

Do consumers perceive differences among national brands, international private labels and local private labels? The case of Taiwan

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Abstract

Purpose – This research attempts to investigate the differences of consumer perceptions on product quality, price, brand leadership and brand personality among national brands, international private labels and local private labels. It aims to use product categories as the moderator of the preceding perceptions.

Design/methodology/approach – Data were collected outside the entrances of the main rail station of Taipei, Taiwan. A systematic sampling was adopted and 254 questionnaires were eventually collected.

Findings – The findings revealed that on the whole national brands were perceived as significantly superior to international private labels, while international private labels were perceived as being superior to local private labels in terms of all perceptions except price perception. The findings also revealed that product categories moderated price and brand personality perceptions across the three brand types, while product categories failed to moderate the effect of the three brands types on quality and brand leadership perceptions.

Originality/value – This research represents one of the few pioneer works that empirically investigate the aforementioned issues.

Keywords Labelling, Brands, Generics, Consumer behaviour, Taiwan

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this article.

Introduction and research background

The competition between national brands and private labels has been a key research area in the last decade. According to Chintagunta *et al.* (2002), previous studies related to the effect of private label entry on national brands can be divided into two types: those which approach the issue from final demand side and those which approach it from supply side. Final demand side studies deal with the changes in preferences for the national brands and price elasticity when they suffer competition from private labels. Examples include Chintagunta *et al.* (2002), Lin and Chang (2003) and de Wulf *et al.* (2005). These authors tackle issues relating to the impact of private label entry on the preferences of national

brands. Besides, they also deal with price sensitivities of consumers to understand who will benefit from or are harmed by private label entry. Moreover, the causal relationship between brand equity of store versus national brands and the brand loyalty towards both brands are also studied. As for supply side research, articles address problems such as the retailer's pricing decisions, and how these decisions are influenced by interactions between manufacturers and retailers. Chintagunta *et al.* (2002) and Soberman and Parker (2004) are of this type. They discuss how advertising influences the firm's behavior, the effects of national brands' advertising and price promotion strategy on national brands and private labels.

Regardless of the above research types, quality and price perceptions are the two frequently compared consumer perceptions between national brands and private labels (see among others, Lin and Chang, 2003; Miranda and Joshi, 2003; Erdem *et al.* 2004). Nevertheless, as suggested by Aaker (1996) and Supphellen and Gronhaug (2003), other consumer perceptions such as brand leadership and brand personality also play critical roles in the consumer purchase

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process and deserve further investigation. In addition, this research has noted that retailing chains such as COSTCO (the USA), TESCO (the UK), Carrefour (France), Macro (The Netherlands), SOGO (Japan), and Watsons (Hong Kong) have been moving across national borders and have begun to launch private labels in the international market place. In such cases, private labels should be divided into international private labels and local private labels. This is because the brand perception of these two types could be significantly different due to their global and local images. However, the research has difficulty in identifying any articles attempting to differentiate these two types while conducting research regarding the competition between national brands and private labels. Moreover, product categories are important knowledge-organizing tools for consumers (Meyers-Levy and Tybout, 1989) and are often engendered by accompanying consumer preference shifts (Rosa and Porac, 2002). These arguments presuppose that consumer perceptions of different brand types can vary depending on diverse product categories. In this study, an effort was therefore made to look into the above issues.

Research hypotheses

The following hypotheses reflect our efforts examining consumer perceptions on product quality and price, and brand leadership and personality among national brands, international private labels, and local private labels within various types of product categories.

Perceived quality and price perception

As mentioned above, variations in perceived product quality and product price perception between national brands and private labels have long been studied. Perceived quality refers to the consumer's judgment about a product's overall excellence or superiority (Chueh and Kao, 2004; Villarejo-Ramos and Sánchez-Franco, 2005). Firms that produce quality products will be perceived as superior in offering good product design, having operational process efficiency, owning high technology, etc. In comparison with private labels, national brands, which are high familiarity among consumers across the nation (d'Astous and Saint-Louis, 2005), are more capable in product design, operational process efficiency and technology (Steiner, 2004). Therefore, they are believed to be more capable in manufacturing attractive products (Babakus *et al.*, 2004). As a result, their product quality is likely to be perceived as being superior. Understanding this weakness, private labels have substantially improved their quality in recent years (Miranda and Joshi, 2003). Nevertheless, the findings of a number of empirical studies such as Sanjoy and Oded (2001) and Steiner (2004) still support the argument that the perceived quality of national brands is higher than that of private labels.

As for product price perception, because of their inherent lower cost characteristics, private labels are always marked lower than branded products by retailers such as hypermarkets and national retailing chain stores (see Miranda and Joshi, 2003). This persistent image leads to the phenomenon that consumers are willing to pay less for private labels than national brands (Scott Morton and Zettelmeyer, 2004). Moreover, a number of academic works have shown that low prices are associated with low quality (e.g., Alba *et al.*, 1999; Huang *et al.*, 2004; Speece and

Nguyen, 2005). As private labels are perceived to be of lower quality (see the debate above), national brands are therefore recognized as being more highly priced so as to ensure the perception of their quality (see McGowan and Sternquist, 1998). All these infer that the perceived price of national brands is higher than that of private labels.

Brand leadership

Brand leadership consists of supportive brand processes and the ability continually to achieve excellence (Aaker and Joachimsthaler, 2000; Yakimova and Beverland, 2005). These leading brands, being the primary brands in relation to secondary brands (Henrik, 2004), are perceived to be more innovative and can be, according to Aaker (1996), "in the no. 1 syndrome." Innovative brands are recognized as being technologically ahead while brands that are in the no. 1 syndrome can attract enough customers to buy into their brand concepts to make them sales leaders. National brands usually have better capability to develop their products and simultaneously utilize their product design capability as a competitive weapon against private labels (Steiner, 2004). On the other hand, private labels will market their products by using imitation strategies from leading national brands (Scott Morton and Zettelmeyer, 2004). Therefore, national brands are perceived to be more innovative than private labels (Steiner, 2004). As for being in the no. 1 syndrome, national brands will devote greater to promotion as well as more frequently alter their promotion strategies (Ortega and Stern, 1993) to protect or further expand their market share. As such, help their prominence in the market and increase their market share in relation to private labels (Cotterill and Putsis, 2000). The above leads to the declaration that national brands rather than private labels are likely to be recognized as leading brands.

Brand personality

Brand personality, based on the brand-as-person perspective, can provide a link to the brand's emotional and self-expressive benefits as well as a basis for customer/brand relationship and differentiation (Aggarwal, 2004). This is especially the case for brands that have only minor physical differences and have meanings added to the brand through various marketing activities such as advertising (Supphellen and Gronhaug, 2003). The emphasis of brand personality is also meaningful for those brands that are consumed in a social setting where the brand can make a visible statement about the consumer (Aaker, 1996). National brands always increase advertising to enhance their brand awareness (Siggelkow, 2001). As consumers are more widely exposed to their names and logos compared with private labels, which are displayed only at stores, national brands are therefore better known (Monget, 2005). In addition, national brands and their logos are proportionally and meaningfully designed while private labels always adopt the same name across product categories (Morton and Zettelmeyer, 2000). Therefore, consumers will view national brands as more famous and unique. While consuming, consumers can display certain characteristics associated with impressions of brand uniqueness, and thus obtain social recognition and maintain and develop their identities. Under such circumstances, it can be declared that the brand personality of national brands will be perceived as superior to private labels.

International private labels and local private labels

International firms normally spend much on advertising and promotional campaigns across international frontiers (Blois, 2000), and therefore are more available and recognized in multiple countries (Hsieh, 2004). Under such a circumstance, international firms are likely to be perceived better in producing reliable products (Yeoh, 2004). Accordingly, the current research concludes that international private labels can be recognized as being of better quality than local private labels. These will then enhance the advantage of these international private labels and give them the higher price image (Batra *et al.*, 2000). The findings of the study conducted by Sanjoy and Oded (2001) provide support to the preceding argument that international firms' products are perceived to be more expensive than those of local firms.

As these international private labels have an inherent cosmopolitan image, they will be deemed more inspirational, desirable and appealing with higher prestige than local private labels (see Batra *et al.*, 2000; Sanjoy and Oded, 2001; Madden, 2005). Therefore, international private labels can be counted better leading brands than local private labels. Moreover, these international labels would like to purposely promote their cosmopolitan image so as to generate greater receptivity to their products which are of foreign origin (see Alden *et al.*, 1999). This will improve their product attractiveness among local customers to connect foreignness with higher social status (Batra *et al.*, 2000). The above statement can be supported by the finding of an early empirical research conducted by Sklair (1994) that international brand products were used as status symbols. According to the preceding logic, it is reasonable to assert that consuming international private label products can be associated with more sophisticated personalities than local private label products. That is, the brand personality of international private labels will be perceived superior to local private labels.

On the basis of the above discussion, the following four hypotheses are therefore formulated:

- H1. The quality of national brands is perceived superior to that of international private labels, while the quality of international private labels is perceived superior to that of local private labels.
- H2. Consumers perceive the price of national brands as being significantly higher than international private labels, and the price of international private labels as being higher than local private labels.
- H3. Consumers will count on national brands for better brand leadership, while on international private labels for inferior brand leadership and local private labels for non-brand leadership.
- H4. Consumers perceive the brand personality of national brands as being significantly superior to international private labels, and the brand personality of international private labels as being superior to local private labels.

The moderate effect of product categories

Considering proving better insights into the current phenomena, apart from the above, this research also considers product categories as the moderator of the preceding hypotheses. Different product types have inherently different characteristics. For example, convenience goods are purchased frequently at low prices

(Tan and Chua, 2004) and with little consumer planning or shopping effort (Stagg *et al.*, 2002), while shopping goods that are not widely available are purchased less frequently (Eastlick and Lotz, 1999).

Because convenience goods are those with low purchase risk, consumers will exert only minimal effort to obtain related information before purchase (Stagg *et al.* 2002). Under such a circumstance, they are likely to rely upon the logic discussed above (see preceding hypotheses, H1-H4), when assessing product quality, price, brand leadership and personality to conclude that national brands are superior while international private labels are inferior and local private labels are the worst. On the other hand, as shopping goods are high price items (in comparison with convenience goods), consumers are possibly to rely on a wider range of cues (e.g., product quality, value for money) in making the purchase so as to reduce the subsequent consumption risk (Pettijohn *et al.*, 2001). Therefore, they will be willing to spend considerable time and effort in collecting related information during the purchase process (LeBlanc and Turley, 1994). Eventually, they will realize that private label products, including international and local private label products, may be produced by the same manufacturers of national brand goods (see Miranda and Joshi, 2003). Furthermore, these manufacturers may cooperate with private labels in developing products to match consumer tastes (Apelbaum *et al.*, 2003). Therefore, private labels will no longer be perceived as being inconsistent, technically compromised or of lesser quality than national brand products (Miranda and Joshi, 2003). That is, private labels are capable of introducing premium products (Apelbaum *et al.*, 2003) and have already leveraged and reinforced their product images (Sheinin and Wagner, 2003). As a result, consumer perceptions of product quality, product price, brand leadership and brand personality across national brands, international private labels and local private labels may be indistinguishable for shopping goods.

Based on the above discussion, the research proposed the following hypotheses:

- H5. Product categories will moderate the interaction of perceived quality across national brands, international private labels, and local private labels.
- H6. Product categories will moderate the interaction of perceived price across national brands, international private labels, and local private labels.
- H7. Product categories will moderate the interaction of brand leadership across national brands, international private labels, and local private labels.
- H8. Product categories will moderate the interaction of brand personality across national brands, international private labels, and local private labels.

Research methodology

Detailed research methodology, such as research setting, scale development and sampling will be depicted below.

Research setting

In this research, only two product categories, convenience goods and shopping goods, were chosen to examine the moderate effect of product categories. This was because in Taipei, Taiwan (where the questionnaire was designed and administered, and data were collected; also see Sampling section), supermarkets and nationwide retailing chains such

as Tesco, Carrefour and local Taiwanese firm RT-Mart often marketed their own products (i.e. using private labels) in these two product categories.

Following Varinder and Krish's (2001) suggestion, liquid detergent was chosen to represent convenience goods, while electronic appliances (e.g., CD players, digital cameras) were chosen to represent shopping goods. As for the selection of brand names and hypermarkets/nationwide retailing chains, a pre-test regarding the overall reputation of a number of alternative firms was conducted within a small number of residents in Taipei, Taiwan. Those brand names and hypermarkets/nationwide retailing chains that were perceived at the mean among alternatives were chosen. Eventually, from the range of liquid detergents, the BAILAN brand name (a brand of Unilever Co, Taiwan; it has long been seen as a local home grown brand in Taiwan) was selected as the representative of national brands; the Tesco brand name (the private label of the British Tesco hypermarket chain) represented international private labels; the FP brand name (the private label of the RT-Mart hypermarket chain) was chosen for local private labels. Regarding electronic appliances, the TECO brand name (manufactured by TECO Co., Taiwan) was selected as the representative of national brands, while the representatives of international private labels and local private labels were the same as those of the liquid detergent category, i.e. Tesco and FP.

Scale development

Research scales were developed with reference to related literature, with slight modifications to fit this research. The related literature is mainly from Aaker's (1996) work since the scales Aaker developed have been frequently applied in a number of recent academics works (see among others, Cornwell *et al.*, 2005; Pappu *et al.*, 2005; Madhavaram *et al.*, 2005) and therefore were considered being demonstrated as typical scales. A seven-point Likert scale was employed for all these scales. Individual scales are discussed below.

The measurement of perceived quality, cited from Aaker's (1996) work, comprised three items: "high quality", "the worst brand", and "consistent quality". The measurement scale of price perception (not the real price) was developed from Miranda and Joshi's (2003) work. Their original work included two oppositely coded measurement items, "low price" and "high price"; nevertheless, participants during the pre-test of the questionnaire (also see below) suggested removing one of them to avoid confusion due to redundancy; eventually only one item, "low price", was included. As for the other two scales, i.e. brand leadership and brand personality, both of the scales were developed from Aaker's (1996) work and both contained three items. The former scale was comprised of "innovative brand", "growing in popularity", and "the leading brand". The latter scale included "having a personality", "interesting brand", and "clear image of the type of users".

Questionnaire design, pre-testing, sampling and data collection

A draft of the questionnaire was designed based on the above scales to examine the respondents' perceptions of the brands. Then this research conducted a pre-test within a small sample in Taipei, Taiwan. This was to guarantee readability and logical arrangement of the questions perceived by the research

population (see below). The questionnaire was then modified with their suggestions incorporated.

Residents in Taipei, Taiwan were selected as the research population. Taipei is a densely populated city of approximately 2,600,000 citizens and is also an open city with many immigrants from other parts of Taiwan. Therefore, it provided the potential to access Taiwanese attitudes. Data were then collected outside the entrances of the main Taipei railway station in November 2004. A systematic sampling (one out of ten passing the entrances) was adopted and an initial verbal filtering question of selected participants ensured their ages above 16. In Taiwan, those above 16 were capable to purchase the surveyed products (e.g., detergent, CD players, digital cameras, etc.) and therefore they were considered suitable to participate in the study. A total of 762 questionnaires were eventually distributed and in total 269 respondents returned the questionnaire in which 15 were uncompleted and therefore excluded. The remaining 254 questionnaires, representing a response rate of 33.3 per cent, were considered usable and were used for the final data analysis.

Data analysis and results

The respondents' profile will be reported, followed by an examination of the reliability of the scales. Testing of the research hypotheses will then be placed at the end of this section.

Respondents' profiles

The respondents included more females (60.63 percent) than males (39.37 percent), with most being less than 30 years of age. A total of 91.74 percent of the respondents held a college/university degree or higher. As for their occupation, white-collar workers, blue-collar workers, and students all occupied around one-third of the respondents. In terms of income, about 45 percent earned total monthly incomes of NT\$15,000 or less. Finally, most of the respondents were single. Detailed descriptive statistics relating to the respondents' profiles are shown in Table I.

Measurement accuracy analysis

A confirmatory factor analysis (CFA) was conducted in order to lend support to the accuracy of the scales in a brand equity context. The CFA model had an overall Chi-square of 225.10, a CFI of 0.97, an IFI of 0.97, a NNFI of 0.96 and a RMSEA of 0.065. All these were above the thresholds recommended by the literature. Thus, the fit of the model is good. All the composite reliabilities, ranging from 0.76 to 0.90 (see Table II), exceeded the minimum threshold of 0.6. As for the test of validity, examining significant *t*-value factor loadings checked for convergent scale validity. Table II shows significant *t*-values, ranging from 20.68 to 41.32. Discriminant validity was supported by the AVE for each factor being greater than the squared correlation of each construct. The AVE scores achieved for the entire model constructs, for each factor being over the criterion threshold of 0.5. Considering the evidence of reliability and validity, the scales should be considered generally reliable and valid overall.

Table I Descriptive statistics of the participants' profiles

	Frequency	%
Gender		
Male	100	39.37
Female	154	60.63
Age		
16-20	90	35.43
21-30	109	42.91
31-40	32	12.60
41-50	14	5.51
≥ 51	9	3.54
Education		
≤ senior high school	21	8.26
College/university	210	82.68
Graduate	23	9.06
Occupation		
White collar	78	30.71
Blue collar	77	30.31
Jobless	9	3.54
Students	90	35.43
Income (NT\$)		
≤ 15,000	114	44.88
15,001-30,000	66	25.98
30,001-45,000	46	18.11
45,001-60,000	13	5.12
≥ 60,001	15	5.91
Marriage		
Married	53	20.87
Single	200	78.74
Widow	1	0.39

Table II Measurement accuracy analysis statistics

Core constructs	Factor loading	t value	Composite reliability	AVE
Perceived quality	0.84	38.78	0.78	0.55
	0.52	20.68		
	0.83	38.15		
Brand leadership	0.70	29.94	0.84	0.64
	0.87	41.32		
	0.82	37.56		
Price perception	0.65	23.25	0.90	0.90
Brand personality	0.78	33.04	0.76	0.51
	0.67	27.45		
	0.69	28.21		

Hypotheses testing

The data set was analyzed by using the SPSS statistical program, and ANOVA tests were performed with overall data (to examine *H1-H4*) as well as specifically with convenience goods and shopping goods (to examine *H5-H8*) to assess the differences among the individual mean values generated. The independent variable was brand types with three levels: national brands, international private labels, and local private

labels. The dependent variables for each ANOVA were the respective scale ratings of the four research constructs (i.e. perceived quality, price perception, brand leadership, and brand personality). To avoid ignoring potentially important real differences between the three types of brands, two technical issues were considered:

- 1 significance level (that is, alpha); and
- 2 statistical power (that is, the probability to correctly reject the null hypothesis when it should be rejected).

Scheffé *post-hoc* tests were conducted to test the statistical differences between each pair of brand perception means. A summary of the analysis is presented in Tables III and IV.

Respondents in this study reported clear differences in their perceptions of national brands, international private labels, and local private labels at the overall level. As can be observed in Table III, for three of the four factors (perceived quality, brand leadership and brand personality), there were significant differences across the three types of brands. Therefore, the results supported the *H1*, *H3*, and *H4*. As for price perception, there was a significant difference found across the three brand types. Nevertheless subsequent Scheffé *post-hoc* tests revealed no difference between national brands and international private labels, thus, *H2* was only partially supported.

The hypothesis results of the respondents' perception of the brands across product categories (convenience goods and shopping goods) are listed in Table IV. The price perception and brand personality in the classes of convenient goods and shopping goods were different, with the results firmly supporting *H6* and *H8*. For perceived quality and brand leadership, the final result of convenience goods and shopping goods were the same as the overall level, indicating a rejection of *H5* and *H7*.

Conclusion

Historical studies have paid much attention to the competition between national brands and private labels. In this research, private labels were further distinguished into international private labels and local private labels. As the retailing environment is becoming more international (Jeannet and Hennessey, 2001), it may be useful to consider private labels in two categories, i.e. international and local. Additional consumer perception comparisons among national brands, international private labels, and local private labels are then necessary. These will help academics and practitioners understand the differences among these three brand types and further help design better, more suitable branding strategies. In this research, an attempt was therefore made to study consumer perception differences (i.e. product quality, product prices, brand leadership and brand personality) on the three brand types (i.e. national brands, international private labels and local private labels) within various product categories (mainly convenience goods and shopping goods).

The findings of the research, on the whole, supported our argument that consumers viewed brand types differently. That is, national brands were perceived as significantly superior to international private labels, while international private labels were perceived as being superior to local private labels in terms of all perceptions except price perception. The findings also revealed that product categories moderated price

Table III Means for brand types as a function of the research constructs

Research constructs	Brand types ^a			Differences ^b	Statistical power ^c	p values	Hypotheses results
	NB	IPL	LPL				
Perceived quality	5.38	4.21	3.84	NB > IPL > LPL	1	< 0.001 *	H1: supported
Price perception (reverse)	3.94	3.80	3.47	NB = IPL > LPL	1	< 0.001 *	H2: partially supported
Brand leadership	5.24	3.76	3.43	NB > IPL > LPL	1	< 0.001 *	H3: supported
Brand personality	4.77	3.86	3.60	NB > IPL > LPL	1	< 0.001 *	H4: supported

Notes: ^a Mean values for national brands, international private labels, and local private labels, based on a seven-point Likert-type scale with strongly disagree = 1 to strongly agree = 7; ^b Scheffé multiple comparisons differences; ^c statistics power, computed using alpha = 0.05; 0.80 is the threshold for excessive power; * $p < 0.001$; NB – national brands; IPL – international private labels; LPL – local private labels

Table IV Consumer perceptions of the three brand types of convenience/shopping goods

	NB	IPL	LPL	Differences ^b	Statistical power ^c	p-values
Convenience goods^a						
Perceived quality	5.43	4.30	3.99	NB > IPL > LPL	1	< 0.001 *
Price perception (reverse)	4.03	3.82	3.37	NB = IPL > LPL	1	< 0.001 *
Brand leadership	5.29	3.77	3.44	NB > IPL > LPL	1	< 0.001 *
Brand personality	4.78	3.91	3.62	NB > IPL > LPL	1	< 0.001 *
Shopping goods^a						
Perceived quality	5.33	4.11	3.70	NB > IPL > LPL	1	< 0.001 *
Price perception (reverse)	3.87	3.78	3.57	NB = IPL = LPL	0.573	0.0543
Brand leadership	5.19	3.75	3.41	NB > IPL > LPL	1	< 0.001 *
Brand personality	4.75	3.81	3.58	NB > IPL = LPL	1	< 0.001 *

Notes: ^a Mean values for convenience goods and shopping goods across national brands, international private labels, and local private labels, based on a seven-point Likert-type scale with strongly disagree = 1 to strongly agree = 7; ^b Scheffé's multiple comparisons differences; ^c statistical power, computed using alpha = 0.05; 0.80 is the threshold for excessive power; * $p < 0.001$; NB – national brands; IPL – international private labels; LPL – local private labels

perception and brand personality perception across national brands, international private labels and local private labels. Nevertheless, no perceptual difference between national brands and international private labels for price perception has unexpectedly been found. Product categories failure to moderate the effect of brand types (national brands, international private labels and local private labels) on quality perception and brand leadership perception has also been identified.

Because of the pioneering nature of this research, there are many questions that deserve further research. There has been scant attention paid to distinguishing between international private labels and local private labels and the research findings support the necessity for doing so. Issues such as country-of-origin of the international private label and prior purchase experience of private labels might affect/moderate the results of the research. Moreover, the empirical evidence was from Taipei, Taiwan, and only convenience goods and shopping goods were chosen as moderators. These limit the generalization of the findings. Therefore, future work can validate the research finding within other environmental settings, such as in other cities and countries, or by testing other product types/product categories. Of course, as the participants were young with low income, the consumption behaviour of mature people and people of varying socio-economic status is worthy of future studies.

Implications for managers

Since national brands lead private labels in most parts of consumer perceptions, managers of firms manufacturing national brands can simply maintain their brand strategies such as high R&D budgets in product design (Steiner, 2004), heavy promotion (Ortega and Stern, 1993) to deliver brand awareness and personality, etc. so as to sustain their brand position. On the other hand, because of the difficulty in overtaking national brands, private labels, which can be categorized into international and local and have different consumer perceptions, can act straightforwardly as market followers using product imitation strategies. Nevertheless, as the findings reveal that there is no consumers' price perception difference between national brands and international private labels, this study therefore puts forward that the cosmopolitan image of international private labels have added to their product values. As a result, these international private labels, similarly to national brands, are able to enjoy market price premium. However, as the other brand attributes are still perceived lower than those of national brands, managers of international private labels ought to become more deeply involved in cultivating their brands in the long run.

As for the competition between international private labels and local private labels in the convenience goods category, international private labels can gain price premium advantage from higher quality perceptions while local private labels should be positioned below. Conversely, in the shopping

goods category, international private labels and local private labels are viewed as undifferentiated in terms of price perception. Nevertheless, international private labels take the lead in perceived quality over local private labels. Therefore, while these two brands are competing for consumer dollars, it seems essential for managers of international private labels to emphasize to the buying public that the purchase of their high quality and innovatively designed products will bring good value for money. Based on the above suggestions, this research suggests that international private labels can move upscale in the convenience goods category, while they are still competing directly with local private labels in the shopping goods category. Therefore, managers of international private labels should be cautious in the use of pricing strategy in various types of product categories.

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Executive summary

This executive summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present.

Brand comparisons: Taiwanese perceptions of international and local labels

Does difference rule?

How do customers perceive the differences between national brands, international private labels and local private labels? It is an area of research that is reasonably often covered, but remains a legitimate one and something of a dynamic one.

The focus of a study by Julian Ming-Sung Cheng of National Central University, Lily Shui-Lien Chen, Hsing-Wu College and Julia Ying-Chao Lin, Tainan University of Technology all in Taiwan considers this question for their local market. Taiwan's National Science Council supported their work.

The interest in the work is essentially in the interplay between these three defined areas and in considering which

strategies to adopt. Their research tested the following propositions:

- That the quality of national brands is perceived to be superior to that of international private labels, while the quality of international private labels is perceived superior to that of local private labels.
- That consumers perceive the price of national brands as being significantly higher than international private labels, and the price of international private labels as being higher than local private labels.
- That consumers will associate national brands with better brand leadership, international private labels for inferior brand leadership and local private labels for non-brand leadership.
- That consumers perceive the brand personality of national brands as being significantly superior to international private labels, and the brand personality of international private labels as being superior to local private labels.
- That product categories will moderate the interaction of perceived quality across national brands, international private labels, and local private labels.
- That product categories will moderate the interaction of perceived price across national brands, international private labels, and local private labels.
- That product categories will moderate the interaction of brand leadership across national brands, international private labels, and local private labels.
- And that product categories will moderate the interaction of brand personality across national brands, international private labels, and local private labels.

A lead for national brands, a challenge for the followers

What they found was that national brands lead private labels on most dimensions of customer perceptions. For brand managers of national brands the simple message is “steady as she goes”. There is no need to make a change. It may well encompass maintaining high R&D budgets and spending heavily on promotion building awareness of the brand and ensuring that its brand personality is understood. This will sustain its position.

For private labels, both international and local ones, the advice from the research team is to adopt imitation practices, essentially following the leader. There is a little more going on here than might first be imagined – some extra complexity among consumer perceptions. From the survey, very little difference was identified in consumers’ price perceptions between national brands and international private labels. It

would appear that perceptions of being cosmopolitan have added to their sense of allure. The good news for the brand managers is that there is the opportunity for premium pricing. The challenge is that they do not score so well on other dimensions. If they are to be seen as being of high value there is much still to be done.

Which leaves the battle between international private labels and local private labels. Two different phenomena were observed in two different sectors. In the convenience goods category consumers see differences between the two. They see value in the international labels. They will pay a price premium for it.

Just when life seems simple, however, care and attention is needed. With the same fight in a different sector, this time that of “shopping goods”, the same thing cannot be said. Here consumers view international and local private labels as being undifferentiated in terms of price. The international labels do though do better in terms of perceptions of quality – they are seen as being of higher quality. It seems strange that this does not feed through into pricing decisions, but it does not seem to.

It does, however, give the managers of international private labels some leverage. Their marketing communications need to emphasize the quality and innovative designs of their product offers and that they are good value for money. Turning a difficulty into a virtue.

So the message is a tale of two sectors. In convenience goods international private labels can move up market and reap the benefits in their profit margins. In the shopping goods category they have no such luxury, but are not without advantages. They need to be cautious when it comes to pricing, but may well be able to differentiate themselves in the end.

Studies of this nature are always welcome. It is a dynamic area. Test this out again and changes in consumer perceptions may be observed. It brings to mind the game theory metaphor of strategy. All are making moves and all are playing the game. Positive engagement would seem to be the key, underpinned by a good solid understanding of changing perceptions in key product markets.

(A précis of the article “Do consumers perceive differences among national brands, international private labels and local private labels? The case of Taiwan”. Supplied by Marketing Consultants for Emerald.)