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The Rise of Premium Private Label Brands Transforming the Image of Store Brands in Grocery Retailing: A Qualitative Study on German Consumers

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Abstract

In the retailing world, private label brands (PLBs) are gaining growing attention. In particular, at grocery retailers, the own brands bring numerous advantages from the perspective of the retailer, as well as from the consumer side. Premium PLBs are considered to be rising stars among various types of private labels. Existing literature focuses mainly on the role of overall PLBs and does not distinguish between different kinds. However, for retailers to benefit most from the premium PLBs, it is important to understand how consumers perceive the premium type within the category of PLBs in general.

The study approaches the question by 14 in-depth semi-structured interviews comparing German consumer's perceptions and reasons to buy for PLBs versus premium PLBs. The results show that premium PLBs are perceived differently and bought for contrary reasons than general PLBs. The findings theoretically imply the importance of differentiating between various types of PLBs, when drawing conclusions for PLBs. Further, the study results help managers to understand how to successfully expand the assortment of premium PLBs and therefore to profit most from this particular type of PLB.

Keywords: Private label brands, premium products, grocery retailing, consumer perceptions, consumer buying behaviour

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1. Introduction

Private label brands (PLBs) are the “retailer’s single most important competitive weapon” (Thain & Bradely, 2012, p. 3). In the grocery retailing industry, PLBs generate large shares of total grocery sales and there are even countries, where households purchase 100% PLBs (Nielsen, 2005). PLBs can be found in over 90% of categories in hyper- and supermarkets, as well as in discounters (IRI, 2016). Thus, PLBs serve as weapon to strategically bear profit margins (Gielens & Dekimpe, 2001) and to differentiate in price and assortment (Walsh & Mitchell, 2010). Continuously, referring to Schoenbauer (2020), in 2019, of the top ten high-growth consumer packed goods brands, seven are PLBs owned by the retailers: While Walmart has three own brands in the list, also Aldi, Costco, Kroger and Sam’s Club find a PLB in top positions of the ranking.

According to Walsh and Mitchell (2010), PLBs are not only increasing in availability in the retailing world. Through improved quality, they gain more popularity among all types of consumers. In the nineties, Hoch and Banerjee (1993) analyzed that the national brands (NBs) are the ones attracting customers to visit a store. Once in the store, customers however buy the PLBs instead, because they offer better prices. From the consumer’s perspective, research reveals that price is still a large motivating factor to buy a PLB (Burton et al., 1998; Sinha & Batra, 1999; Jin & Suh, 2005). Today, PLBs have however developed to more than just copycat brands with low prices. Walsh and Mitchell (2010) present evidence that consumers are no longer seeing PLBs of lower quality than NBs. As a matter of fact, Kumar and Steenkamp (2006) point out that the actual quality of PLBs is predominantly even higher than the quality perceived by consumers. Moreover, for food consumers, trademark brands have developed to be less important (Anchor & Kour, 2009). Consumers increasingly perceive PLBs on the same level as NBs (Burton et al., 1998; Kilian et al., 2008). Therefore, a clear shift has been detected showing that consumers pay more attention to the quality of a PLB product

than to its price (Mao et al., 2021).

Overall, a growing trend towards the category of premium and high-quality PLBs can be observed. Premium PLBs are first-class store brands that “are considered as the hottest trend in grocery retailing” (Ter Braak et al., 2014, p. 1). Roach (1995, p. 65) continuously emphasizes: “30% of retailers are indicating a growing enthusiasm for premium, high quality store brands intended to compete directly with leading manufacturer brands on quality and image, not just price.” Walsh and Mitchell (2010) depict the trend by the example of 70% of Tesco customers that have already purchased products from the high-quality PLB Tesco Finest in the past. Due to the large increase of premium PLBs in “mainstream categories which are bought for psychological reasons” (Walsh & Mitchell, 2010, p. 8), not only NBs show an emotional value (Tsai, 2005). Packaging and names, as well as intense advertising of the high-quality PLBs provide consumers with an up-market image of the products (Broadbridge & Morgan, 2001). Thus consumers are emotionally attached to the new type of premium PLB.

Research shows that the brand image consumers have of PLBs is increasing positively. Key reasons for this development are the improved quality of PLBs and the growing emergence and trend of premium PLBs (Roach, 1995; Walsh & Mitchell, 2010; Tsai, 2005; Broadbridge & Morgan, 2001). It is thus no surprise that consumers are more intended to buy PLBs and that they are also emotionally attached to them (Walsh & Mitchell, 2010). However, while numerous research focuses on the brand image of PLBs in general, an interesting research gap has been noticed: Consumer’s brand image perceptions of distinctive types of PLBs, in particular the rising category of premium PLB, have not gained a lot of attention in the literature. Thus, this paper will fill the gap by focusing on the following research question: What are consumer’s perceptions of the new rising category of premium PLBs, and how is the premium category classified within PLBs in general?

This paper is intended to approach the research gap by focusing on the German grocery

store market. With 35% of value share, Germany is one of the biggest private label markets globally (NielsenIQ, 2021). After the presentation of secondary data in form of a literature review, primary data is collected. A qualitative research approach with in-depth semi-structured interviews is used to find out how premium PLBs are perceived in comparison to overall PLBs. By contrasting both points of view, a classification of the premium brands within the category of PLBs is attained, that finally leads to theoretical and practical implications.

2. Literature Review

2.1 Introduction to private label brands

A product owned and sold by a retailer under the own name is referred to as private label brand (PLB) (Bergés-Sennou et al., 2004; Burt, 2000; Mogelonsky, 1995). For PLBs, the retailer is the one producing the product (Baltas, 1997). The economic goal is the distribution of PLBs in the retailer's own shops (Schutte, 1969). PLBs make up an individual brand category within retailers' assortments (Chico et al., 2017). PLB products are available throughout many different categories of products, competing with the NBs in each category (Zarantonello & Pauwels-Delassus, 2016). The term PLB can as well be referred to own label brand, private brand or retailer's brand (Veloutsou et al., 2004).

Kumar and Steenkamp (2007) classify four types of PLBs: Generic private labels, copycat brands, premium store brands and value innovators. First, generic private labels are no name brands, that do not include the name of the retailer but the name of the product. Generics are perceived as low quality but also as low priced. Second, copycat brands include products that directly copy a NB product but are offered at cheaper prices. Third, Premium store brands perfectly match customer's personal preferences by focusing on specific customer segment (Hara & Matsubayashi, 2017). Fourth and last, value innovators are PLBs that bring the best performance-price ratio. Their focus is on lowering costs by making production and marketing simpler. A good quality product can thus be sold at a very low price.

2.2 The current state of research on private label brands

Previous research clearly shows that PLBs are gradually gaining importance within the fast moving consumer goods market. Retailers are steadily increasing the range of products offered by the private label (Lee, 2004), and not infrequently, PLBs in supermarkets are top sellers within their category (Quelch & Harding, 1996). Walsh and Mitchell (2010, p. 3) summarize: PLBs have the “potential to increase control over shelf space, bargaining power over manufacturers, store loyalty and chain profitability”. Various studies have been conducted to understand the success of PLBs from different perspectives (Erdem et al., 2004; Rubio & Yagüe 2009). As a result, existing literature on PLBs examines two major areas: On the one hand, research focuses on PLB’s success from the perspective of the retailer. On the other hand, research investigates the consumer perceived value of buying a PLB. In the following, the state-of-the-art literature for both sides will be presented.

2.2.1 Reasons for stores to offer own brands

Research has revealed several reasons for retailers to set focus on the development of PLBs (Bontems, 1999). Past literature in particular focuses on the direct competition of PLB with NB, that enables retailers to reduce prices and increase margins. In addition, research stresses that through PLBs, retailers are able to increase market share. Finally, literature repetitively discloses that improved image perceptions of the retailer brand are achieved through strong PLBs.

First and foremost, literature constantly reveals that PLBs ease retailers to compete directly with NB manufacturers (Bontems, 1999). Besides being more independent from NB manufacturers (Mills, 1995), PLBs also result in higher unit margins (Pauwels & Sirinivasan, 2004). Even though, PLBs tend to have lower prices than NBs, marketing costs for PLBs are lower and thus compensate for the price. This again results in overall higher gross margins for the PLB (Ailawadi et al., 2001). Within this matter, Hoch (1996), continuously highlights the

fact that with an increase of price advantage towards NBs, sales of PLBs increased respectively. Moreover, a study by Putsis (1997), that compares prices of NB's versus PLB's food products, reveals that PLBs are capable of market penetration and thus it is more difficult for NBs to raise prices. Corstjens and Lal (2000) further state that in particular in price-sensitive sectors, PLBs enable retailers to compete more profitable. Therefore, with PLBs, retailers have the chance to meet customer expectations of a low price, in line with high quality (Walsh & Mitchell, 2010).

Secondly, past literature highlights market share growth for retailers offering PLBs (Hoch & Banerji, 1993; Hoch, 1996; Dhar & Hoch, 1997). In fact, Cuneo et al. (2015, p. 72) even speak of PLB's market shares "negatively affecting manufacturer brands' shares". Corstjens and Lal (2000) reinforce this finding by stating that PLBs are acquiring market share from well-known NBs. Further, according to Walsh and Mitchell (2010), for retailers that look for a competitive advantage, PLBs function as a strategic tool. A retailer's market power or market share can be scaled by a retail concentration rate (Ailawadi & Harlam, 2004). According to Rubio and Yagüe (2009), studies have verified a positive correlation between this rate and the share of PLBs.

Lastly, as PLBs are exclusive to one particular retailer, existing research points out their "role in the process of positioning the retailer's shop formula as a brand" (Kremer & Viot, 2012, p. 528). In this context, through strong focus on PLB marketing, literature highlights that retailers can improve the store image and store loyalty (Grewal et al., 1998; Sayman et al., 2002). Further, Kumar (1997), points out that once retailers expand their PLB product portfolio, they attempt to win new customers and thus store traffic is increased. Gielens and Dekimpe (2001) additionally state that PLBs have the power to influence the attractiveness of a retailer for a consumer. Already in the nineties, researchers as Morgenson (1991) or Lenchek (1990), were aware of the store image phenomenon in connection to PLBs. They also believed

that it would become even more relevant for retailers in the future. Researchers explained this, by the fact that they saw the trend towards higher quality PLBs commencing, and at the same time, consumers were starting to set less value on brand names. In conclusion, as a strong store image is crucial for retailers to attain and keep success in the marketplace (Grewal et al., 1998), the power of PLBs influencing this factor plays a key role for retailer's to offer PLBs.

2.2.2 Consumers perceptions and reasons to buy private label brands

Consumers in grocery stores are either focused on price or on quality and image (Cuneo et al., 2019). Research considering the question of why consumers buy PLBs consistently highlights the connection to the price factor of PLBs. Market research companies even put private label and low cost products into one category to research upon (Euromonitor International, 2020). This is due to the fact that the lowest price within a product category is predominantly from the PLB (Miquel et al., 2017). In an empirical study by Burton et al. (1998), with a sample of 333 shoppers, an overall positive attitude towards PLBs by consumers is noticed. The determinants for the link are mainly focused on price and include for instance price consciousness, price-quality perceptions, price-related deals or internal reference price reliance. Another study by Sinha and Batra (1999) with a sample of 404 shoppers and 8 product categories show a positive relation between consumer's intention to buy PLBs when they compare prices in a product category. Thus consumers would rather buy a PLB in a category due to the lower price. Furthermore, Jun and Suh (2005) test the reasons for consumers to buy PLBs in an empirical study with 168 shoppers and two product categories. The findings again show the determinant price consciousness as a key indicator for consumers to purchase PLBs.

In conjunction, for a brand (and as well a PLB) to be successful and competitive in the long run, consumers pay attention to more characteristics besides the price factor (Abimbola, 2010). Thus, while literature dominantly points out price advantages as key reason for consumers to purchase PLBs, literature also identifies additional criteria: Cuneo et al. (2008)

point out that consumer's perceptions of quality and risk regarding a PLB is highly influencing the demand. Valaskova et al. (2018, p. 150) name "product quality, country of origin, hygiene criteria, bio-quality" as important features of PLBs. The already presented study by Burton et al. (1998) for instance portrays the value of products and brand loyalty as additional reasons for consumers to buy PLBs. The study by Jun and Suh (2005) found out that innovativeness of the PLB product is a key reason for consumer to buy PLBs. Ultimately, results of a study by Zielke and Dobbstein (2007) show that in particular when consumers already have experience with PLBs, significant positive intentions to buy PLBs are observed.

Eventually, another essential factor that numerous literature found out to be a decision-criterion for consumers to buy a PLB, is the product category. In a study, Zielke and Dobbstein (2007) test the reasons to buy a PLB with a sample of 990 consumers in five product categories. The results reveal that the intention to buy PLBs highly depends on the product category. For instance, products associated with less social risk as butter or milk are more likely to be bought by consumers than products associated with more social risk as for example wine. Other researchers as Semijn et al. (2004) also point out this factor by stating that the success of PLBs is subject to the product group's associated risk for the consumer.

2.3 Premium private label brands in grocery retail stores

Today, Thain and Bradely (2012) highlight one type of PLBs that is in particular relevant in grocery store retail settings: Premium PLBs. In particular, for grocery stores, the premium brands are considered to be the next big thing (Ter Braak et al., 2014). Already in the late nineties, Dhar and Hoch (1997) noted a larger market share for PLBs when a retailer was offering premium PLBs. Walsh and Mitchell (2010) also point out the popularity of PLBs in particular in the German grocery store market and stress the rise of the premium category. Retailers have understood that trusting only in NBs to attract customers into the stores is not enough anymore (Roach, 1995). By extending and improving the offering of PLBs and thus

responding better to customer demands (in particular in terms of quality and product types (Ter Braak et al., 2014)), retailers are enabled to compete more successfully in all product categories (Chakraborty, 2013).

In the past, large retailers have particularly set focus on communicating the value for money aspect of PLBs in marketing campaigns (Halstead & Ward, 1995). Today, PLBs are however not only perceived as low-priced and value-for-money products anymore. With the rise of premium PLBs, their image changes to a higher-quality and also higher-priced one (Chakraborty, 2013). This can also be detected in the marketing strategies of private labels by retailers. Chakraborty (2013) observes a shift from a low-cost to a high-quality marketing strategy. Studies by Dhar and Hoch (1997) and Hoch (1996) are confirming this finding by ascertaining that marketing strategies focusing on communicating quality rather than value, are more effective for PLBs in the long term.

In line with the rise of premium PLBs, Silverstein et al. (2006) also notice the trend of consumers wishing to buy luxury products on a daily basis to have little pleasures in the everyday life. Thus, due to the large weight that is being set on the quality of premium PLBs (Cuneo et al., 2019), a new customer group in the market is gained. With the development of premium PLBs, the brands were even able to establish brand equity throughout different categories (Girard et al., 2017). Furthermore, the development of packaging design and look, as well as the presentation of PLBs products in the shelves and at secondary placements, attracts new customers (Edgecliffe, 2001). These effects account a lot for the increased success of PLBs (Keller et al., 2016). With the rise of premium PLBs that are perceived as high-quality products, also the overall image of PLBs benefits from an improved image (terBraak et al., 2013). Finally, Sullivan (2005) points out that retailers who want to grow market share with PLBs need to set focus on the premium type of PLBs.

3. Method

3.1 Research procedure

In order to provide a deep understanding of consumer's emotions and attitudes towards PLBs and in particular towards premium PLBs, a qualitative research method is utilized (Legard et al., 2003). As the research aims to understand what consumer's incentives and feelings are towards PLBs, semi-structured in-depth interviews are conducted (Sinkovics & Alfoldi, 2012). The format of semi-structured interviews allows for flexibility during the talks (Legard et al., 2003). Interviewee's are given the opportunity to openly share thoughts and feelings that surprise and may not have been intended to be the result.

To assure the gathering of the needed data to answer the research question, a discussion guide (Appendix A) has been set up. The guide as a supporting research instrument (Malhotra et al., 2017) involves two predefined themes the interviews need to cover in order to provide the required data. The themes have been developed according to the definition of attitude toward PLBs by Burton et al. (1998, p. 298): "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". Therefore, the two themes are firstly the perception of and secondly the intention to buy a PLB and a premium PLB. Both themes will be addressed for both brand types during the interviews. Each theme includes sub-questions to support the interview flow. The guide's purpose is not to be the exact cycle of the interview, the intention behind the guide is rather to "combine structure with flexibility" (Legard et al., 2003, p. 141) in the interviews.

To avoid a language barrier as research limitation, interviews were held in the participant's native language. Articulation of emotions are easier for the interviewees when speaking in their native language. Due to logistical reasons, interviews were done via phone call. After the interviewees gave their permission, the conversations were audio-recorded.

Depending on the experiences of each participant, the duration of the interviews was 20 to 25 minutes. All 14 interviews were transcribed and translated verbatim afterwards.

Before the actual start of the interview, the research purpose was introduced to each participant. The interviews then started with the question to confirm a recording of the interview. Once the recording started, the open-ended question (Appendix A) to start the interview was asked. Depending on the conversation flow and the interviewee's responses, the predefined themes for firstly the PLB in general and secondly the premium PLB are then approached. By using the supporting questions from the discussion guide, self-reflection of the participant is fostered to discover as much information from under the surface as possible.

Whilst the interview, qualitative research techniques as for instance free associations (Keller et al., 2008) to promote connotations connected to the topic, were used. For example, participants were asked to state and explain the first thing that comes to their mind when they think about a PLB or a premium PLB. Also, during the course of the interview, participants were asked to name three adjectives or expressions describing both types of brands for them.

3.2 Sample

A total of 14 candidates have participated in the interviews during October 2021. The interviewees have been selected with snowball sampling (Biernacki & Waldorf, 1981). Four candidates were contacted in the beginning. Each person then referred another individual to participate in the interview. For the candidates to take part in the interviews, two prerequisites had to be fulfilled: Firstly, participants are going grocery shopping on a weekly basis. Secondly, participants know and already bought a PLB. Once insights from the interviews started to stagnate and data saturation was achieved (Willig, 2001), sampling stopped.

A detailed overview of the participant's demographics including name, gender, age and occupation is shown in Appendix B. All interviewees are German, with a 50:50 gender split. The age range is 21 to 28 years and most participants are still students. Due to the chosen focus

group in the study, conclusions are representative for this age group.

3.3 Data analysis

After recording, transcription and translation of all interviews, the respective data is analysed. The transcripts initially represent raw data that is coded in a second step of the research procedure. The goal of the data analysis is to narrow down large statements of the interviewees into smaller meaningful elements that give answers to the intended research question (Creswell, 2013). Every interview script was read and investigated line by line. Coding took place according to each of the predefined topics that in the analysis represent first-order concepts (Strauss & Corbin, 1990). Therefore, statements of interviewees are linked to each of the concepts. The first-order concepts serve as very broad results of the study. Within the first-order concepts, axial coding was done (Strauss & Corbin, 1990): thoughts with parallel meanings were grouped together to form new sub-topics that are categorized as second-order concepts. The raw data was coded until theoretical saturation was detected (Creswell, 2013). Figures 1 and 2 in the results show an overview of the generated first- and second-order concepts for the PLBs in general and the premium PLBs.

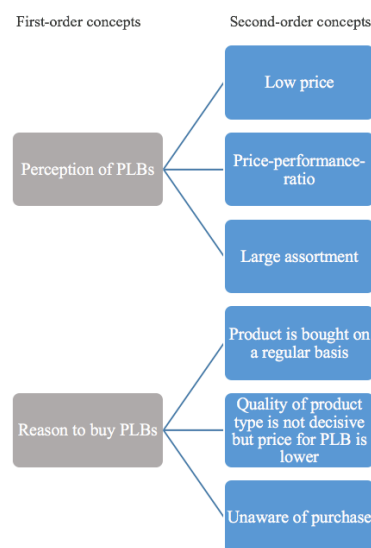
Besides the structuring of perceived data into first- and second-order concepts to present the results, also tables comparing results have been set up. Two tables have been created to show firstly overviews of adjectives associated with the PLBs or the premium PLBs, and secondly to show the different product types bought for each type of brand. Furthermore, findings concerning the awareness of buying a PLB versus the intention to buy it are presented in another table. This way of data analysis serves to have a direct and quantitative comparison between the two brands. Thus, more concrete conclusions can be drawn.

4. Results

4.1 Results for private label brands

In the following first section, results for the PLB in general will be presented. Figure 1 visualizes the overview of the results. For each first-order concept, three second-order concepts have been derived from the interviews.

Figure 1: *Perceptions of and reason to buy a PLB*



4.1.1 Perception of PLBs

The results for consumer's perceptions of PLB are summarized into three major themes: Low price, price-performance ratio and a large assortment.

Starting with the low price as first major concept that was recognized and stated by every participant. In fact, referring to Appendix C, it can be observed that 10 out of the 14 interviewees name the exact adjective "cheap" as first one when thinking about PLBs. When the interviewees are asked to explain why they connect the adjective "cheap" to a PLB, most explain that when looking for the cheapest product in the shelves, usually they find products from a PLB. Moreover, for most participants, PLBs in general are perceived as lower priced particularly next to the NBs. For instance, interviewee 6 states: *"I have the national brand next to it, but I buy the private label brand product because I think it is the cheaper version."*

To continue with the second theme that has been identified as key perception of PLBs by the participants, most participants name the price-performance ratio to describe PLBs for them. In particular, interviewees tend to name the cheap price of the PLB together with good quality in one sentence. Participants summarize this as a good price-performance ratio of the PLBs. Interviewee 8 for example articulates the following when being asked to describe PLBs with three adjectives: *“Cheap, good, and maybe fair. If I think about it, the first two adjectives I said, cheap and good, if you bring them together, they add up to be fair. Fair for me in this context means a great price-performance of the private label brands.”*

Lastly, participants perceive PLBs as products that have a large assortment. Interviewees describe their perception of PLB as “diverse”. Most participants explain this observation by the fact that one PLB is not only present in one product category. Interviewee 3 for example mentions: *“From this one private label brand, I can buy yoghurt, but I can also find frozen pizza. Thus, for me PLB have a very broad product portfolio focusing on many different categories at the same time.”* Interviewee 10 summarizes this perception of PLBs as: *“(…) I could go ahead and buy all products I want to buy from one brand only - the private label brand (…)*”. Within the observation that interviewees perceive the large assortment of PLBs as a key factor describing them, participants also perceive the assortment as very well advertised and strategically placed in the shelves. For this, Interviewee 7 states: *“I feel like the private label brands are also the brands mostly advertised in the supermarket. So once I enter the supermarket, I am directly confronted with posters showing promotions of the private label brands. When I look at the shelves, the private label products are placed right on my eye level.”*

4.1.2 Reason to buy PLBs

Concerning the reason for consumers to purchase a PLB, three key motives as second-order concepts have been recognised: The product is bought on a regular basis, the quality of the product type is not decisive but the price for the PLB is lower and an unaware purchase.

Results of the interviews show that a prime reason for consumers to buy a PLB is because the product is part of their shopping routine. Participants say that most of the products they buy regularly are from a PLB. This behaviour is reflected in Appendix D, showing an overview of products interviewees bought from a PLB. It can be observed that most products named by participants are standard products that are used on a daily or weekly basis. These include for instance milk, toilet paper or rice. The large majority of the interviewees say that they always buy “stable foods” or “basic products” from a PLB. To exemplify this, Interviewee 4 articulates: *“(...) when I buy a private label brand, then this is for stable food.”* Interviewee 5 continues this by saying: *“I buy private label brands for products where I cannot do something wrong, these are usually basic products as flour, milk or sugar.”*

Another key reason to buy a PLB that has been observed from the interviews is that once the quality of a product type is not decisive, but the price of the PLB product is lower, interviewees decide for a PLB. Thus, participants explain that once they are buying a product where they think the quality does not make a difference, they like to buy the PLB because it is usually the cheaper version. *“The thing is for rice, for example, I don’t really know how the quality differs and therefore I usually buy the cheaper private label brand.”* (Interviewee 4); *“For nuts for example, I don’t understand why would someone pay more for a special brand? I mean nuts cannot really have a different quality, so I would always buy the cheap version by the private label brand.”* (Interviewee 12). A further interesting factor the interviews revealed at this point is, that a lower price of a PLB product with the same standing as a NB product, makes the interviewees feel good about themselves. Interviewee 11 articulates this feeling as: *“Once I buy a product from the private label of the supermarket for a cheaper price than for the same product from the national brand, I feel like I made a good deal and went shopping successfully.”*

The third motive for consumers to buy a PLB is an unconscious purchase. Interviewees

state that they often buy products without thinking about the brand type. Interviewee 3 states for example: *“I think unconsciously we all expect the private labels in the shelves. I believe private label brands are for many people like normal brands they just buy and think they are also from a national brand.”* Thus, many consumers do not think about the brand they buy and therefore unintentionally buy a PLB. When being asked whether the purchase of a product was intended to be a PLB, most participants answer no. They explain, that they simply look for the cheapest product in the shelf and then often buy the PLB unconsciously. The table in Appendix E depicts this finding also by showing that only 50% of the interviewees were aware of the PLB they bought, while most of them were clearly intended to buy the specific product type.

4.2 Results for premium private label brands

In the following second part of the results presentation, results for the premium PLBs will be presented. Figure 2 visualizes the overview of the results for the premium PLBs. For each first-order concept, three second-order concepts have been derived from the interviews.

Figure 2: *Perceptions of and reason to buy a premium PLB*



4.2.1 Perception of premium PLBs

In terms of the perceptions of premium PLBs, three motives have been identified: Special products, high quality and taste expectation and direct competition to NBs.

The perception of premium PLBs as “special products” is mentioned by every

interviewee. Interviewees describe premium PLB to be exceptional “(...) *from the type of product to the quality, as well as because of the look and logo.*” (Interviewee 2). In particular, “new” and “innovative” products that consumers have not seen before fall for them under the category of premium PLBs. Interviewee 4 summarizes: “*I think these premium products are more appealing and attractive not only in terms of the design, but also because of what types of products are being offered.*” This finding is depicted and reinforced in Appendix C. The overview of adjectives associated with premium PLBs shows strong positive words.

Furthermore, interviewees perceive premium PLBs as high quality products that taste good. In fact, participants express that they expect these features from the premium PLBs. Interviewee 3 explains the experience as follows: “*So I bought this fancy tomato sauce from the premium private label brand. From this product I expect much more than from another brand. I think this is basically due to the look of the packaging. The sauce comes in a glass bottle and also it says “from cherry tomatoes” at the front. For me this means it is from very high-quality tomatoes. Also, it says “Italian recipe” on the label. This also convinced me to buy it and as well, these are all reasons to me to expect very good quality and taste from the product.*” In addition, participants expect the production of the premium PLB to be of good quality: “*I expect a good quality of the product but I also expect the production of these premium products to be good. I wish that the production pays attention to the environment, to animal welfare or the general supply chain of the product.*” (Interviewee 13). With this, interviewees add that they also expect the premium PLBs to cost more. Interestingly in this context is that participants also say that they are willing to pay a higher price, if the premium PLB satisfies their demand.

Finally, the interviews have shown that premium PLBs are perceived as direct competitors to NBs. Interviewee 3 states for instance: “*When the product looks nice and also additional benefits like recyclable packaging are involved, I mean why wouldn't I buy the*

private label brand? I think the premium private label brands are really able to compete directly with the national brand.” Building on this, interviewees do not only say that the premium PLBs are able to compete with the NBs on eye-level, they largely see the premium brands as the better alternative: *“For me the premium private label products are even better than the national brand products. For me, when I enter the store and I see the premium brand from the store, I am very interested because the products vary a lot and there are new products by the premium private label almost weekly, it is not always the same.”* (Interviewee 9).

4.2.2 Reason to buy premium PLBs

The three central reasons for interviewees to buy a premium PLB have been identified to be the following: To try something new, a special occasion and an unintended purchase.

Starting with the trial of a new product as reason to buy a premium PLB, the interviewees explain this scenario by either coming across a new product while shopping, or because they tried the product at a friend’s or family’s place. Interviewees largely articulate *“(…) I want to try something new (…)”* in conjunction with the reason to buy a premium PLB. Interviewee 2 expresses this experience as: *“I usually buy products from the premium PLB when I want to try something new, these are usually products I have not bought before, and also sometimes product types I have not tried at all.”* Further, also Interviewee 14 explains the shopping experience as: *“(…) these are products I like to try. Because I see these products in the shelf, these are not products that are actually on my shopping list.”* The event of having tried the product at a friend’s or family member’s place, and subsequently buying the product for oneself, is also highlighted by many of the interviewees. Interviewee 10 nicely depicts this by saying: *“I tried it at my mom’s place and I really liked the taste but also the look of the premium products, thus, next time when I went shopping for groceries I looked for the premium PLB and bought the product for myself.”*

Secondly, a major reason for interviewees to buy a premium PLB is the happening of a

special occasion. Within this second-order concept, the interviewees name “a particular season” or “holiday” and “timely limited offers” as key reasons to buy a premium PLB. In addition, most interviewees name the act of “allowing oneself something” as a constant reason to buy premium PLBs. A statement by Interviewee 1, that is also affirmed by the following interviewees, summarizes this finding: *“It’s about allowing oneself something. One wants to buy something good, something special. Definitely a lot of positive feelings are involved with it. I think I have never bought a premium PLB and regretted it afterwards. It was always a good decision. I was always satisfied.”*

Finally, an unintended purchase is another identified reason for interviewees to buy a premium PLB. When being asked to explain the intention behind the premium PLB purchase, interviewees not uncommonly articulate, that they actually did not plan to buy the product. They were convinced directly at the shelf by the presentation or the look of the premium PLB. In particular, the packaging and logo of premium PLBs are pointed out by participants to be crucial reasons why they were persuaded. In addition to this, interviewees repetitively highlight extra benefits stated on the packaging of the premium products to be substantial factors. Interviewee 14 for instance says: *“The product convinced me by its look and also because on the packaging it said organic. This premium private label brand also advertises with recyclable bottles, which I find very good.”*

4.3 Comparison of Results

When confronting the results that have been identified for PLBs in general and premium PLBs, a clear difference in the perception, as well as in the reasons to buy either one, can be observed. While PLBs in general are perceived as basic and in particular cheap products, premium PLBs are special and luxury products, for which consumers are willing to pay a higher price. Figure 3 below depicts this overall finding by showing a direct comparison of word clouds from the named adjectives by the interviewees.

Figure 3: Comparison of word clouds

In terms of perceptions of general PLBs versus premium PLBs, three key differences have been identified. Firstly, price perceptions differ. While PLBs are perceived to have a cheap price, premium PLBs are not only perceived, but also expected to be higher-priced. Interesting here is that while interviewees buy PLBs because of the cheap price, for the premium PLBs, they are willing to pay a higher price. Secondly, expectations of the brands differ. From PLBs in general, fair quality and fair prices are expected. From premium PLBs, expectations of quality, taste, production and price are very high. Thirdly, the positioning next to NBs is perceived differently by interviewees. For PLBs in general, mainly the cheaper price next to the NBs is highlighted. Premium PLBs in contrast are perceived as better option in terms of their quality and look next to the NBs.

Regarding differences in reasons to buy either brand, again, the main three aspects are summarized. Firstly, the frequency of purchase is clearly different. PLBs are bought on a regular basis, while premium PLBs are bought to try something new or for special occasions. Secondly, in line with the different frequencies of purchase, strong differences are observed in product types. Appendix D gives an overview which product types interviewees bought for each type of brand. It can be observed that staple foods and basic food items are bought from the PLB, and more special and fancy products are bought from the premium PLB. Thirdly, awareness of the brand versus the initial intention to buy a particular product clearly differs. Appendix E gives an overview of the interviewees awareness of the brand they bought

compared to the initial intention to buy the specific product. On the one hand, it can be clearly observed that most products of general PLBs were intended to be bought, however only half of the interviewees were aware of the fact that the products they bought belonged to a PLB. On the other hand, only a few interviewees initially wanted to buy the product they bought from the premium PLB. However, when they decided to buy the product, the majority of interviewees were aware of the premium brand they bought.

5. Discussion

The presented results add to existing literature about PLBs by delivering an understanding of consumer's perception of premium PLBs and comparing it to the perception of PLBs in general. While the study's findings concerning the general image consumers have of PLBs are largely matching with existing research, new insights for perceptions of premium PLBs are gained and put into the context of the overall role of PLBs.

5.1 Theoretical implications

The undertaken study sheds light on strong differences between the general image of PLBs versus the image of premium PLBs. This implies the importance of distinguishing between distinct types of PLBs when doing research. Literature so far sets focus only on researching PLBs in general. In these terms, findings of the present study are concurrent with existing research: Past literature constantly points out the price as the key reason for consumers to buy PLBs (Burton et al., 1998; Sinha & Batra, 1999; Jin & Suh, 2005). Past literature also highlights the price factor from the retailer's point of view (Burton et al., 1998; Kilian et al., 2008). For the perception of PLBs in general, the presented study agrees. This is exemplified by the fact that two of three second-order concepts for the perception of general PLBs are centred around the price factor. However, when speaking about a particular type of PLB (in this case the premium PLB), these findings do not hold true anymore. For example, premium

PLBs are perceived by interviewees as high quality but also high priced products. In addition to this, the literature on reasons for stores to offer PLBs also highlights the fact that due to lower prices but reduced marketing costs, PLBs are able to have higher gross margins (Ailawadi et al., 2001). Simply due to the higher price of premium PLBs, this statement cannot hold true for all types of PLBs. Even though different types of PLBs are presented in the literature (Kumar & Steenkamp, 2007), researchers study the topic only in broad terms. The findings of the presented study therefore theoretically imply that clear differences between PLBs in general and specific types of PLBs (e.g. premium PLBs) need to be considered in order to draw conclusions for theoretical research.

Moreover, past research states that PLBs are not only perceived as cheap products with good price-performance ratios anymore (Chakraborty, 2013). The overall image of PLBs develops to a higher-quality and also higher-priced one (Walsh & Mitchell, 2010). However, when comparing these statements in existing literature to the current study findings, only the premium PLBs are perceived as special and high-quality. PLBs in general are still known for good price-performance ratios. Existing literature does not include the effect different types of PLBs have on the overall image. Therefore, taking into account the results of the current study and findings of existing literature, it can be theoretically implied that through focus on premium PLBs, the overall image consumers have of PLBs at retailers is upgraded.

Lastly, researchers have measured retailers market shares by a retail concentration rate (Ailawadi & Harlam, 2004). A positive correlation to the share of PLBs has been identified (Rubio & Yagüe, 2009). However, again it is not clearly specified how different types of PLBs influence this positive correlation. As this rate includes the power of a retailer to negotiate with NBs, and the current study highlights the direct competition to NBs largely for premium PLBs, one may theoretically imply that the availability of premium PLBs next to NBs influences retailers market shares.

5.2 Managerial implications

From the results of the study, several managerial implications can be drawn. The findings support grocery retailers to strengthen the assortment and positioning of the premium PLBs. As it has been theoretically implied, by setting focus on the premium PLB assortment, also the general image of PLBs at a retailer is amplified. Literature has already noted in the nineties that market shares for retailers were higher when they offered premium PLBs (Dhar & Hoch, 1997). Answers of interviewees uncover an understanding of how consumers observe the premium brands, when they consider to buy them and what they expect from them. Thus, the findings of the study guide retailers to make the most out of their premium PLBs. In order to increase sales and awareness of the premium PLB, implications from the findings of consumer's reasons to buy the premium products can be drawn. The undertaken study found a key reason for consumers to buy a premium PLB to be special occasions such as holidays or particular seasons. Therefore, especially for holiday events as for example Christmas or Easter, retailers should focus on promoting the premium PLBs. In addition to this, the study revealed that consumers buy the premium PLB because they want to try something new. Thus, another way of increasing awareness for the premium brand is for retailers to include food innovations and extraordinary products into the premium PLB assortment.

Furthermore, as results of the study show, prices for the premium PLBs are perceived as high and in contrast to general PLBs, the premium products are not bought on a regular basis. This implies that practically, reasons stated in the literature review for retailers to offer PLBs (e.g. winning market share over NBs because of price (Corstjens & Lal, 2000)), will not hold true for premium PLBs. In addition, literature also speaks of PLBs as overall brand category to compete with NBs (Bontems, 1999; Mills, 1995). However, the study's results show that this is only the case for the specific type of premium PLBs. Only for premium PLBs, interviewees compare the NB products. Thus, retailers should in praxis focus on letting their

premium PLBs compete directly with NBs in other dimensions than price, for example focusing rather on quality or innovativeness of products.

Finally, higher prices of products also mean higher unit margins for the retailers. The increased profits from premium PLB sales allow practically for retailers to increase marketing spending for premium PLBs. Thus, retailers are enabled to spread awareness of their premium PLBs through increased marketing communication. By using findings of the presented study, managers are able to target marketing communication with regard to consumer's expectations of premium PLB. This will in the long-run lead to an improved image of the retailers overall PLBs, and in turn it may even improve the standing of the overall retailer chain brand.

5.3 Limitations and suggestions for future research

The presented study proposes in-depth insights into the perception of premium PLBs and classifies the insights into the overall brand category of PLBs. However, the existence of limitations regarding the procedure should not be neglected.

In particular, the research method of in-depth semi structured interviews carries limitations. In-depth interviews are always the result of personal opinions and emotions. This includes naturally very individual characteristics. Therefore, it is difficult to transfer a clear picture from the sample group to overall conclusions. In addition to this, even though opinions and findings started to saturate during the interview cycles, new statement can always occur at a later point. Moreover, the sampling procedure and final sample concentrates on one particular focus group. For instance, the present study results are limited to implications for German consumers aged 21 to 28, most of them still students. Further research should outspread to new target groups and markets. By extending interviewees to new geographic areas, occupation and consumption habits, additional insights will be gained. Overall in terms of the research method chosen, a multi-level method including both, qualitative but also quantitative research might be able to capture consumer's perceptions in more detail. This study may however serve as a

basis to develop future research directions.

Concerning future research, the three most interesting starting points for research directions will be presented in the following. Firstly, researchers could compare other types of PLBs and draw conclusions by comparing the findings. Thereby, retailers are able to recognise for which type of PLB it makes sense to set focus on in specific seasons or for specific target groups. Secondly, as research has already revealed how contingent brand perceptions are on different product types and categories, comparing a particular type of PLB for different products could be another interesting topic to research upon. Finally, while this study focuses only on grocery retailers, future research could investigate on the topic in other retail industries that have large shares of PLBs as well.

6. Conclusion

What are consumer's perceptions of the new rising category of premium PLBs, and how is the premium category classified within PLBs in general? The research question of the presented study is addressed by 14 in-depth semi-structured interviews among German consumers. The findings show that interviewees perceive the premium PLB type clearly different in comparison to PLBs overall. While perceptions of and reasons to buy for general PLBs focus largely on price advantages, the premium type of PLBs is perceived as a brand for special products and occasions. The premium PLB products are expected to have high quality and a high price. Therefore, for consumers, premium PLBs classify as special and high-quality sub brand into the category of PLBs. Theoretically, for researchers it is important to differentiate between various types of PLBs, when concluding statements on PLBs. Practically, for retailers to successfully expand the product portfolio of the premium PLBs and attract new buyers, emphasis should be on unique and innovative products, in particular focusing on special occasions.

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Appendix A: Discussion Guide

Opening question: Please describe to me the last time you went shopping for groceries. When was this, where did you go, what did you buy and why?

Perception and reason to buy PLBs in general

- Of the groceries you bought, did you buy a product from a PLB? What product was it and why did you buy it?
- What was the reason for you to buy a PLB product?
- Do you buy this brand more often? Have you bought this brand in the past?
- Do you know any PLB name? What is the first PLB that comes to your mind?
- When you bought the PLB product, were you aware of the fact that it is a PLB?
- Was there also a product from a NB besides this one? Why did/would you choose the PLB?
- Can you remember the last time you bought a PLB? Can you describe to me what this product was, why you bought it and how satisfied you were afterwards?
- What are three adjectives to describe PLBs for you?
- Have you been inspired by a product by a PLB inside the store that you did not intend to buy in the first place?
- How would you describe the look of the PLB?
- What do you think about the price of the PLB?

Perception and reason to buy premium PLBs

- Would you say that for you all PLBs are the same?
- Do you think there are differences between PLB products?
- Have you bought a product in a supermarket without wanting to buy it in the first place?
- Which product of a high-quality or higher-priced PLB did you buy?
- Did you pay more for the premium product?
- Why did you buy this premium product? What did you use it for?
- Did you consume the premium product alone or with other people?
- Can you describe your shopping experience when you bought the premium PLB?
- How did you perceive the premium product in the supermarket?
- How would you describe the assortment of the premium brand?
- Can you describe the look of a premium PLB for me? How does the packaging look? How does the logo look? What do you expect from this product?
- How do you compare the appearance of the premium product to the one of a NB?

Appendix B: Participant Demographics

Interviewee*	Name	Gender	Age	Occupation
1	Tobias	male	24	Student
2	Brigitte	female	28	Employee
3	Marten	male	26	Student
4	Lilly	female	24	Employed part-time
5	Karen	female	21	Student
6	Christina	female	24	Student
7	Linda	female	25	Student
8	Christopher	male	26	Student
9	Katharina	female	23	Employed part-time
10	Philipp	male	27	Employed part-time
11	Janik	male	25	Student
12	Caro	female	24	Student
13	Kai	male	26	Employee
14	Filippo	male	24	Employee

*All Interviewees are German

Appendix C: Adjectives Associated to Brand Type

Interviewee	Private Label Brand	Premium Private Label Brand
1	Cheap, interesting, solid alternative	Exciting, happy, modern
2	Appealing, tasty, diverse	Luxury, subtle, special
3	Cheap, good alternative, good quality	Attractive, high quality, gourmet
4	Cheap, diverse, basic	Attractive, appealing, special
5	Cheap, simple, good	Trusting, exclusive, diverse
6	Ordinary, nice, basic	Unique, happy, special
7	Cheap, attractive, diverse	Gourmet, great, expensive
8	Cheap, good, fair	Special, noble, innovation
9	Cheap, ordinary, pleasant	Extra, luxury, high quality
10	Cheap, basic, nice	Special, attractive, convincing
11	Cheap, easy, convenient	Special, trusting, reliable
12	Basic, easy, tasty	Great quality, special, new
13	Plain, convenient, good alternative	High-end, expensive, quality
14	Cheap, diverse, good	Extraordinary, exciting, innovative

Appendix D: Overview of Products Bought

Interviewee	PLB product bought	Premium PLB product bought
1	Nuts	Christmas Candy
2	Milk	Vitello Tonnato (Ready Meal)
3	Toilet paper	Tomatoe Sauce
4	Rice	Crabsalad
5	Nuts	Antipasti
6	Cheese	Sweet Potatoe Chips
7	Milk	Burrata
8	Sugar	Fig mustard
9	Yoghurt	Goatcheese
10	Milk	Antipasti
11	Milk	Truffle butter
12	Nuts	Raclette Cheese
13	Milk	Chocolate Soufflé
14	Pasta	Smoked Salmon

Appendix E: Awareness of Brand vs. Intention to buy a Product

Interviewee	Aware of purchased PLB	Intended to buy the (PLB) product*	Aware of purchased premium PLB	Intended to buy the (premium PLB) product*
1	x	x	x	
2	x	x	x	
3		x	x	x
4	x	x	x	
5		x	x	
6		x	x	
7	x	x		
8		x	x	
9	x	x	x	x
10		x	x	
11		x	x	x
12	x	x	x	
13	x	x	x	
14		x		x

*Consumer wanted to buy the product before entering the store