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The Effects of Price Consciousness, Brand Consciousness and Familiarity on Store Brand Purchase Intention

Introduction

Trusted national manufacturers produce all store brand products; the quality is equal to that of national brands (Richardson, Jain and Dick 1996). However, many studies have found that consumers’ perceive store brand products as inferior in quality to the corresponding national brands (Fugate 1979). Research findings from Richardson, Dick and Jain (1994) have shown that consumers mainly use extrinsic product cues to assess the quality of a store brand. Since both price and brand are the extrinsic cues most often used by consumers to evaluate product quality, Dodds, Monroe and Grewal (1991) and Richardson, Jain and Dick (1996) found that the familiarity of store brands influenced the use of extrinsic cues. Therefore, do store brands attract consumers who care more about prices, consumers who care more about the brand, or consumers who care more about store brand familiarity? It is necessary to clarify these issues in order to formulate effective marketing communication strategies.

Previous research has separately explored store brand prominence from the perspective of price consciousness (Batra and Sinha 2000) and the perspective of store brand familiarity (Richardson, Jain and Dick 1996), but not from both perspectives simultaneously. In addition, little literature examines relevant topics from the perspective of brand consciousness. Since price and brand are important extrinsic cues, both the consumer’s attitude toward price and brand, along with the influence of his store brand familiarity, should be examined together. Such an approach can clearly indentify the characteristics of the store brand’s target consumers and the multifaceted influences related to store brand purchase intention.

In addition, perceived risk plays an important role in the consumer choice of store brand or national brand (Erdem, Zhao and Valenzuela 2004). It is worth further study to quantify the nature of the relationships. Variables such as price consciousness, brand consciousness, and store brand familiarity may directly influence purchase intention, or they may indirectly influence purchase intention via a mediation of perceived risk. Since store brands use lower price as their main appeal, consumers perceive a lower financial risk, but this is accompanied by a higher functional and social risks (DelVecchio 2000). Therefore, this study also aims to explore the role of functional and social risks in the store brand purchase intention.

The current study adopted the perspective of consumers’ extrinsic cues usage, how price consciousness, brand consciousness and store brand familiarity influence the purchase intention of a store brand through the mediation of financial and social risks. Research results can enable a clear theoretical understanding of the influence of price consciousness, brand consciousness, and store brand familiarity on store brand purchase intention and the roles of functional and social risks. Results can also provide a practical reference for store brand businesses to expand market share.

Literature Review and Hypothesis Development

Price consciousness

Lichtenstein, Ridgway and Netemeyer (1993) consider price consciousness as the level to which consumers use price as a decision criteria within a negative role. In other words, a consumer who has price consciousness is not willing to pay a higher price for a product or he only centers on searching for low price products. People who exhibit high price consciousness are less willing to pay higher prices for products (Monroe 1990).

Store brand products are outsourced, have less advertisement and promotion expenditures, have simpler packaging, and are often 10%-30% cheaper than their national brand counterparts (Baltas 1997). To consumers, this price differential is the most obvious benefit. Kirk (1992) found “low price” a “very important factor” for consumers who choose a store brand over a national brand, showing store brand products can well fit the needs of high price consciousness consumers. Rao (1969) also indicated that the main store brand customer group for supermarkets is housewives who are price conscious. Therefore, the current research proposed:

$$H_1: \text{The greater consumers’ price consciousness, the higher the level of store brand purchase intention.}$$

Brand consciousness

Sproles and Kendall (1986) studied American consumers’ purchase decision styles and divided them into eight types. Among these, consumers who choose more expensive national brands that have advertisement and high publicity were labeled “brand conscious.” Shim and Gehrt (1996) further defined brand consciousness

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as a direction of shopping, which describes a type of consumer tending to buy well-known brand products. Therefore, people who have brand consciousness will appreciate information about the latest fashions and trends along with brand media and celebrity (Keum et al. 2004). Because brand is the image a company has accumulated over a long period of time, high brand image products have certain public appreciation of the quality, function, reliability, and service aspects. Therefore, brand can show individual character, which is also a way of reflecting self-image (Chematomy and McWilliams 1989). Consumers usually regard the goods they buy and consume as a tool of self-expression (Belk 1988; Graeff 1996); so consumers with high brand consciousness consider a brand as a symbol of image, identity, and status, to reflect his personality. As a result, consumers will choose to buy goods that have high brand publicity.

Because store brand products are sold only in the retailers’ own shops, with less nationwide advertising and simpler packaging, store brand products’ publicity and image are lower than that of national brands. Since people who have higher brand consciousness have the tendency to choose well-known brands (Shim and Gehrt 2000). Social risk occurs when the consumer thinks the goods he wants to purchase are viewed negatively by his colleagues or peers. Nevertheless, not all products are consumed or used in public; others do not know what you possess or use in private. The quality symbol of the store brand is not perceived to be as good as the national brand. Therefore, when a consumer has a higher social risk with respect to a store brand product, the chance he will choose the store brand is lower, leading to the following hypothesis:

\( H_2: \) The greater consumers’ brand consciousness, the lower the level of store brand purchase intention.

**Store brand familiarity**

Brand familiarity means the number of times the consumer has had contact with a certain brand; it reflects the direct and indirect experience level a person has with a brand (Alba and Hutchinson 1987). Therefore, brand familiarity is built on the consumer’s previous experiences or the level of related information the consumer has heard or received. Store brand familiarity is the related experiences of purchase, consumption, and information collection, by the consumer, related to the store brand product.

If a consumer has contact with a brand through sight, hearing, or thinking, then the brand can success fully capture the consumer’s interest and increase the chance of being included in the consumer’s evoked set which in turn stimulates purchase intention (Baker et al. 1986). Therefore, when a consumer has an experience using a store brand or has received related information about a store brand, he/she has more knowledge about the quality and ingredients of store brands, often concluding the products are not bad. Accordingly, the consumer will not lower his appraisal of a store brand product so he will have a higher purchase intention toward the store brand product. We thus hypothesize that:

\( H_3: \) Consumers who are more familiar with a store brand have a higher purchase intention for the store brand.

**Perceived risk**

Bettman (1973) thought that consumer purchase intention is mainly influenced by the perceived risk of the goods bought. His later research, conducted in 1974, found uncertainty and perceived risk are the key variables distinguishing store brands from national brands.

When a consumer buys a product, the probability of his/her facing losses is the product’s quality function (Bauer 1960). If he has a higher perception of the product than the level of doubt about the product’s inability to function, the anticipated effect is lower, and vice versa. Since consumers tend to avoid risk, it is foreseeable that the higher the perceived functional risk of the store brand, the lower the purchase intention.

\( H_4a: \) The higher the functional risk the consumer perceives related to a store brand product, the lower purchase intention he has toward the product.

Social risk is related to product consumption and symbols such as belief, status, etc. (Batra and Sinha 2000). Social risk occurs when the consumer thinks the goods he wants to purchase are viewed negatively by his colleagues or peers. Nevertheless, not all products are consumed or used in public; others do not know what you possess or use in private. The quality symbol of the store brand is not perceived to be as good as the national brand. Therefore, when a consumer has a higher social risk with respect to a store brand product, the chance he will choose the store brand is lower, leading to the following hypothesis:

\( H_4b: \) The higher social risk the consumer perceives related to a store brand product, the lower purchase intention he has toward the product.

**Relationships of price consciousness, brand consciousness, store brand familiarity and perceived risk**

Burton et al. (1998) claimed that consumers who have a positive attitude toward the store brand all have extreme price consciousness resulting in frequently minimizing or ignoring brand assessment. So, consumers who have higher price consciousness will use price as the decision standard. Lichtenstein, Ridgway and Netemeyer (1988) also found that people who have high price consciousness have a lower belief that high price denotes high quality. Therefore, people who are price conscious choose the cheaper store brand because they think these products also have good quality and have a high probability of exhibiting the anticipated effects. As a result, their perceived functional risk will be lower. Thus, this study infers that:

\( H_5a: \) The higher consumers’ price consciousness, the lower perceived functional risk associated with store brand products.

Consumers who have high price consciousness do not think high price denotes high quality and are unwilling to pay a high price differential for a product’s extra features or advantages (such as brand name, advertisement, packaging, etc.) Therefore, when making purchase decisions, consumers will ignore the brand factor (Burton et al. 1998); they think the actual benefit
brought by the low price is more important than the virtual symbol brought by the brand name. Thus, this study infers that:

**H5b**: The higher consumers’ price consciousness, the lower perceived social risk associated with store brand products.

Buying well-known brands is a good way of reducing risk (Roselius 1971). Through intensive advertising activities well-known brands accumulate brand equity which consumers perceive as excellent quality (Aaker 1996). Moreover, a well executed advertisement will be interpreted by consumers as a signal that the company has confidence in the product’s quality (Kirmani and Wright 1989).

High brand conscious consumers tend to purchase well-known brands and think the brand is a symbol of quality and a manifestation of status. Because the publicity and image of store brands are not as widespread as those of national brands, consumers who are brand conscious have less confidence toward the quality provided by the products of store brands and have doubts that store brand products can function well. They also worry about giving others the impression of being stingy or cheap if they use low publicity products and are afraid of strange looks from colleagues and friends, resulting in the following hypotheses:

**H6a**: Consumers who have higher brand consciousness have a higher perceived functional risk toward store brand products.

**H6b**: Consumers who have higher brand consciousness have a higher perceived social risk toward store brand products.

The study of Richardson, Jain and Dick (1996) showed that consumers who are more familiar with the store brand perceive smaller quality differences between store and national brands. Thus, consumers who are more familiar with the store brand believe that the quality, taste, and ingredients of the store brand are as good as the national brand. Such consumers have confidence in store brand goods and do not worry about the inability of the goods’ fulfilling their expectations. Moreover, the more familiar with the store brand the less consumers are concerned about drawing strange looks from others or causing embarrassing situations when using store brand goods. Thus we hypothesize that:

**H7a**: Consumers who are more familiar with the store brand have a lower perceived functional risk toward store brand goods.

**H7b**: Consumers who are more familiar with the store brand have a lower perceived social risk toward store brand goods.

**Research Design**

**Research object**

Currently, domestic sales of store brand goods are mostly in hypermarkets, convenience stores, and super markets. Because of the store scale, the number of visiting customers and the variety of merchandise items, this study selected customers of the 2006 highest revenue retailer (Carrefour) as the object of the questionnaire survey.

**Product selection**

The chosen products have to be sold both as national brands and store brands and have different functional risks and social risks, respectively. This study referenced the method used by Richardson, Jain and Dick (1996). After collecting relevant data and discussions with store sales managers, this study selected five product categories: air conditioners, leisure clothing, laundry detergent, mineral water, and cookies as goods for testing.

**Survey method**

This study collected data at exits and food court areas of Carrefour stores located in the Taichung area through personal interviews with customers who just finished shopping. Of the five total product categories, each participant was asked to answer a questionnaire related to two randomly selected product categories. A total of 250 consumers were successfully interviewed. Each product had 100 subjects for a total of 500 data sets.

**Results**

The sample structure of this research is as follows: male 27.8%, female 72.2%; age: 24.5% are under 30 years old, 49.8% are between 31 and 40 years old, 19% from 41 to 50 years old, and 6.7% are above 50 years; educational level: 32.5% are in high school or vocational high school, 32% are in junior college and 35.5% are in university and above, showing the structure of samples spreads over all ages and education levels.

This research employed structural equation modeling to analyze the data. Research results found consumers’ price consciousness, brand consciousness and store brand familiarity influence the purchase intention of the store brand differently. Among them, store brand familiarity not only directly affects purchase intention but also has an indirect effect on purchase intention through the mediation of functional and social risks, the largest influence on store brand purchase intention. Results show consumers who are more familiar with the store brand know store brand products are outsourced to national brand manufacturers to produce and their quality and ingredients are comparable to those of similar national brands. The low price is due to savings from advertising and promotion expenses that directly feed back to consumers. Therefore, consumers have deep confidence in store brand products, their perceived functional risk and social risk are relatively lower, and in turn their purchase intention is higher.

Price consciousness has a single direct effect on store brand purchase intention, with no indirect effect via perceived risk. By contrast, brand consciousness has an indirect effect on store brand purchase intention via perceived risk, with no direct effect. Moreover, price consciousness and brand consciousness have about the same influence on store brand purchase intention, but...
both have different directions of effect. The former is positive while the latter is negative showing price consciousness and brand consciousness have completely different influence on store brand proneness. People who are price consciousness will pinch pennies, pay no attention to functional and social risks, and are directly attracted to prices of store brand goods. On the contrary, people who are brand consciousness do not directly repel store brands but worry about the quality of store brands and self-image damage caused by the low price. These worries suppress their purchase intention of store brands.

**Implications**

Because store brands have a price advantage, they are quite attractive to consumers who pinch pennies in tight economic environments. People who are price conscious have a clear preference toward store brands so sellers can treat people who are price consciousness as their prime target market.

Secondly, store brand familiarity tremendously influences store brand purchase intention. Educating consumers about the “inexpensive price, fine quality” characteristics of store brand goods will lead to a reduction in the negative impression that store brand quality is not good. Store brand sellers can utilize signboards in the selling area to exhibit the goods’ quality of ingredients and manufacturing process and compare store brand goods with national brands to let consumers know the raw materials and the ingredients used in the store brand goods and manufacturing and quality processes are the same as those of national brands.

Furthermore, sellers can offer in store free trials and free food samples before purchasing to reduce consumers' functional risk. Also, sellers can provide taste tests of two different brands for the same product category to let consumers have the experience that store brand quality and national brand quality are actually about the same. Moreover, in order to expand the contact area, store brand sellers can utilize public relations. Through publicity the sellers can introduce the features and the spirit of store brands to the general public which not only can increase consumers’ familiarity with store brands but also establish publicity.

In addition, in order to increase consumers’ quality awareness toward store brands, improving the existing extrinsic cues, such as packaging and label design, even nationwide advertisement, building brand publicity, and so on, can be helpful in increasing consumers’ perceived quality and reducing purchase risks. We can see from the European experience, that through proper marketing activities store brands can also build a competitive advantage.

**REFERENCES**


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