), as indicated in the preceding section. Respondents will be required to circle the number on the seven point Likert scale to indicate their opinion on each statement. A 'not applicable' option has been added to the private label questions to allow for cases where respondents are not sufficiently familiar with the particular private label to provide an informed answer.

Two questions in the store image 'atmosphere' scale are negatively worded, in line with the wording of the relevant items used by Chowdhury et al (1998). While one reason for using negatively worded items is to reduce bias that can result from acquiescent respondents who tend towards positive responses, reversed items can result in high misresponse rates due to 'task complexity' (Swain, Weathers, & Niedrich, 2008).

The fourth section asks respondents to indicate their percentage spend at different stores. This question was included in the original study to check whether attitudes across stores were affected by the store respondents shopped at most. Section five asks respondents to indicate the portion of their spending on various private labels and national brands. This is considered easier to answer than the format used in the original study, whereby respondents were asked to apportion \$100 between the various private label and national brand options. The final section of the questionnaire asks for demographic information to enable profiles of respondents to be developed, and to establish whether there are any significant demographic differences between shoppers at the two stores. As noted in chapter 2, there is some evidence that proneness to private label purchase is associated with demographic characteristics, although that evidence is mixed (Richardson et al., 1996a).

The questionnaire has been pre-tested among staff at AUT University. Pretesting is essential for ensuring the success of a research project. It can help uncover problems with individual questions and their sequence and any problems unique to the mode of administration (Churchill & Iacobucci, 2002). No problems were uncovered by the responses of the six staff members who completed the draft questionnaire.

3.4.3 Data Collection

The data will be collected by means of an intercept survey, whereby a sample of shoppers is approached as they exit the store after completing their shopping and asked to complete the self-administered questionnaire. A self-completion questionnaire is to be used because they are cheaper and quicker to administer than structured interviews (Bryman & Bell, 2007). The original study also used a self-completion questionnaire, although the researchers personally delivered and collected it from the household at their residence.

A common problem with mall intercept surveys is the issue of sampling control - “the researcher’s ability to direct the questionnaire to a designated respondent and to get the desired cooperation from that respondent” (Churchill & Iacobucci, 2002, p. 282). In this study, the sampling frame in theory comprises all customers of the stores; hence the issue of sampling control arises because only customers shopping at the store on the designated day and times will have a chance of being included in the survey. With respect to cooperation, some non-response bias is likely to occur as some shoppers may not wish to participate. Nevertheless, personal interviews generally have a higher response rate than telephone interviews or mail surveys (Churchill & Iacobucci, 2002).

Other advantages of personal interviews include the opportunity for interviewers to establish rapport with respondents, as well as the opportunity for clarification (Churchill & Iacobucci, 2002). In this study, for example, interviewers will be able to clarify questions about the private labels in question. On the other hand, personal interviews can also introduce bias, for example because of the respondent’s view of the interviewer or of the respondent’s wish to respond in a way they feel is desired by the interviewer (Bryman & Bell, 2007). Personal interviews may also result in less considered responses than other methods such as mail or email questionnaires, since they do not allow respondents to work at their own pace (Churchill & Iacobucci, 2002).

The two stores selected are in relatively close proximity to each other within the city of Auckland. The two areas have similar socio-economic profiles, as indicated by government decile ratings of local schools. Store location was considered important in the original study because proximity of the store to the consumer’s residence can affect their perception of the store (Eppli & Shilling, 1996). This was especially relevant because respondents were asked to comment on all three stores and the respective private labels. Collins-Dodd & Lindley (2003) attempted to control for location by conducting their survey among households living similar distances from the stores in the study. Because the current study will use an intercept survey at each store, it is not appropriate to control for proximity to respondents’ homes. There is also evidence to suggest that location no longer plays a major role in store choice (Bell, Ho, & Tang, 1998). In addition, in the current study shoppers will be surveyed only about their ‘own’ store, to minimize respondent burden.

Permission for the survey and suitable times will be arranged with the owner-operators of the stores via emailed letter and telephone. A copy of the letter is attached in Appendix B. The survey will be conducted in the course of one week, for one day at each store, between the hours of 10am and 5pm.

The survey is to be administered by six volunteers who will intercept potential participants and collect the completed questionnaires. Two interviewers will administer the survey at any one time in order to cover both store exits. The intention is to conduct a systematic sampling procedure by intercepting every third shopper, although this approach can prove difficult to maintain in practice. Sudman (1980) proposed sampling procedures to reduce sampling bias associated with mall intercept surveys. However, Gates and Solomon (1982) suggested that these procedures were unrealistic and noted that “it is difficult if not impossible to develop a sampling probability procedure [for mall intercept surveys] that interviewers will follow” (p.46).

3.4.4 Sample Size and Type

This section explains the factors that were considered in determining the size of the sample for this study. The main consideration is the appropriateness for the chosen statistical techniques in terms of both statistical power and generalisability. The central hypothesis relating to the effect of store image on attitude to private label is to be tested using multiple regression. With respect to statistical power in multiple regression, increasing the sample size enables lower values of R^2 for a hypothesized relationship to be correctly detected as statistically significant, at a chosen significance level (Hair, Black, Babin, Anderson, & Tatham, 2006).

Sample size also affects the generalisability of results. In multiple regression, results should be generalisable if the ratio of observations to independent variables is greater than five to one, although the desired ratio is between 15 and 20 to one (Hair et al., 2006). In the current study there are six independent variables in the regression variate, which means the size of the sample should be greater than 30, but preferably between 90 and 120. Given that part of the analysis will require multiple regression analysis to be applied to the two stores individually, the sample size needs to be between 90 and 120 for each store. Taking the upper end of this threshold and allowing for some unusable responses and missing data, the sample size is set at 125 for each store, a total sample size of 250.

3.5 Treatment of the Data

The research methods described above will be used to collect the data, after which it will be coded and entered into the statistical programme SPSS. This section outlines the treatment of the data in terms of coding and data entry, reversing negatively worded items and computing new variables for summated scales.

3.5.1 Coding and Data Entry

A code book will be established to help with identification of the raw data as well as any subsequent data manipulation and computation of new variables. To help identify the data from individual respondents, an ID number will be recorded on each completed questionnaire and assigned in SPSS. The two stores will be assigned values in SPSS to enable identification and analysis by store. Questions providing for different categories in the response, for example, demographics will also be assigned values in SPSS. 'Not applicable' responses are to be given a value of 99 to identify them as ignorable missing values. The data will be entered into SPSS using the respondent ratings 1-7 for the interval-scale questions and the assigned values for the categorical questions.

3.5.2 Reversing Negatively Worded Items

Two questions in the scale measuring perception of store image are negatively worded to help prevent response bias. These are: '(Store name) is always dirty' and '(Store name) is old fashioned'. The scores for these items will be reversed so that positive perceptions will be reflected in high scores on the Likert scale in line with all other items, where 1 represents a low rating and 7 represents a high rating.

3.5.3 Summated Scales

The two scales measuring perception of store image and attitude to private label respectively contain multi-item sub-scales, as discussed earlier. With respect to store image, the items measuring the sub-scales will be combined to form six single independent variables to be used in the regression variates. This will be achieved by computing the overall mean of the items in each sub-scale where relevant. Similarly, means will be computed for each of the five sub-scales making up the attitude to private label scale, for both the private labels. This will be done to facilitate the comparison of

attitudes within and between stores, on the various attributes of private label attitude. Finally, the single dependent variables to be used in the regression equations – attitude to private label – will be derived by computing an overall mean of the ten individual items making up the attitude scale for both private labels separately and for the two brands combined.

3.6 Data Analysis

The preceding sections described the procedures that will be used to collect, enter and prepare the data. This section outlines how the data will be analysed initially to examine respondent profiles, carry out a preliminary examination of the data and assess reliability and validity of the study. The analytical techniques that will be used to test the hypotheses of the study are then explained.

3.6.1 Initial Data Analysis

The first step is to provide a demographic profile of respondents at each store by calculating the frequencies within each demographic grouping. A comparison between the two groups of shoppers will then be made using Pearson's Chi-Square tests for independence to examine differences between categorical variables (Field, 2005), in this case demographic variables.

Next, a preliminary examination of the data will be carried out. Prior examination of the data not only provides the researcher with a basic understanding of the data and relationships between variables which can be helpful in interpreting results, but is also necessary to ensure that the data meets the requirements for multivariate techniques (Hair et al, 2006). This prior examination will include descriptive statistics of the interval-scaled variables – means, standard deviations, skewness and kurtosis - to assess the spread and normality of the distributions, box plots to identify outliers and missing data analysis to examine patterns of missing data.

Once the data has been examined and any remedies considered, the scales used to measure private label attitude and perceptions of store image will be investigated for reliability and validity. Reliability of both scales will be assessed in terms of internal consistency of the scales using Cronbach's alpha, inter-item correlations and item-to-

total correlations, as recommended by Hair et al (2006). Construct validity of the store image scale will be investigated with respect to both convergent validity, by examining the item-to total correlations, and discriminant validity, by examining a matrix of paired correlations between the store image sub-scales.

3.6.2 Testing the Hypotheses

In the final stage of the data analysis, analytical techniques will be applied to test the hypotheses of the study. Differences between the stores and the private labels will be examined using t-tests. T-tests are used to test differences between two means (Field, 2005). Paired samples t-tests will be used to compare attitudes to the two private labels (H1), since all respondents answered on both brands. Independent samples t-tests will be used to test differences between the two groups of shoppers with respect to perceived images of the two stores (H2), as shoppers were asked only about 'their' store, and to test for differences in attitudes to private labels across stores (H3). The original study used repeated measures ANOVA to examine the three stores and the three respective private labels as all respondents were asked to comment on all three.

The central hypothesis of the current study relating to the effect of store image on attitude to private labels (H4) will be tested using multiple regression analysis, as in the original study. Multiple regression analysis is used to test the relationship between a single dependent variable and a set of independent variables (Hair et al, 2006). The relationship will be examined from a number of different perspectives, requiring a total of nine regression equations. These perspectives range from the overall view of all shoppers and all private labels, through to each of the two private labels and the two groups of shoppers separately. Further detail is provided in Chapter 4.

3.7 Ethical Considerations

The ethical issues considered in this research relate not only to the participants but also to store owners and to the reporting of the findings. Ethics approval for the research has been obtained from the Auckland University of Technology Ethics Committee. A copy of the approval letter dated 5 September 2008 is attached in Appendix C.

With respect to participants, care will be taken to address the principles of the Treaty of Waitangi in terms of partnership, participation and protection. Other ethical issues that are addressed, some of which are also related to the three principles listed above, include harm, informed consent, privacy and deception (Bryman & Bell, 2007). The informed consent of shoppers to participate in the survey is to be obtained by the interviewers, who will explain the purpose of the survey, who is conducting it and how long it will take. It will be made clear that participation is voluntary. Respondents will also be made aware that the questionnaire is anonymous and confidential. In addition, potential participants will be offered a Participant Information Sheet providing full information on these issues. Privacy of the data will be further maintained by securing the completed questionnaires in a staff office at AUT University and by ensuring the SPSS database file is not shared.

With respect to store owners, permission will be obtained to carry out the survey on agreed dates and times, and interviewers will comply with any requests such as where shoppers can be intercepted. The final ethical consideration relates to accuracy in reporting the findings, which requires that the data collected will not be misrepresented or the findings altered (Sekaran, 2003).

3.8 Summary

This chapter presented the hypotheses of the study and described the methodology and procedures that will be used to collect and analyse the data for the research. The selected stores and private labels were identified. The current study will examine two private labels common to two different stores, whereas the original study examined three private labels that were unique to different stores. In line with the quantitative methodology to be followed, four hypotheses were developed relating to store positioning and private label positioning and to the association between store image and private labels.

Research methods used to collect and measure the data were examined in detail, including the development of the scales, questionnaire design and data collection. The data is to be collected using an intercept survey and a self-administered questionnaire. Sampling control issues and other advantages and disadvantages of these methods were

discussed. The desired size of the sample – 250 shoppers – was explained in terms of statistical power and generalisability.

A description of how the data will be treated was provided next, in terms of coding and data entry, reversing negatively worded items and the summation of scales. This was followed by a description of the approach to be taken to the initial data analysis with respect to profiling shoppers at the two supermarkets, undertaking a preliminary examination of the data – descriptive statistics, assessing normality, identifying outliers and missing values – and assessing reliability and validity. The analytical techniques and approach that will be used to test the hypotheses were explained and justified. The techniques selected are t-tests and multiple regression. Finally, ethical issues to be considered in the research were identified.

CHAPTER 4: ANALYSIS OF DATA

4.1 Introduction

This chapter presents the results of the statistical analysis of the collected data, following the methodology outlined in Chapter 3. The significance of the findings will be discussed in Chapter 5, within the context of the relevant literature and in relation to the research problem concerning the effect of store image on attitudes to private labels. The primary purpose of this chapter is to present the results as they relate to the hypotheses of the study, which were tested using t-tests and multiple regression analysis. It also presents a profile of respondents together with the results of a preliminary examination of the data.

The next section provides a profile of respondents. This is followed by a preliminary examination of the data comprising descriptive statistics (means and standard deviations), normality of the distributions, outliers, data screening and missing values. The data is then examined for reliability and validity in terms of the scales used in the research. The final section of the chapter discusses the results of the statistical analyses used to test the hypotheses.

4.2 Respondents

4.2.1 Response Rate and Sample Size

The survey was conducted on 11 October 2008 at Pak'nSave and 16 October 2008 at New World, in the city of Auckland. A total of 252 shoppers completed the questionnaire, 125 at Pak'nSave and 127 at New World. This compares to a sample size of 103 in Collins-Dodd and Lindley's (2003) study. The response rate in the current study was estimated at around 40%. Many shoppers did not wish to participate in the survey after finishing their shopping. Anecdotally, those accompanied by small children and those with large grocery purchases were less willing to participate.

4.2.2 Profile of Respondents

A demographic profile of all respondents, together with separate profiles for shoppers at the Pak'nSave and New World stores, are provided in Table 1. The profiles relate to gender, age, household income and household size. Two thirds of all respondents were female. Those aged between 35 and 50 accounted for just over 40 percent of all respondents, while those over 65 made up just nine percent. The 20 - 34 year and 50 - 65 year age groups were similar in size, with 23 percent and 26 percent respectively. With respect to household income, shoppers in the two lower income categories, earning less than \$50,000, together made up 27 percent of all respondents while those in the highest income category, earning over \$100,000, accounted for 26 percent. In between those categories, 20 percent of all respondents earned \$50,000 - \$70,000 and 27 percent earned \$70,000 – \$100,000. In terms of household size, 50 percent of all respondents had households of two to three people, while 38 percent had four to five people. Seven percent of respondents came from one-person households, while four percent had households of more than five people.

Table 1: Profile of Respondents

	All shoppers		Pak'nSave shoppers		New World shoppers		Pearson Chi-square	
	No.	% of total ¹	No.	% of total ¹	No.	% of total ¹	Value	Sig.
Gender								
Male	82	33.1	39	32.0	43	34.1	.051 ^a	.821
Female	166	66.9	83	68.0	83	65.9		
Total	248	100.0	122	100.0	126	100.0		
Age								
20 - 34 years	57	23.0	30	24.6	27	21.4	10.408	.015*
35 - 49 years	105	42.3	58	47.5	47	37.3		
50 - 65 years	64	25.8	30	24.6	34	27.0		
Over 65	22	8.9	4	3.3	18	14.3		
Total	248	100.0	122	100.0	126	100.0		
Household income								
\$0 - \$30,000	29	12.1	11	9.4	18	14.6	23.383	.000*
\$30,001 - \$50,000	36	15.0	6	5.1	30	24.4		
\$50,001 - \$70,000	48	20.0	23	19.7	25	20.3		
\$70,001 - \$100,000	64	26.7	39	33.3	25	20.3		
Over \$100,000	63	26.3	38	32.5	25	20.3		
Total	240	100.0	117	100.0	123	100.0		
No. in household								
1 person	18	7.3	5	4.1	13	10.3	8.726	.033*
2 -3 people	125	50.4	57	46.7	68	54.0		
4 - 5 people	94	37.9	56	45.9	38	30.2		
Over 5 people	11	4.4	4	3.3	7	5.6		
Total	248	100.0	122	100.0	126	100.0		

¹ Percentage of valid responses

^a Yates' Correction for Continuity (2 x 2 table)

* p < .05

Turning from the analysis of all respondents to the separate profiles of Pak'nSave and New World shoppers, it is apparent from the data that there were some differences between the two groups. This was confirmed by Pearson Chi-Square tests for independence examining differences between the two groups, as indicated in Table 1. While there was no statistically significant difference with respect to gender (Chi-square = .051, $p = .821$), there were differences with respect to the age of respondents (Chi-square = 10.408, $p = .015$), household income (Chi-square = 23.383, $p = .000$) and size of household (Chi-square = 8.726, $p = .033$). Compared to Pak'nSave respondents, New World had a greater percentage of shoppers in the older age groups, more in the lower income groups (and fewer in the higher income groups) and a greater number of smaller households (and fewer larger households).

4.3 Preliminary Examination of the Data

This section presents the results of the preliminary examination of the data. Descriptive statistics are presented for both the store image and attitude to private label items, followed by a discussion of normality of the distributions and outliers. The subsequent sections discuss the screening of the data and the treatment of missing values.

4.3.1 Descriptive Statistics

The central tendency and dispersion of the interval-scaled variables were examined by calculating the means and standard deviations for customer scores for both store image and attitude to private label. Table 2 presents the descriptive statistics for the sixteen items in the scale for the independent store image variables and for the ten items making up the dependent variable measuring attitude to private label.

Table 2: Descriptive Statistics

STORE IMAGE	Pak'nSave				New World			
	Mean score	Std. dev.	Skewness	Kurtosis	Mean score	Std. dev.	Skewness	Kurtosis
Variety:								
Large variety of products	5.75	1.15	-1.245	1.524	5.27	1.44	-.721	.053
Everything I need is at (store)	4.98	1.49	-.792	.197	4.44	1.56	-.322	-.435
Carries many brands	5.41	1.11	-.576	.078	5.03	1.36	-.371	-.504
Quality:								
Sells only high quality products	4.28	1.44	-.392	-.173	4.97	1.45	-.539	-.031
I like (store) products	5.41	1.18	-.699	.736	5.41	1.17	-.509	-.268
Count on products as excellent	5.20	1.14	-.336	-.292	5.25	1.27	-.674	.191
Value:								
Can buy products for less	5.91	1.20	-1.390	2.004	3.86	1.57	.140	-.437
Prices are fair	5.73	1.37	-1.327	1.858	4.29	1.42	-.208	-.382
Get value for money	5.87	1.15	-1.226	1.345	4.35	1.32	-.147	-.140
Service:								
Employees very friendly	5.27	1.27	-.483	-.060	6.02	1.15	-1.226	.929
Service excellent	5.22	1.37	-.651	.254	6.01	1.05	-.905	.151
Pleased with service	5.31	1.32	-.841	.809	5.96	1.14	-1.216	1.403
Atmosphere:								
Appearance appealing	4.32	1.50	-.167	-.510	5.63	1.22	-1.104	1.465
Always dirty (reversed)	5.17	1.58	-.610	-.665	6.37	1.03	-2.025	4.092
Old-fashioned (reversed)	4.81	1.59	-.395	-.512	5.44	1.67	-.722	-.508
Overall:								
Overall (store) is excellent	5.60	1.08	-.754	.806	5.49	1.32	-.645	-.307
	<i>n</i> = 123				<i>n</i> = 124			
ATTITUDE TO PRIVATE LABEL	Pams				Budget			
	Mean score	Std. dev.	Skewness	Kurtosis	Mean score	Std. dev.	Skewness	Kurtosis
Variety:								
Large variety of products	5.21	1.37	-.594	.048	4.24	1.31	.039	-.299
Offers most products I need	4.54	1.44	-.243	-.348	3.82	1.43	.179	-.118
Quality:								
Products are high quality	4.58	1.48	-.448	-.174	3.86	1.36	.149	-.047
I like (the) products	4.65	1.60	-.532	-.367	3.85	1.52	-.029	-.287
Count on products as excellent	4.59	1.52	-.431	-.331	3.84	1.38	.266	-.127
Value:								
Cost less than other brands	5.45	1.31	-1.381	2.173	5.19	1.33	-.562	-.215
Prices are fair	5.38	1.26	-1.097	1.378	5.10	1.27	-.385	-.494
Value for money	5.26	1.42	-1.045	1.003	4.64	1.41	-.372	-.125
Packaging:								
Packaging is appealing	4.07	1.57	-.195	-.480	3.01	1.49	.521	-.217
Overall:								
Overall products are excellent	4.88	1.53	-.727	.182	4.21	1.41	.018	-.351
	<i>n</i> = 230				<i>n</i> = 214			

Note: All variables were measured using 7-point Likert scales, from 1 strongly disagree to 7 strongly agree

The distributions showed a satisfactory spread on the scales. In the case of Pak'nSave shoppers, the mean score for responses to the store image questions was highest for 'can buy products for less' (5.91) and lowest for appealing appearance (4.32). Conversely the mean score for New World shoppers was lowest for 'can buy products for less'(3.86) and

highest for the reversed item 'always dirty' (6.37). There was a relatively high variation in Pak'nSave shoppers' perceptions of store atmosphere (standard deviations of 1.50 to 1.59).

With respect to the ten items measuring attitudes to the two private label brands, Pams appears to be more highly rated than Budget on all items. For Pams, the highest mean score was received for 'cost less than other brands' (5.45) and the lowest for packaging (4.07). The Budget brand also scored highest and lowest on these same two items (5.19 and 3.01) respectively. The standard deviations indicate that, for both brands, shoppers' opinions differ most for the quality item 'I like the products' and for packaging but differ least for the value item 'prices are fair'.

4.3.2 Normality of the Distributions

The skewness and kurtosis figures beyond the range of plus and minus one indicate that some variables in the service and atmosphere scales and in the value scale for attitude to the Pams brand had moderately non-normal distributions. Hair et al (2006) note that with samples smaller than 50, and especially those smaller than 30, significant departures from normality can have a substantial impact on results. They suggest, however, that larger sample sizes reduce the effects of non-normality and that the impact may be negligible for samples of 200 or more. The sample size in this study was approximately 125 for both stores, much larger than the smaller sample sizes mentioned by Hair et al. When combining the two stores the total sample size was 252, larger than the 200 sample size threshold. Furthermore, Hair et al also suggest that "regression analysis has been shown to be quite robust, even when the normality assumption is violated" (p. 236). For these reasons it was considered that data transformations to obtain normality in all cases were not necessary.

4.3.3 Outliers

The detection of outliers was addressed from both a univariate and a multivariate perspective. Univariate detection employed box plots to detect outliers for both the independent (store image) and dependent (attitude to private label) variables. Some outliers were detected in seven of the sixteen items making up the store image scale. However, the difference between the mean and the five percent trimmed mean for each of the relevant items was relatively small. As noted by Tabachnick & Fidell (2001) this

indicates that none of the outliers greatly influenced the original means. An examination of the box plots for each of the ten items measuring attitude to both the Pams and Budget private labels detected outliers in only one specific area: the three items measuring attitude to the value of the Pams brand. However, an examination of the five percent trimmed means for these items showed an effect of only 0.1 on the original mean in each case, again indicating that these outliers did not have an undue influence. Furthermore, the results showed that the cases identified as outliers were confined to this one variable. Hair et al. (2006) suggest that cases should be retained if they are not extreme on a large range of variables.

Next, the detection of outliers was addressed from a multivariate perspective. Mahalanobis distances were examined in relation to critical chi-square values using the number of independent variables as the degrees of freedom, as indicated by Tabachnick & Fidell (2001). In only two out of the total of 252 cases did the Mahalanobis distance exceed the critical value of 22.46 indicated for six degrees of freedom. In addition, no cases had standardised residuals above 3.0 or less than -3.0, the benchmark recommended by Tabachnick & Fidell. Given that the incidence and effect of outliers were relatively minor, none were deleted from the dataset or given different values. This action accords with Hair et al. (2006) who suggest that researchers should use their own judgement and retain outliers if they are believed to represent a valid element of the population.

4.3.4 Data Screening and Missing Data

The data was screened first by examining minimum and maximum values. Two values were found to be greater than the Likert scale measures of 1-7. Both were identified as data entry errors and were corrected. Missing data analysis was used to provide descriptive statistics relating to the interval-scaled items. It was also used to differentiate between system missing data, relating to questions that respondents had missed, and 'not applicable' answers. The 'not applicable' option was available to respondents who were not sufficiently familiar with the private labels to answer some of the relevant questions. The results of the missing value analysis for the interval-scaled variables are summarised in Table 3.

Table 3: Missing data: Interval-scaled items

	Store Image (16 items)		Attitude to Pams (10 items)		Attitude to Budget (10 items)	
	No.	%	No.	%	No.	%
System missing	28	0.7	21	0.8	15	0.6
N/A responses	-	-	182	7.2	322	12.8
Total missing	28	0.7	203	8.0	337	13.4

n = 252

Table 3 shows that the majority of missing data related to the ‘not applicable’ responses. Given that it is not appropriate to attempt to remedy missing data that is part of the research design (Hair et al, 2006) this missing data did not require attention and was automatically ignored in the SPSS statistical analyses. After accounting for this ignorable missing data, each of the three scales had less than one percent of system missing data. A further examination of missing data patterns revealed that the level of system missing data for individual respondents exceeded ten percent in only one case. According to Hair et al “missing data under ten percent for an individual case can generally be ignored” (p. 55). The one case exceeding this threshold, along with all other cases with system missing data, were excluded from all subsequent statistical analyses through selection of the ‘listwise’ option in SPSS.

While all cases with system missing data were excluded, the number of remaining cases was sufficient to meet the desired sample size for regression analysis. As noted in chapter 3, for the results of regression analysis to be generalisable, the minimum ratio of observations for each independent variable is five to one, although 15 to 20 observations for each independent variable are preferable (Hair et al, 2006). In this study there were six independent store image variables, hence the minimum number of observations (30) was easily met. The preferred number of observations (90-120) was also met, even for the analyses where the total sample of 252 respondents was effectively halved through separate examination of the two stores.

4.4 Reliability

Having discussed the preliminary examination of the data in the preceding section, this section investigates the reliability of the multiple-item scales used to measure perceptions of store image and attitude to private label. The scales were based as closely as possible on those used in the original study by Collins-Dodd & Lindley

(2003), and those scales in turn were based on extant studies. It was therefore expected that reliability of the scales would be confirmed using data from this study. Reliability was assessed by examining internal consistency of the scales through inter-item correlations and item-to-total correlations as well as Cronbach's alpha. Inter-item correlations should be greater than .30, item-to-total correlations should be greater than .50 and Cronbach's alpha reliability coefficient should be .70 or higher (Hair et al, 2006).

The results of the reliability tests for both the store image and attitude to private label scales are shown in Table 4. With respect to store image, reliability tests were applied to each of the five multiple-item scales because the items were to be summed (and means calculated) to form the independent variables in the regression equations. The first four image scales of variety, quality, value and service all had Cronbach's alpha scores well above .70, and all items contributed to reliability - deleting any one item would not have improved Cronbach's alpha. All the inter-item correlations for these four scales were above .30 and all the item-to-total correlations were above .50. These results confirmed the internal consistency of these scales. For the last multiple-item scale, atmosphere, the results were less clear-cut. Cronbach's alpha at .694 was acceptable, although two of the item-total correlations were just below .50. However, all items contributed to reliability - Cronbach's alpha would decrease if any of the items was deleted - and all of the inter-item correlations were above .30 (the lowest value was .311). Given the marginal nature of these results it was decided to leave atmosphere in the scale, for consistency with the original study.

With respect to the attitude to private label scale, the total scale was assessed given that all items would be summed (and the mean calculated) to arrive at the dependent variables in the regression equations. The scale was tested separately for each of the two private labels, given that all respondents answered questions about both brands yet any correlation between them was not relevant to the study. Furthermore, it would also increase the number of items in the scale being tested from ten to 20 items. Hair et al (2006) recommend that, because Cronbach's alpha has a positive relationship with the number of items in the scale, a higher threshold would need to be applied to scales comprising more than ten items.

In the case of the Pams private label, all the item-to-total correlations were greater than .50 and only one item-to-item correlation was less than .30. The correlation between 'Pams products cost less than other brands' and 'Pams has appealing packaging' was only .268. Cronbach's alpha was high (.933) and all the items contributed to reliability with the exception of the item 'Pams products cost less'. It was decided to leave this item in however, given that the reliability coefficient was still high if the item remained and given that it would increase only marginally to .934 if the item was deleted. It would also maintain consistency with the original study.

Turning to the Budget private label, again Cronbach's alpha was high at .925 and all but one of the items contributed to reliability. Five of the ninety inter-item correlations were below .30. One item was common to all the instances where the reliability thresholds were not met and, as with Pams, this was '(Budget) products cost less than other brands' (refer to superscript ¹ in Table 4). However, all the item-to-total correlations were above .50, and in the interests of consistency it was decided not to delete this item.

Table 4: Reliability Testing

	Inter-item correlations (lowest value)	Item-to-total correlations	Cronbach's alpha
STORE IMAGE			
Variety:			
Large variety of products	.632	.771	.857
Everything I need is at (store)		.679	
Carries many brands		.764	
Quality:			
Sells only high quality products	.557	.622	.810
I like (store) products		.700	
Can count on products being excellent		.680	
Value:			
Can buy products for less at (store)	.847	.874	.945
Prices are fair		.899	
Get value for money		.898	
Service:			
Employees very friendly	.809	.847	.941
Service excellent		.904	
Pleased with service		.884	
Atmosphere:			
Appearance appealing	.311	.447	.694
Always dirty (reversed)		.614	
Old-fashioned (reversed)		.478	
Overall:			
Overall (store) is excellent	n/a	n/a	n/a
ATTITUDE TO PRIVATE LABEL			
Pams			
Pams offers a large variety of products		.655	.933
Pams offers most of the products I need		.681	
Pams products are high quality		.852	
I like Pams products		.840	
Can count on Pams products being excellent	.268 ¹	.863	
Pams products cost less than other brands ¹		.552	
Pams prices are fair		.647	
I get value for money from Pams products		.799	
Pams products have appealing packaging		.605	
Overall Pams products are excellent		.851	
Budget			
Budget offers a large variety of products		.698	.925
Budget offers most of the products I need		.697	
Budget products are high quality		.819	
I like Budget products	.182 ¹	.836	
Can count on Budget products being excellent	.223 ¹	.843	
Budget products cost less than other brands ¹	.247 ¹	¹ .416	
Budget prices are fair	.264 ¹	.616	
I get value for money from Budget products	.277 ¹	.752	
Budget products have appealing packaging		.627	
Overall Budget products are excellent		.833	

¹ All items relate to the item 'cost less than other brands'

4.5 Validity

The results above established the reliability of both the scales used in the study. This section discusses the construct validity of the scale used to measure store image, in terms of both convergent and discriminant validity. Convergent validity requires a high correlation between two measures of the same concept (Hair et al, 2006). Convergent validity was indicated by the high item-to-total correlations for the items making up each main variable in the scale, as shown in the reliability tests in the previous section. This indicated that the items within each sub-scale or main variable were measuring what they were intended to measure.

Discriminant validity requires low correlations between two conceptually similar but distinct measures (Hair et al, 2006) and was assessed by examining the correlations between each of the summated sub-scales or main variables in the store image scale. Each of the variables was correlated with all of the other variables measuring the store image scale ($p < .01$) with one exception: value and atmosphere ($p = .997$). The Pearson correlation coefficients were all relatively low, however, with only two of the ten correlations greater than 0.5. These results confirmed that the scale had discriminant validity in that all of the measures were correlated yet were sufficiently different from each other.

4.6 Testing the Hypotheses

This section reports on the results of the data analysis used to test the hypotheses of the study, as set out in Chapter 3. This section examines firstly, differences between perceived images of the two stores (H1) and secondly, differences in attitudes between the two private labels (H2). Attitudes to the two private labels are then compared *across* the stores (H3). Finally, the results of the regression analyses testing for the effect of perceived store image on attitudes to private labels (H4) are presented.

4.6.1 Perceptions of Store Image between Stores

The first hypothesis relating to store image is:

H1: Customer perceptions of store image differ between stores.

Customer perceptions of the two stores were compared by examining the mean store image scores, while independent t-tests were used to highlight differences between shoppers at the two stores. The results are summarised in Table 5. There were significant differences between the two groups of shoppers on individual image attributes: Pak'nSave shoppers rated the store more favourably on product variety and value, whereas New World shoppers rated that store more favourably on customer service and atmosphere. The difference between the two groups of shoppers with respect to product quality was marginally significant ($t = -1.760$, $p = .080$). Hypothesis H1 is therefore supported in that customers perceived the stores differently on most of the individual store image attributes. It is worth noting, however, that there was no significant difference between the two stores when the store image scale was summed.

Table 5: Perceptions of Store Image between Stores

	Pak'nSave Shoppers		New World Shoppers		t-value	df	Sig
	Mean scores	Std dev	Mean scores	Std dev			
Store image variable							
Variety *	5.38	1.05	4.92	1.32	3.09	240	.002*
Product quality	4.97	1.06	5.21	1.15	-1.760	250	.080
Value *	5.84	1.13	4.17	1.33	10.689	243	.000*
Service *	5.27	1.23	5.99	1.05	-4.996	250	.000*
Atmosphere *	4.77	1.22	5.82	0.97	-7.573	250	.000*
Overall	5.60	1.08	5.49	1.31	.739	242	.461
Total store image	5.27	0.83	5.24	0.91	.246	250	.806
	<i>n=125</i>		<i>n = 127</i>				

Notes: All variables were measured using 7-point Likert scales, from 1 strongly disagree to 7 strongly agree.
Independent t-tests.
* $p < .05$

4.6.2 Attitudes to Different Private Labels

Having compared customer perceptions of the two stores in the preceding section, this section examines customer attitudes to the two different private labels. The hypothesis under discussion is:

H2: Customer attitudes to private labels differ between differently positioned brands.

Mean scores for the two private labels were compared and paired samples t-tests were used to test whether customer attitudes to the two brands were significantly different. The results are summarised in Table 6. All shoppers (second column) scored Pams more favourably than, and significantly different from, Budget. Total attitude to Pams was 4.89 compared to 4.19 for Budget ($t = 10.358$, $p = .000$). Furthermore, there were

significant differences between the two private labels on every individual variable within the attitude to private label scale, with all groups of shoppers scoring Pams more favourably than Budget in every case. The results were very similar for shoppers at both stores individually (third and fourth columns). Hence there was strong support for Hypothesis H2, as anticipated, that customer attitudes to private labels differ between differently positioned brands. In addition, the results show that for both private labels the highest scores were for value and variety, while the lowest scores were for quality and packaging.

Table 6: Attitudes to Different Private Labels: Pams versus Budget

	All shoppers (both stores)			Pak'nSave shoppers			New World shoppers		
	Pams Mean scores	Budget Mean scores	Sig.	Pams Mean scores	Budget Mean scores	Sig.	Pams Mean scores	Budget Mean scores	Sig.
Attitude variable									
Variety	4.93	4.02	.000*	4.98	4.05	.000*	4.87	3.98	.000*
Quality	4.66	3.86	.000*	4.72	3.91	.000*	4.60	3.80	.000*
Value	5.36	5.02	.000*	5.36	5.03	.004*	5.36	5.00	.000*
Packaging	4.10	3.03	.000*	4.21	2.96	.000*	3.99	3.11	.000*
Overall	4.91	4.23	.000*	4.95	4.25	.000*	4.87	4.20	.000*
Total attitude	4.89	4.19	.000*	4.93	4.21	.000*	4.84	4.17	.000*
<i>n</i>	207	207		106	106		101	101	

Notes: All variables were measured using 7-point Likert scales, from 1 strongly disagree to 7 strongly agree.
Paired samples t-tests.
* p < 0.05

4.6.3 Attitudes to Private Labels between Stores

This section seeks to confirm that attitudes to the same private labels are the same regardless of the store, as indicated in the following hypothesis:

H3: Customer attitudes to the same private labels are the same between stores.

Independent samples t-tests were used to compare the mean scores of Pak'nSave and New World shoppers. As anticipated, there were no significant differences between the two groups of shoppers in their attitudes to the same private labels. For total attitude to Pams, $t = .343$, $p = .731$ and for total attitude to Budget, $t = .454$, $p = .650$. Further, there were no significant differences between the two groups of shoppers on any of the five variables making up the total attitude scale with respect to either Pams or Budget. Hypothesis H3 was therefore strongly supported.

4.6.4 The Effect of Store Image on Attitude to Private Labels

The analysis so far has examined the hypotheses relating to differences in perceptions of store image between shoppers at the two stores, differences in attitudes to the two private labels, and attitudes to the same private labels between stores. This section, which is central to the study, presents the results of the analysis relating to the hypothesised relationship between store image and attitude to private labels, as follows:

H4: Customer attitudes to private labels are positively associated with customer perceptions of store image.

Multiple regression analysis was used to test for the effect of perception of store image on each of three dependent variables: (1) attitude to total private label (Pams and Budget combined), (2) attitude to Pams and (3) attitude to Budget. The three dependent variables were derived by calculating the means of all the individual private label attitude items, as outlined in Chapter 3. Each of the dependent variables in turn was examined for the effect of the independent store image variables for three different groups of shoppers: (1) all shoppers (Pak'nSave and New World), (2) Pak'nSave shoppers and (3) New World shoppers. The following example illustrates the nine predictive relationships that were tested:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$$

Where

Y = attitude to private label score

α = the intercept (the constant)

β_1 = the slope coefficient of the independent store image variable, product variety

X_1 = the score of the independent store image variable, product variety

β_2 = the slope coefficient of the independent store image variable, product quality

X_2 = the score of the independent store image variable, product quality

β_3 = the slope coefficient of the independent store image variable, value

X_3 = the score of the independent store image variable, value

β_4 = the slope coefficient of the independent store image variable, service

X_4 = the score of the independent store image variable, service

β_5 = the slope coefficient of the independent store image variable, atmosphere

X_5 = the score of the independent store image variable, atmosphere

β_6 = the slope coefficient of the independent store image variable, 'overall'

X_6 = the score of the independent store image variable, 'overall'

ε = the random error associated with the prediction of Y

1. The Effect of Store Image on Attitude to Total Private Label

The results of the regression analyses for the three attitude to private label dependent variables are presented in Tables 7, 8 and 9. Table 7 presents the results relating to the effect of store image on attitude to total private label (Pams and Budget). Section I of Table 7 provides an overall view of the effect of store image on private label brand attitude by using combined data for attitudes to the two private labels Pams and Budget, by all shoppers at both the Pak'nSave and New World stores. This relationship was statistically significant ($F = 17.747$, $p = .000$), with the value of R^2 (.309) indicating that 31 percent of the variance in attitude to private label was explained by the combined effect of the store image variables. Hence there was reasonably strong support for Hypothesis H4, that customer attitudes to private labels are affected by customer perceptions of store image.

The effect of perceived store image on total private label attitude was also statistically significant for both groups of shoppers individually, as indicated in Sections II and III of Table 7. However, the relationship was stronger in the case of Pak'nSave shoppers ($F = 17.778$, $p = .000$, $R^2 = .452$) than for New World shoppers ($F = 6.995$, $p = .000$, $R^2 = .266$). The hypothesis was therefore strongly supported for Pak'nSave, where 45 percent of the variance in attitude to total private label was explained by shoppers' perception of store image. It was supported less strongly for New World, with customer perception of store image predicting only 27 percent of the variance in attitude to private label.

Turning to the specific predictors of private label attitude only one independent store image variable - quality of products carried by the store - was a statistically significant predictor of attitude to total private label for all shoppers combined ($p = .000$, $t = 4.185$) and for Pak'nSave shoppers ($p = .000$, $t = 4.717$). For all shoppers, this variable explained 35 percent of the variance in private label attitude, when the effects of the other independent variables were removed ($\beta = .345$). For Pak'nSave shoppers, this product quality variable explained 46 percent of the variance ($\beta = .455$). For New World shoppers, product quality of the store was marginally significant ($p = .067$, $t = 1.848$) and was only a moderately strong predictor of attitude to total private label ($\beta = .261$). Service was also marginally significant but was not a strong predictor ($p = .061$, $t = 1.892$, $\beta = .179$).

Table 7: Attitude to Total Private Label (Pams and Budget): The Effect of Store Image

I. All Shoppers (Pak'nSave and New World)

Model Summary		Analysis of variance					
R	.556		Sum of	df	Mean	F ratio	Sig.
R ²	.309		squares		square		
Adjusted R ²	.292	Regression	77.058	6	12.843	17.747	.000
Std. error of estimate	.851	Residual	172.236	238	.724		
<i>n</i> = 245							
Variables in equation							
Store image variable	Regression coefficients B	Standardised coefficients β	t-value	Sig.			
Constant	1.373		4.016	.000			
Variety	.052	.063	.796	.427			
Product quality *	.312	.345	4.185	.000			
Value	.065	.097	1.356	.176			
Service	.077	.091	1.348	.179			
Atmosphere	.070	.084	1.274	.204			
Overall	.032	.038	.443	.658			

II. Pak'nSave Shoppers

Model Summary		Analysis of variance					
R	.672		Sum of	df	Mean	F ratio	Sig.
R ²	.452		squares		square		
Adjusted R ²	.423	Regression	44.943	6	7.490	15.778	.000
Std. error of estimate	.689	Residual	54.597	115	.475		
<i>n</i> = 122							
Variables in equation							
Store image variable	Regression coefficients B	Standardised coefficients β	t-value	Sig.			
Constant	1.277		3.137	.002			
Variety	.119	.139	1.551	.124			
Product quality *	.388	.455	4.717	.000			
Value	-.077	-.097	-1.033	.304			
Service	.010	.014	.151	.880			
Atmosphere	.043	.058	.690	.492			
Overall	.161	.194	1.644	.103			

III. New World Shoppers

Model Summary		Analysis of variance					
R	.515		Sum of	df	Mean	F ratio	Sig.
R ²	.266		squares		square		
Adjusted R ²	.228	Regression	39.747	6	6.624	6.995	.000
Std. error of estimate	.973	Residual	109.855	116	.947		
<i>n</i> = 123							
Variables in equation							
Store image variable	Regression coefficients B	Standardised coefficients β	t-value	Sig.			
Constant	.932		1.487	.140			
Variety	-.030	-.036	-.278	.781			
Product quality	.250	.261	1.848	.067			
Value	.093	.114	1.012	.314			
Service	.187	.179	1.892	.061			
Atmosphere	.146	.129	1.417	.159			
Overall	.011	.013	.104	.917			

* *p* < .05

2. The Effect of Store Image on Attitude to the Pams Private Label

The results of the multiple regression analyses examining the effect of store image on attitude to the Pams private label are presented in Table 8. Store image was a statistically significant predictor for all three groups of shoppers. The combined effect of the store image variables explained 35 percent of the variance in attitude to Pams for all shoppers ($F = 21.099$, $p = .000$, $R^2 = .353$), 44 percent for Pak'nSave shoppers ($F = 14.537$, $p = .000$, $R^2 = .438$) and 33 percent for New World shoppers ($F = 9.349$, $p = .000$, $R^2 = .332$). These results provided further support for hypothesis H4, that customer attitudes to private label are affected by customer perceptions of store image.

With regard to the specific independent store image variables, quality of the products carried by the store was a statistically significant predictor of attitude to Pams for all three groups of shoppers ($p = .000$, $t = 4.447$ for all shoppers; $p = .000$, $t = 4.306$ for Pak'nSave shoppers; $p = .026$, $t = 2.259$ for New World shoppers). This product quality variable explained over 30 percent of the variance in private label attitude for all three groups of shoppers, when the effects of the other independent variables were removed ($\beta = .359$ for all shoppers; $\beta = .426$ for Pak'nSave shoppers and $\beta = .309$ for New World shoppers). For New World shoppers, service was also a significant yet relatively weak predictor of attitude to Pams ($p = .030$, $t = 2.193$, $\beta = .204$). For Pak'nSave, variety was a marginally significant but weak predictor of attitude to Pams ($p = .058$, $t = 1.913$, $\beta = .178$).

Table 8: Attitude to Pams Private Label: The Effect of Store Image

I. All Shoppers (Pak'nSave and New World)

Model Summary		Analysis of variance					
R	.594		Sum of squares	df	Mean square	F ratio	Sig.
R ²	.353	Regression	108.332	6	18.055	21.099	.000
Adjusted R ²	.336	Residual	198.530	232	.856		
Std. error of estimate	.925						
$n = 239$							
Variables in equation							
Store image variable	Regression coefficients B	Standardised coefficients β		t-value	Sig.		
Constant	1.188			3.141	.002		
Variety	.084	.092		1.177	.240		
Product quality *	.362	.359		4.447	.000		
Value	.061	.082		1.162	.246		
Service	.081	.085		1.278	.203		
Atmosphere	.029	.030		.474	.636		
Overall	.084	.090		1.063	.289		

* $p < .05$

Table 8: Attitude to Pams Private Label: The Effect of Store Image (continued)

II. Pak'nSave Shoppers

Model Summary		Analysis of variance					
R	.662		Sum of squares	df	Mean square	F ratio	Sig.
R ²	.438						
Adjusted R ²	.408	Regression	55.033	6	9.172	14.537	.000
Std. error of estimate	.794	Residual	70.668	112	.631		
<i>n</i> = 119							
Variables in equation							
Store image variable		Regression coefficients B		Standardised coefficients β		t-value	Sig.
Constant		1.088				2.297	.023
Variety		.171		.178		1.913	.058
Product quality *		.409		.426		4.306	.000
Value		-.026		-.029		-.303	.763
Service		-.009		-.010		-.111	.911
Atmosphere		.039		.045		.531	.597
Overall		.151		.158		1.325	.188

III. New World Shoppers

Model Summary		Analysis of variance					
R	.576		Sum of squares	df	Mean square	F ratio	Sig.
R ²	.332						
Adjusted R ²	.296	Regression	59.985	6	9.977	9.349	.000
Std. error of estimate	1.03	Residual	120.841	113	1.069		
<i>n</i> = 120							
Variables in equation							
Store image variable		Regression coefficients B		Standardised coefficients β		t-value	Sig.
Constant		.691				1.015	.312
Variety		-.023		-.025		-.201	.841
Product quality *		.326		.309		2.259	.026
Value		.081		.089		.820	.414
Service *		.246		.204		2.193	.030
Atmosphere		.047		.038		.428	.669
Overall		.081		.088		.731	.466

* *p* < .05

3. The Effect of Store Image on Attitude to the Budget Private Label

Table 9 presents the results of the multiple regression analyses examining the effect of store image on attitude to the Budget private label. Customer perception of store image was a statistically significant predictor of attitude to the Budget private label for all shoppers, although the relationship was generally much weaker than that identified previously for the Pams private label. The store image variables together explained only 16 percent of the variance in attitude to Budget for all shoppers, 30 percent of the variance for Pak'nSave shoppers, and only 13 percent for New World shoppers. Hence there was some support for Hypothesis H4, that attitude to private label is affected by customer perception of store image.

Product quality was a statistically significant predictor of attitude to the Budget private label for all shoppers ($p = .032$, $t = 2.164$) and for Pak'nSave shoppers ($p = .005$, $t = 2.853$), explaining 20 percent and 33 percent of the variance in private label attitude respectively. Although the store image variables together had a low-level effect on New World shoppers' attitude to the Budget private label ($R^2 = .131$), individually none of the variables was a statistically significant predictor when the effects of the other independent variables were removed ($p > .05$). For Pak'nSave shoppers, value was a marginally significant predictor of attitude to Pams ($p = .097$, $t = -1.675$) but a relatively weak predictor ($\beta = -.183$). The negative value indicates that as the rating for value of the store increases, the rating for attitude to Pams decreases. For New World shoppers, store atmosphere was a marginally significant, but relatively weak predictor of attitude to Pams ($p = .084$, $t = 1.743$, $\beta = .184$).

Table 9: Attitude to Budget Private Label: The Effect of Store Image

I. All Shoppers (Pak'nSave and New World)

Model Summary		Analysis of variance					
R	.398		Sum of squares	df	Mean square	F ratio	Sig.
R ²	.159						
Adjusted R ²	.135	Regression	41.567	6	6.928		
Std. error of estimate	1.01	Residual	220.522	216	1.021	6.786	.000
<i>n = 223</i>							
Variables in equation							
Store image variable	Regression coefficients B	Standardised coefficients β	t-value	Sig.			
Constant	1.614		3.776	.000			
Variety	.072	.082	.901	.368			
Product quality *	.201	.206	2.164	.032			
Value	.049	.067	.820	.413			
Service	.098	.110	1.396	.164			
Atmosphere	.081	.090	1.184	.238			
Overall	-.013	-.014	-.143	.886			

II. Pak'nSave Shoppers

Model Summary		Analysis of variance					
R	.541		Sum of squares	df	Mean square	F ratio	Sig.
R ²	.292						
Adjusted R ²	.253	Regression	32.305	6	5.384	7.369	.000
Std. error of estimate	.855	Residual	78.181	107	.731		
<i>n = 114</i>							
Variables in equation							
Store image variable	Regression coefficients B	Standardised coefficients β	t-value	Sig.			
Constant	1.490		2.849	.005			
Variety	-.114	.125	1.171	.244			
Product quality *	.304	.332	2.853	.005			
Value	-.161	-.183	-1.675	.097			
Service	.070	.089	.820	.414			
Atmosphere	.005	.007	.066	.948			
Overall	.196	.208	1.452	.149			

* $p < .05$

Table 9: Attitude to Budget Private Label: The Effect of Store Image (continued)

III. New World Shoppers

Model Summary		Analysis of variance					
R	.363		Sum of squares	df	Mean square	F ratio	Sig.
R ²	.131						
Adjusted R ²	.080	Regression	19.916	6	3.319	2.573	.023
Std. error of estimate	1.14	Residual	131.603	102	1.290		
<i>n</i> = 109							
Variables in equation							
Store image variable	Regression coefficients B	Standardised coefficients β	t-value	Sig.			
Constant	1.403		1.820	.072			
Variety	.023	.026	.176	.861			
Product quality	.073	.071	.434	.666			
Value	.141	.159	1.221	.225			
Service	.134	.121	1.112	.269			
Atmosphere	.221	.184	1.743	.084			
Overall	-.076	-.084	-.596	.552			

* *p* < .05

4.7 Summary

This section summarises the results of the data analysis presented in the chapter, including respondent profiles, the preliminary data examination, the assessment of reliability and validity and the results of the hypothesis tests. A total of 252 shoppers participated in the study, roughly half at each store. Two thirds of the respondents were female, while there was a reasonable spread with respect to age, household income and household size. There were some differences between the profiles of respondents at the two stores, with more shoppers in the older age groups, lower household income categories and smaller household sizes at New World compared to Pak’nSave.

The preliminary data examination indicated that most of the distributions for the interval-scaled items were spread satisfactorily over the scales. While some distributions were moderately non-normal, data transformations were not considered necessary given the sample size and the relative robustness of regression analysis. Some outliers were detected but they were retained as they were considered to be valid responses within the 1-7 Likert scale ratings and did not have an undue influence on the mean scores of the scales. With respect to missing data, most was ignorable as it related to valid ‘not applicable’ responses. There was a very low level of system missing data which was addressed through omission of the relevant cases in the statistical analyses.

The scales were examined for reliability and validity. With respect to the reliability of the two scales measuring store image and attitude to private label respectively, most of the measures were assessed as internally consistent. One item in the attitude to private

label scale was associated with a small number of measures falling slightly below some of the threshold tests for reliability, but this item was left in given the marginal level of the results and so as to maintain consistency with the original study. In terms of validity, the scale measuring the independent store image variables used in the regression equations met the required levels for construct validity with respect to both convergent and discriminant validity.

Turning to the hypotheses of the research, the four hypotheses were tested using t-tests and regression analysis. The results of these tests are summarised in Table 10.

Table 10: Summary of the Hypothesis Tests

Hypotheses		Supported/Not Supported
H1	Customer perceptions of store image differ across stores.	Yes
H2	Customer attitudes to private labels differ between differently positioned brands.	Yes
H3	Customer attitudes to the same private labels are the same between stores.	Yes
H4	Customer attitudes to private labels are positively associated with customer perceptions of store image.	Yes

The first hypothesis was largely supported, in that customers had different perceptions of the two stores with respect to the different attributes making up the store image scale (although it should be noted that there was no difference in the summed store image scale). Hypothesis H2 was strongly supported, as anticipated, with Pams scoring more favourably than Budget on all measures. Hypothesis H3 was also strongly supported, as expected, in that customer attitudes to the same private labels were the same between the two stores.

There was strong support for the central hypothesis of the study (H4), in that customer attitudes to private labels were affected by perceptions of store image. This was the case from the overall perspective of total private label and all shoppers, as well as from the separate perspectives of the two private labels and the two groups of shoppers. With respect to the two private labels, the effect of store image was stronger on attitude to Pams than on attitude to Budget. With respect to the two groups of shoppers, the effect of perceived store image on private label attitude was stronger for Pak'nSave than for New World shoppers. Perceived quality of products offered by the store was the most significant predictor of attitude to private label in most cases.

CHAPTER 5: CONCLUSIONS AND IMPLICATIONS

5.1 Introduction

The primary purpose of this research was to examine the association between customer perceptions of store image and attitudes to private labels. It aimed to address a research gap by examining attitudes to specific private labels in the New Zealand market, where private label research is limited and where the market for private labels is at an earlier stage of development than that in Europe, for example. The research sought to clarify the effect of store image on private label attitude, where the evidence on the relationship to date has been mixed. The current research replicated and extended Collins-Dodd & Lindley's (2003) study, which examined the association between store image and attitudes to the private labels unique to each of three Canadian stores. The New Zealand market context of the current research allowed for the same private label to be examined across two different store chains. It also allowed for an examination of the relative consumer positioning and attitudes to more than one private label within a store, an area where there has previously been limited empirical research. The research also sought to contribute further insights for researchers and practitioners alike in terms of retailer and private label positioning.

This chapter discusses the findings arising from the research, comparing them with those of the original study and placing them within the context of the broader literature. Conclusions are then drawn about the research problem. Implications for researchers and marketing practitioners are then discussed, followed by an outline of limitations of the research as well as areas for further research. An overall conclusion for the dissertation is provided in the final section.

5.2 Significance of Findings

The research found that customer perceptions of store image and attitudes to private labels are positively associated, as found in the original study. This finding was supported by the related findings that the stores and also the private labels in the study were perceived quite differently by customers. The research also found that the relative strength of the effect of store image on attitudes to private labels, as well as the make-up

of the store image determinants, appears to depend on both the store and the specific private label. These main findings are discussed in greater depth in this section.

The first hypothesis sought to confirm that customer perceptions of store image differ between stores. The stores in the study held quite distinct positions in the minds of respondents, as was the case in the Collins-Dodd & Lindley (2003) study. Shoppers associated Pak'nSave more strongly with product variety and value and New World with customer service and atmosphere, as outlined in section 4.6.1. It is noteworthy, however, that there was no significant difference with respect to shoppers' perceptions of the quality of the products offered by the two stores. While there are difficulties relating to the definition of product quality, as acknowledged previously (p. 17), in the context of this study the definition is taken to be "consumers' judgements regarding a product's overall excellence" (Zeithaml, 1988, p.3). In contrast to the original study, the total store image scores were the same for both stores, indicating that shoppers value their 'own' stores similarly in total but for different reasons. This outcome highlights the importance of store image and positioning in a competitive environment (Hansen & Solgaard, 2004).

The second hypothesis was expected to confirm that customers have different attitudes to private label brands that are positioned differently by retailers. As with stores, customers held quite different attitudes to the different private labels in the study. Pams scored more favourably than Budget on all attributes including value, quality, variety and packaging, as set out in section 4.6.2. This result was largely expected given Budget is more akin to a generic brand and Pams to a 'me-too' private label. Nevertheless, this research has provided empirical evidence of the effectiveness of a two tier positioning strategy for private labels, for consumer positioning. While other researchers have commented on the strategic positioning of more than one private label within stores (Ailawadi & Keller, 2004; Kumar & Steenkamp, 2007), the resulting consumer positioning has largely been assumed rather than empirically tested.

Other findings on the nature of attitudes to the two brands are also supported in the private label literature. Both private labels scored relatively low on quality but highest on value, a result which is supported by other studies that found private labels continue to suffer from poor quality perceptions (eg. Richardson et al., 1996a) but offer value for money (Guerrero et al., 2000). The lower quality score of Budget is likely to indicate that perceived consumer risk is higher than for the Pams brand, since risk plays an

important role in consumer evaluation of the quality of private labels (e.g. DelVecchio, 2001; Dick et al., 1995; Zielke & Dobbelstein, 2007). In addition, the fact that both private labels in the study scored lowest on packaging among the attitude variables, supports the notion that private labels rate poorly on extrinsic cues (Mieres et al., 2006; Richardson et al., 1994).

Hypothesis three posited that customer attitudes to the same private labels would be the same between stores. The results in section 4.6.3 confirmed that the positioning of both private labels was strongly held, as shoppers at both stores had similar attitudes to the same private labels. The results above for both hypotheses two and three relating to the positioning of the private labels, appear to contradict the finding by Richardson (1997) that consumers do not differentiate between private labels (although Richardson's investigation related only to different private labels between rather than within stores).

The results above indicating that differently positioned private labels are perceived differently and that the same private labels are perceived to be the same between stores, differ from the findings in the original study. Collins-Dodd & Lindley (2003) hypothesized that private labels unique to each store would be perceived differently, given that stores are perceived differently: "H1: Perceptions of store brands differ across stores" (p. 347). That hypothesis was not confirmed, however. Repeated measures ANOVA showed there was no significant difference in perceptions of store brands across stores. Rather, shoppers rated the brand of their 'own' stores most favourably, leading the researchers to suggest instead that private labels contribute to store loyalty. The differing results between the current research and the original study can be attributed partly to the fact that Collins-Dodd & Lindley's study examined private labels unique to stores, whereas this research examined private labels that are sold across different stores. The results could also reflect differences between the respective countries in the two studies with respect to other marketing strategies or to generalised attitudes to private labels. There is evidence that consumers view private labels differently in different countries (Erdem et al., 2004; Veloutsou et al., 2004).

The fourth and final hypothesis of the current research posited that customer attitudes to private labels are positively associated with customer perceptions of store image. The results set out in section 4.6.4 support the hypothesis, confirming the major finding in Collins-Dodd & Lindley's (2003) study. In the current study the perceptions of store image held by all shoppers and by shoppers at both stores individually, had a positive

effect on private label attitude both in total and with respect to both private labels individually. In other words, the more positively customers view a store, the more positively they will judge the store's private labels. Semeijn et al.'s (2004) comprehensive study of the effect of store image on private label attitude reported similar findings. From a broader perspective, the store image literature also supports the link between store image and perceptions of brands carried by the store (e.g. Baker et al., 2002; Porter & Claycomb, 1997).

In a variation from the findings of the original study, the research found that one store image attribute - perceived quality of the products offered by the store - was the determinant predictor of private label attitude across most combinations of stores and specific private labels. In contrast, Collins-Dodd & Lindley (2003) identified different predictors of private label attitude for each store. From this, they concluded that private label images are uniquely related to the unique positioning of stores. The findings of the current research are supported, however, by Semeijn et al.'s (2004) study which found that one store image predictor of private label attitude was common to three different stores, and two other predictors were common to two of the stores. That study concluded that perceived store image influences consumers' attitudes to private labels, but that the effect differs between retailers.

Despite the key finding that the quality of the stores' products was a common denominator in private label attitude across stores, the results of the research, when taken together, do indicate that the unique positioning of stores may have some role in private label attitude as indicated by Collins-Dodd & Lindley (2003). Customers perceived both stores similarly with respect to the quality of the products they carried, which helps to explain why this store image determinant of private label attitude is common to both stores. However, customers positioned the two stores quite differently on the other store image attributes, as outlined earlier. These same 'positioning' store image variables in turn had a role in the private label attitude of shoppers at the relevant stores, albeit a weaker role than the quality of the store's products. Specifically, for Pak'nSave shoppers, variety and value of the store's products were marginally significant predictors of attitude to Pams and Budget respectively. For New World shoppers, service was a predictor and atmosphere a marginally significant predictor of attitudes to the two private labels respectively. Consequently there is some, albeit

limited, support in the current research for Collins-Dodd & Lindley's conclusion that the unique positioning of stores influences private label attitude.

The reason why the quality of a store's products was a more important determinant of private label attitude than the other store image variables of value, variety, atmosphere and service is not explained by the research. Ailawadi & Keller (2004) indicated that consumers use national brands in the store as an extrinsic cue to form perceptions of private labels. Taking this a step further it is not unreasonable to surmise that consumers use the quality of the store's product assortment, namely, national brands as a cue to the quality of private labels to reduce perceived risk associated with private labels. Simmons, Bickart, & Buchanan (2000) reported that consumers are prepared to pay higher prices for unfamiliar or lower equity brands if high-equity or well-established brands are also available in the store. The authors suggested that this leverage exists because the presence of both high and low equity brands in the same retail environment implies "strategic equivalence" between the two (Simmons et al., 2000, p.216). On a similar note, Vahie & Paswan (2006) reported that the presence of national brands can damage perceptions of private labels unless there is congruence between the image of the national brand and the image of the private label.

The research indicates that the extent to which store image affects attitudes to private labels depends on both the store and the specific private label. For example, customer perceptions of Pak'nSave store image appeared to have a relatively greater effect than New World image on private label attitude. Furthermore, perceived store image was a stronger predictor of attitude to Pams than to Budget. Semeijn et al. (2004) also found that differences between stores, and by association differences between the private labels unique to the stores, affect the extent to which store image influences private label attitude. Collins-Dodd & Lindley (2003) also commented on some differences in the store image effect between stores. The results of the current research appear to clarify the findings of Lee & Hyman (2008), who reported that store attitude had only a weak effect on attitudes to private labels, but who cautioned that the significance of the relationship may depend on which stores and store image factors are studied.

The research extended Collins-Dodd & Lindley's (2003) study by examining the same private labels across two stores. The results relating to the two brands reinforce the finding above, that the extent to which store image predicts private label attitude depends on both the store and the specific private label. For the Pams brand, perceived

image of the Pak'nSave store was a slightly stronger predictor of attitude relative to New World store image. In the case of the Budget brand, however, the New World store image effect was relatively weak. Unlike the other store/private label combinations, the quality of products offered by the New World store was not a predictor of attitude to the Budget brand, and the one relevant variable, store atmosphere, was only marginally significant. In other words, no clear determinant store image variable was indicated. While the reason for this result is not immediately apparent, it could indicate that New World shoppers are less familiar with the Budget brand. Familiarity with private labels has an important effect on private label attitudes in terms of perceived quality and risk (Richardson et al., 1996a). The weak effect of store image could also indicate some lack of 'fit' between consumer positioning of the Budget private label and perceived image of the New World store.

In summary, all four hypotheses were supported in the study. First, customer perceptions of store image differ between stores (H1). Second, customer attitudes to private labels differ between differently positioned brands (H2). The related findings that perceptions of the stores and attitudes to the brands differ according to various attributes, confirm that customers hold unique positions of different stores and different private labels. Third, customer attitudes to the same private labels are the same between stores (H3), indicating that the positions of the same private labels are firmly held regardless of the store. Finally, customer attitudes to private labels are positively associated with customer perceptions of store image (H4). The findings relating to this hypothesis indicate that the extent to which store image predicts private label attitude depends on both the store and the specific private label. The results also reveal that the quality of the products offered by the store is a common determinant of attitude to private labels.

5.3 Conclusions about the Research Problem

The research problem investigated in this study was "How does store image affect customer attitudes to specific private labels?" The research indicated that the more positively customers view a store, the more positive are their attitudes to the store's private labels, which is consistent with the replicated study. In contrast with the conclusion reached in the original study, however, there was only weak support for the notion that private label attitude is associated with the unique positioning of stores.

This was despite confirmation that both the stores and the private labels in the study were uniquely positioned by customers. The main store image determinant of private label attitude, which applied across private labels and stores, was found to be the quality of the products offered by the store. This suggests that consumers use the quality of the store's wider product assortment as an extrinsic cue to assess private labels. Finally, the research confirmed that the extent to which store image predicts private label attitude depends on both the store and the private label, and further, may have only a weak effect in some cases.

The main contribution of the research is its examination of the same private labels across stores and the subsequent clarification of earlier studies on the relationship between store image and private labels. It also provides rare empirical evidence of the effectiveness of retailer positioning of two private labels within the same store. Finally, the research contributes by investigating private labels in a market where limited research has been done to date and by adding to the relatively few studies which have been undertaken outside markets in the United States and Europe.

5.4 Implications for Theory

The study raises a number of implications for researchers. First, since store image has been shown to be a predictor of private label attitude, it would be useful to include this variable in studies examining consumer attitudes to, and preference for, private labels in order to enhance the explanatory power of models developed. Secondly, researchers should be aware that the reverse relationship may also hold, in other words private labels may influence store positioning and store image in the minds of consumers (Collins-Dodd & Lindley, 2003; Dawson et al., 2008).

Another important implication for researchers is that the results appear to call into question the oft-cited motivation of retailers to use private labels to contribute to store differentiation (e.g. Collins-Dodd & Lindley, 2003; Juhl et al., 2006; Quelch & Harding, 1996) since private label attitude was not strongly associated with unique store positioning. Consequently a case exists for further empirical research in this area.

Next, the results of the study highlight the importance of the quality construct with respect to consumer evaluations not only of private labels, but also of national brands.

Thus the focus on quality in the private label and broader brand image literature (e.g. Erdem et al., 2004; Hoch, 1996; Zeithaml, 1988) is well-placed, and further work to address the problematic nature of the quality construct (Hansen, 2001) appears warranted. Finally, given that the quality of products carried by the store is an important determinant of customer attitudes to the store's private labels, the results also indicate that studies of private label attitude should explicitly include national brands. As noted earlier, Ailawadi & Keller (2004) also suggested that national brands carried by the store can serve as an important extrinsic cue for customer perceptions of private labels.

5.5 Managerial Implications

The findings of the study have implications for grocery retailers in terms of private label strategy. The positive association that exists in most cases between store image and private label attitude suggests that retailers should specifically consider aspects of store image that are relevant to the private labels they offer, when designing activities to develop and enhance unique store positioning. The finding that store image may, however, have only a weak effect for some stores and private labels, suggests that retailers should work to ensure that there is an appropriate 'fit' between consumer perceptions of the store and positioning of their private labels. In this regard, the results also indicate that if retailers have more than one private label spanning different price tiers, as researchers have identified (Ailawadi & Keller, 2004; Kumar & Steenkamp, 2007; Laaksonen & Reynolds, 1994) then it is especially important to ensure there is no dissonance between the image of the store and any of the private labels.

Lastly, the reliance by consumers on national brands as cues for private label quality apparent in this study suggests that retailers need to work on reducing consumer perceived risk that is commonly associated with private labels (DeIVecchio, 2001; Dick et al., 1995; Narasimhan & Wilcox, 1998). One way of achieving this would be to adopt consistent positioning about the quality of private labels and ensure consumer experience of private label quality is consistent over time (Erdem et al., 2004; Hoch & Banerji, 1993).

For manufacturers, the finding relating to consumer reliance on the quality of national brands (the quality of products offered by the store) as cues for private label quality

indicates that they should highlight the differences between their national brands and private labels, especially in terms of superior quality. Quality variation between national brands and private labels is an important source of perceived risk for consumers in evaluating private labels (Hoch, 1996; Mieres et al., 2006). Manufacturers should also continue to emphasise image, however, for example through brand name and packaging, because studies show image is more important to consumers than intrinsic quality in comparisons of national brands and private labels (Davies & Brito, 2004; Richardson et al., 1994).

5.6 Limitations of the Research

Limitations of the research related to the scales, the timeframe and the scope of the study. The store image scale, while soundly based in terms of the store image literature, was confined to functional attributes. (Kapferer, 1986) suggested that a singular identity should be established for a store, based not only on functional attributes but also on consumer attitudes, for example to the store's 'personality'. Consequently the scale used in this study did not account for more psychological aspects of store image. In relation to the time-frame, the research was based on a cross sectional study and was therefore unable to capture changes over time, for example changes in private label attitudes in response to further development of the private label market in New Zealand.

With respect to the scope of the study, the main limitation was that only two stores and two private labels were investigated. Since both private labels were sold across two stores, neither carried a store name. Consequently the study did not examine the effect of store image on private labels carrying the store name, which is common in Europe where the development of the 'store as the brand' concept is prominent (Burt, 2000) and where private label penetration is relatively high. Dhar & Hoch (1997) found that use of the store name contributed to variances in retailer success with private labels, while Grunert et al. (2006) reported that consumer preference was for private labels to carry the store name rather than different brand names. Selecting two stores also limited the geographic scope of the study. Anecdotally, store owner-operators make brand selections to suit their local market; hence stores in different areas may place more or less emphasis on private labels than those in the current study. Finally, while the research added to the small number of studies examining specific private labels, it was not product-specific. Several studies have indicated that category differences help

explain private label attitudes and preference (e.g. Batra & Sinha, 2000; Dhar & Hoch, 1997). Consequently the affect of store image on private label attitude may also vary across categories, although Semeijn et al. (2004) found that store image can act as a 'risk reducer' for private labels in risky categories.

5.7 Further Research

The limitations outlined above indicate that further research would add to the understanding of the relationship between store image and private label attitude. First, the store image scale could be adapted to include psychological variables relating to consumer attitudes to the store. Secondly, a longitudinal study would provide for the inclusion of changes in consumer attitudes over time, especially changes in response to private label market development or to other changes affecting store image in the grocery industry.

Inclusion of further stores and private labels, in varying geographic locations, would enable the study of the relationship between store image and private label attitude to take account of a wider range of retailer brand architectures. This could include, for example, private labels that carry the store name and those that have separate brand names, brands across the full evolutionary spectrum from generics through to fourth generation premium private labels, as well as varying numbers of private labels positioned differently within the store. In this context, it would also be possible to investigate any impact on private label attitude of congruence between different private labels and store image, a potential issue raised by the current research. A related area identified for further research is the need for empirical studies on consumer positioning of more than one private label by retailers and for research on optimal positioning strategies for a retailer's private label portfolio.

A further area for additional research indicated by the results of the current study is the effect of national brands on evaluations of private labels in the store. Ailawadi & Keller (2004) also noted the relatively sparse body of research in this area. Finally, category-specific research would add to the depth of understanding about the relationship between store image and private label attitude, especially in regard to perceived risk.

5.8 Conclusions of the Dissertation

The literature suggests that retailer differentiation is one of the key motivations for private labels. The literature also indicates that store image and brand image are interdependent. This research confirms that store image plays an important role in attitudes to private labels. The results of the research are at odds with the differentiation motive for private labels, however, and suggest the need to examine the 'fit' between store positioning and private label positioning. The research also suggests that the quality of the store's wider product assortment is an important extrinsic cue for consumer assessment of private label products.

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APPENDICES

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Appendix A: Survey Questionnaire



Completion of this questionnaire will be taken as indicating your consent to participate.

Instructions: Please read the following statements and **circle** the number that most accurately gives your opinion. Circling 1 means you strongly disagree with the statement and circling 7 means you strongly agree. Or you may circle any number in the middle that shows how strong your opinion is.

1. What is your opinion about PAK'nSAVE?

	Strongly disagree						Strongly agree	
PAK'nSAVE has a large variety of products	1	2	3	4	5	6	7	
Everything I need is at PAK'nSAVE	1	2	3	4	5	6	7	
PAK'nSAVE carries many brands	1	2	3	4	5	6	7	
PAK'nSAVE sells only high quality products	1	2	3	4	5	6	7	
I like PAK'nSAVE products	1	2	3	4	5	6	7	
I can count on the products I buy at PAK'nSAVE being excellent	1	2	3	4	5	6	7	
I can buy products for less at PAK'nSAVE	1	2	3	4	5	6	7	
The prices at PAK'nSAVE are fair	1	2	3	4	5	6	7	
I get value for my money at PAK'nSAVE	1	2	3	4	5	6	7	
PAK'nSAVE employees are very friendly	1	2	3	4	5	6	7	
The service at PAK'nSAVE is excellent	1	2	3	4	5	6	7	
I am pleased with the service I receive at PAK'nSAVE	1	2	3	4	5	6	7	
The appearance of PAK'nSAVE is appealing	1	2	3	4	5	6	7	
PAK'nSAVE is always dirty	1	2	3	4	5	6	7	
PAK'nSAVE is old-fashioned	1	2	3	4	5	6	7	
Overall PAK'nSAVE is an excellent supermarket	1	2	3	4	5	6	7	

2. What is your opinion about Pams products?

	Strongly disagree						Strongly agree	
Pams offers a large variety of products	1	2	3	4	5	6	7	N/A
Pams offers most of the products I need	1	2	3	4	5	6	7	N/A
Pams products are high quality	1	2	3	4	5	6	7	N/A
I like Pams products	1	2	3	4	5	6	7	N/A
I can count on Pams products being excellent	1	2	3	4	5	6	7	N/A
Pams products cost less than other brands	1	2	3	4	5	6	7	N/A
Pams prices are fair	1	2	3	4	5	6	7	N/A
I get value for my money from Pams products	1	2	3	4	5	6	7	N/A
Pams products have appealing packaging	1	2	3	4	5	6	7	N/A
Overall Pams products are excellent	1	2	3	4	5	6	7	N/A

3. What is your opinion about Budget products?

	Strongly disagree							Strongly agree	
Budget offers a large variety of products	1	2	3	4	5	6	7	N/A	
Budget offers most of the products I need	1	2	3	4	5	6	7	N/A	
Budget products are high quality	1	2	3	4	5	6	7	N/A	
I like Budget products	1	2	3	4	5	6	7	N/A	
I can count on Budget products being excellent	1	2	3	4	5	6	7	N/A	
Budget products cost less than other brands	1	2	3	4	5	6	7	N/A	
Budget prices are fair	1	2	3	4	5	6	7	N/A	
I get value for my money from Budget products	1	2	3	4	5	6	7	N/A	
Budget products have appealing packaging	1	2	3	4	5	6	7	N/A	
Overall Budget products are excellent	1	2	3	4	5	6	7	N/A	

4. Roughly what percentage of your supermarket spending is at each of the following supermarkets?

PAK'nSAVE		New World		Other supermarkets		Total
.....%	+%	+%	=	100%

5. Roughly what portion of your supermarket spending is on each of the following brands?

For each brand, please tick ✓ the portion that is closest to how much you spend:

	None	Less than ¼	¼ or more, but less than ½	½ or more, but less than ¾	More than ¾
Pams					
Budget					
Other store brands					
National brands					

6. Lastly, a few general questions. Please **circle** the number that is most appropriate for you.

A. Gender? 1. Male 2. Female	C. Which group does your household belong to for total household income per year? 1. \$ 0 - \$30,000 2. \$30,001 - \$50,000 3. \$50,001 - \$70,000 4. \$70,001 - \$100,000 5. More than \$100,000
B. Which age group do you belong to? 1. 20 - 34 years 2. 35 - 49 years 3. 50 - 65 years 4. Over 65 years	D. How many people are there in your household? 1. 1 person 2. 2 - 3 people 3. 4 - 5 people 4. More than 5 people

Thank you very much for your help. It is greatly appreciated.

Appendix B: Survey Permission Letter

Mr Paul Blackwell
Owner-Operator
PAK'nSAVE
Albany
PO Box 300251
Albany
AUCKLAND 0752

12 September 2008

Dear Mr Blackwell

I am currently undertaking a customer study as part of a dissertation for my Master of Business degree at AUT University. The purpose of the study is to examine how customer perceptions of store image influence attitudes to store brands. I plan to examine customers' perceptions of the PAK'nSAVE and New World supermarkets and their attitudes to the Pams store brand. The findings from the research will provide further insights for supermarket management about the role of store brands in retailer differentiation.

I have approval to survey customers at a New World store on the North Shore, and am seeking your approval to survey customers at PAK'nSAVE Albany so that the study relates to a similar geographic location.

It is envisaged that the customer survey will be undertaken in late September or early October. It is proposed that two interviewers will stand at the exit to the store and invite shoppers who have completed their shopping to participate in the survey. The questionnaire will take each shopper about 4 minutes to complete. Shoppers will be made aware that participation is voluntary, they may withdraw at any time and because the questionnaire is anonymous, their answers will remain confidential.

I will contact you shortly to arrange a time to discuss the detail of the study in person, in case further clarification is needed. It is very important to have your support in order to complete this research. Thank you for your consideration, your time is highly appreciated.

Yours sincerely

Alison Fraser

Dr Mark Glynn (Postgraduate Supervisor)

Appendix C: Ethics Approval Letter



MEMORANDUM

Auckland University of Technology Ethics Committee (AUTEC)

To: Mark Glynn
From: **Madeline Banda** Executive Secretary, AUTEC
Date: 5 September 2008
Subject: Ethics Application Number 08/200 **Attitudes to private labels: the role of store image.**

Dear Mark

I am pleased to advise that a subcommittee of the Auckland University of Technology Ethics Committee (AUTEC) approved your ethics application at their meeting on 1 September 2008. This delegated approval is made in accordance with section 8.1 of AUTEC's *Applying for Ethics Approval: Guidelines and Procedures* and is subject to endorsement at AUTEC's meeting on 13 October 2008.

Your ethics application is approved for a period of three years until 1 September 2011.

I advise that as part of the ethics approval process, you are required to submit the following to AUTEC:

- A brief annual progress report using form EA2, which is available online through <http://www.aut.ac.nz/about/ethics>. When necessary this form may also be used to request an extension of the approval at least one month prior to its expiry on 1 September 2011;
- A brief report on the status of the project using form EA3, which is available online through <http://www.aut.ac.nz/about/ethics>. This report is to be submitted either when the approval expires on 1 September 2011 or on completion of the project, whichever comes sooner;

It is a condition of approval that AUTEC is notified of any adverse events or if the research does not commence. AUTEC approval needs to be sought for any alteration to the research, including any alteration of or addition to any documents that are provided to participants. You are reminded that, as applicant, you are responsible for ensuring that research undertaken under this approval occurs within the parameters outlined in the approved application.

Please note that AUTEC grants ethical approval only. If you require management approval from an institution or organisation for your research, then you will need to make the arrangements necessary to obtain this.

When communicating with us about this application, we ask that you use the application number and study title to enable us to provide you with prompt service. Should you have any further enquiries regarding this matter, you are welcome to contact Charles Grinter, Ethics Coordinator, by email at charles.grinter@aut.ac.nz or by telephone on 921 9999 at extension 8860.

On behalf of the AUTEC and myself, I wish you success with your research and look forward to reading about it in your reports.

Yours sincerely

Madeline Banda

Executive Secretary
Auckland University of Technology Ethics Committee

Cc: Alison Fraser alison.fraser@aut.ac.nz, AUTEC Faculty Representative, Business