

# **The Influence of Dual Branding Information on Consumer Evaluations**

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*Many retailers that have established their own private-label brands contract production of goods through premium brand producers, creating a system of dual branding. These relationships are not often disclosed to the public for various reasons. However, consumers can be inadvertently exposed to dual branding knowledge. This research examines the influence of dual branding on customers' respective brand evaluations through the mechanism of their comparative quality perceptions. Findings from an experiment support dual branding's indirect influence on consumers' evaluations of competing private and premium brands through its effect on comparative quality perceptions.*

## **INTRODUCTION**

Retailers increasingly utilize private label branding strategy in an effort to simultaneously increase store loyalty and compete with national "premium" brands (Ailawadi & Keller, 2004; Nies & Natter, 2012). Private label brands, also known as store brands, are brands that are owned and distributed by retailers (Schutte, 1969). For example, Wal-Mart's Great Value brand represents a well-known retailer owned brand. Previous research suggests consumers are not only receptive to the notion of private label consumption, but in many cases prefer these retailer brands over their premium brand competitors (Hale, 2011; Thomassen, Lincoln, & Aconis, 2006). In fact, millennials now commonly choose store brands

over the premium national brands and are, at least in part, driving significant growth of these private labels (Forbes, 2014).

Many retailers that have established their own private label brand contract production of goods through premium brand producers, creating a system of dual branding (Herstein & Gamliel, 2006). From a supply perspective, many national brand manufacturers, or “dual branders” (ter Braak, DeKimpe, & Geyskens, 2013, p. 87), produce private label brands to optimize outcomes from the channel relationship (Chen, Narasimhan, John, & Dhar, 2010; Kumar, Radhakrishnan, & Rao, 2010). For the most part, dual branders do not volunteer this information to prevent loss of the premium brand market share due to narrowing gaps between quality perceptions of premiums and private labels (Sethuraman & Raju, 2012; Steenkamp, Van Heerde, & Geyskens, 2010). Consequently, consumers are often only able to rely on superficial signals (e.g., packaging or price) to evaluate the origins and quality of private label products.

However, consumers can be inadvertently exposed to dual branding knowledge through other communications such as a manufacturer’s announced product recall or word-of-mouth from others. Thus, it is important for marketing researchers to understand how consumers react to the knowledge that two differently priced, competing brands are sourced by the same manufacturer. In response, this research examines the influence of dual branding on customers’ respective brand evaluations through the mechanism of their comparative quality perceptions. Results of the analyses suggest that exposure to dual branding does influence consumers’ comparative quality perceptions between competing private and premium brands, which in turn significantly affect respective brand evaluations. Specifically, the construct of comparative quality perceptions mediates the positive (negative) effects of dual branding information on private (premium) label evaluations.

## **CONCEPTUAL BACKGROUND**

### **Private Label Brands**

Historically deemed inferior to national brands, store brands have made significant strides over the past several decades (Ashley, 1998; Corstjens & Lal, 2000; Dunne & Narasimhan, 1999; Hoch, 1996), currently existing in nine out of every ten consumer packaged goods categories (ter Braak et al. 2013). Though typically priced around 30 percent less than national brands (Ailawadi, Nesline, & Gedenk, 2001), store brand programs can provide retailers with economies of scale when marketed effectively, a key competitive advantage over premium national brands (Herstein & Gamliel, 2006). Store brands add diversity to a product category (Raju, Sethuraman, & Dhar, 1995) and also have the potential of providing retailers with increased store loyalty, chain profitability, and bargaining power over manufacturers (Richardson, Dick, & Jain, 1994).

The power shift from manufacturers to retailers has left many leading national brand manufacturers with no option but to cooperate with retailers by producing store brands (Herstein & Gamliel, 2006). In fact, dual branding has become an increasingly common practice among national brand manufacturers (Herstein & Gamliel, 2006). Aside from Wal-Mart, other retailers such as Safeway and Kroger contract production of their store brands with national brand producers in multiple lower-priced consumer goods categories (Raju et al. 1995). However, many leading premium brand manufacturers have been reluctant to produce store brands for fear of losing market share to the retailer (Ashley, 1998; Herstein & Gamliel, 2006). Taken together, an important gap in the literature emerges, where an understanding of how consumers respond to knowledge of dual branding has implications for both the retailers and manufacturers engaging in these dual branding relationships.

### **Dual Branding and Comparative Quality**

Prior research has shown that a product’s brand name conveys a “chunk” of information to consumers (Jacoby, Speller, & Kohn, 1974), and a significant competitive obstacle that store brands face is their lack of association with a particular manufacturer (Dick, Jain, & Richardson, 1996). Although desiring confidentiality in their operations, many national brand manufacturers engage in private label production at the consumer packaged goods level (Steenkamp et al. 2010). Understanding competitive interaction

between premium and store brands, especially in terms of perceived quality, is crucial for brand managers (Cotterill, Putsis, & Dhar, 2000; Sivakumar & Raj, 1997). Research findings suggest that, while economic cost factors primarily influence store brand purchase, perceived high quality is necessary for store brands to compete intensely with leading national brands (Hoch & Banerji, 1993; Sayman, Hoch, & Raju, 2002; Sethuraman, 2000).

Nationally branded products have historically enjoyed perceived quality advantages over store brands (Ailawadi et al. 2001; Brucks, Zeithaml, & Naylor, 2000; Rao & Monroe, 1989). However, recent research suggests a deterioration of this competitive edge, as diversity in retail brand strategy has evolved to the extent that consumers may no longer view private labels as cheaper—and presumably lower quality—alternatives to premium competitors (Kumar & Steenkamp, 2007). Given the typical price premium imposed for national brands over private labels, consumer awareness of dual branding may influence their comparative quality perceptions of both brand alternatives, which may in turn influence brand-related decisions. Furthermore, previous research suggests that consumer willingness to pay for store brands in general increases with decreased perceived gaps in quality at the industry level (Steenkamp et al. 2010). Consequently, dual branders fighting to maintain market share and retailer relationships risk consumers' exposure to their additional production of private labels, which could narrow the comparative quality gap between the two. Thus, in this research, the authors propose that hearing of a dual branding relationship, where the consumer is told that two brands produced by the same manufacturer and sold under different name brands, will have an impact on how consumers evaluate the quality of the two products. This effect will occur because the private label brand, once connected to the premium label brand through dual brand exposure, will enjoy the quality perceptions that the premium label brand has developed. Based on this notion, the authors hypothesize that comparative quality perceptions are higher (lower) in the context of exposure to (absence of) dual branding information:

H1: Comparative quality perceptions are higher for consumers exposed to dual branding information than for those who are not.

### **Comparative Quality and Brand Outcomes**

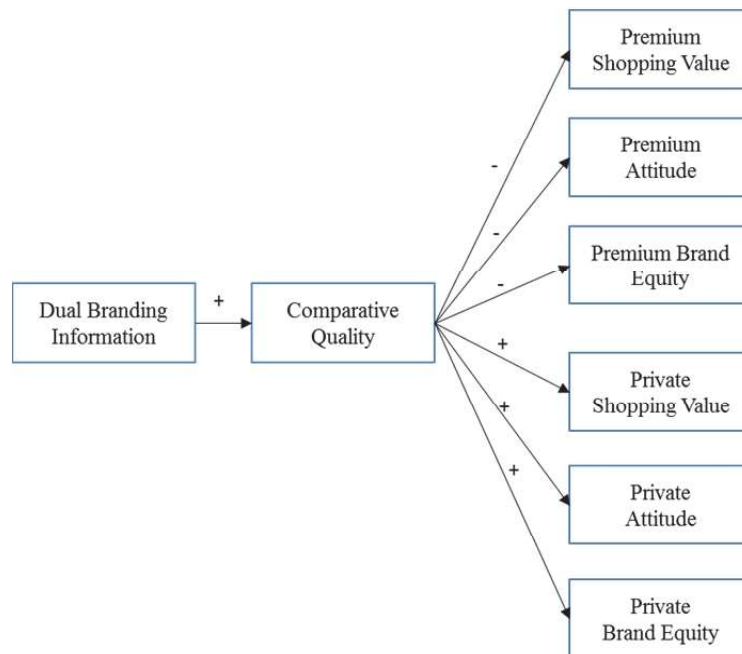
The link between perceived quality and shopping value, brand attitude, and purchase-related brand equity are well-documented in existing literature (e.g., Richardson et al. 1994; Sayman et al. 2002). The authors focus specifically on these outcomes due to their relevance in low-involvement purchase situations. Fundamentally, achieving perceptions of comparable quality is essential for store brands to be able to compete with premium brands in the eyes of most customers (Hoch & Banerji, 1993; Sayman et al. 2002; Sethuraman, 2000). Beyond budget constraints, store brand purchases are arguably founded on logic (e.g., “it makes sense to purchase this product”) or congruence with retailer image (Luijten & Reijnders, 2009), and most decisions within consumer packaged goods are considered routine. Thus, high comparative quality perceptions should positively (negatively) influence evaluations of private label (premium) brands.

H2: Comparative quality perceptions significantly, positively (negatively) influence private label (premium) brand (a) shopping value, (b) brand attitude, and (c) purchase-related brand equity.

Additionally, previous research suggests that the perceived general quality gap between private labels and national brands within a broader industry not only drives brand outcomes, but also serves as a facilitating mechanism through which marketing factors influence these dependent variables (Steenkamp et al. 2010). Consequently, comparative quality is additionally hypothesized to mediate the relationship between dual branding information and the outcomes in this study:

H3: Comparative quality perceptions mediate the positive (negative) effects of dual branding information on private label (premium) brand (a) shopping value, (b) brand attitude, and (c) purchase-related brand equity.

**FIGURE 1  
HYPOTHESIZED MODEL**



**METHOD**

The purpose of this study is to provide an examination of the hypothesized model presented above (see Figure 1). Participating for partial course credit, 259 undergraduate students (131 control; 29% male; 71% female; mean age of 21) participated in an experimental study, in which they were then exposed to one of four grocery shopping scenarios (control versus dual branding manipulation, shopping for either potato chips or coffee). Two products were chosen in order to assess the extent to which the findings held consistent across two product contexts, and consequently were not included as manipulations for testing, although the authors controlled for product type in the analysis.

Participants saw images of well-known leading premium and private label coffee or chips, where the quantity in ounces were the same but the price of the private label brand was lower than the premium label brand. The manipulation scenario involved a nearby customer telling the respondent that competing premium and private label brands were produced by the same manufacturer; the control scenario described a nearby customer simply reaching for a product in the respondent’s vicinity. The participants then completed multi-item scales using seven-point response formats measuring their comparative quality assessments, along with respective brand shopping value (e.g., “if you buy this brand, you get your money’s worth”), attitude (e.g., “this brand is appealing”) and purchase-related equity (e.g., “it makes sense to buy this brand instead of others”) for each brand.

All scale items were adapted from previous related literature (Burton, Garretson, & Velliquette, 1999; Grewal, Krishnan, Baker, & Borin, 1998; Martin & Stewart, 2001; Taylor & Bearden, 2002), with the exception of comparative quality, for which items measuring individual quality were modified to capture degree of similarity between the two brands. All scales exhibited acceptable reliabilities ( $\alpha > .70$ , Nunnally & Bernstein, 1994). A confirmatory factor analysis was performed using AMOS 23 to assess unidimensionality, convergent validity, and discriminant validity of the constructs. Results indicated an adequate fit of the model to the data ( $\chi^2 = 616.76$ ,  $df = 329$ ,  $CFI = .96$ ,  $TLI = .95$ ,  $RMSEA = .06$ ). All standardized factor loadings were greater than .70 and statistically significant, all average variance extracted (AVE) calculations were greater than .50, and no shared variance between constructs exceeded

the AVE per construct, indicating support for both convergent and discriminant validity (Fornell & Larcker, 1981). See Appendix 1 for the CFA results and Table 1 for the correlation matrix, means, standard deviations, and AVEs for the constructs.

**TABLE 1**  
**MEANS, STANDARD DEVIATIONS, AND**  
**CORRELATIONS OF CONSTRUCTS**

| Intercorrelation of constructs   |      |      |       |       |       |       |       |       |       |
|----------------------------------|------|------|-------|-------|-------|-------|-------|-------|-------|
|                                  | Mean | SD   | 1     | 2     | 3     | 4     | 5     | 6     | 7     |
| 1. Comparative Quality           | 4.03 | 1.60 | (.74) |       |       |       |       |       |       |
| 2. Private brand: Shopping value | 4.52 | 1.43 | .43   | (.78) |       |       |       |       |       |
| 3. Private brand: Attitude       | 3.65 | 1.43 | .52   | .64   | (.83) |       |       |       |       |
| 4. Private brand: Brand equity   | 3.77 | 1.55 | .50   | .60   | .67   | (.69) |       |       |       |
| 5. Premium brand: Shopping value | 4.76 | 1.32 | -.22  | -.22  | -.20  | -.22  | (.80) |       |       |
| 6. Premium brand: Attitude       | 5.57 | 1.20 | -.17  | .04   | -.08  | -.06  | .55   | (.85) |       |
| 7. Premium brand: Brand equity   | 4.02 | 1.58 | -.31  | -.27  | -.35  | -.38  | .47   | .36   | (.69) |

Values on the diagonal are the average variance extracted (AVE) for each construct.

### Hypothesis Testing Results

Analysis of variance (ANOVA) testing including a control variable for product type was conducted to determine the differentiating influence of dual branding information on comparative quality perceptions. Results support H1, as participants who were exposed to dual branding reported significantly higher comparative quality perceptions than those in the control condition ( $F=6.12$ ,  $p=.01$ ;  $M_{\text{dual}}=4.3$ ,  $M_{\text{control}}=3.8$ ). In addition, no significant interaction effects on comparative quality emerged between dual branding information and product category.

Linear regression analyses controlling for product type were subsequently conducted in order to assess the effects of comparative quality on respective premium and private label brand outcomes, and results provide support for all hypothesized relationships. Specifically, comparative quality is significantly and positively (negatively) related to the private label (premium) brand for shopping value, brand attitudes, and purchase related brand equity. Table 2 presents relevant information for each test.

Finally, the authors investigated the indirect effects (IEs) of dual branding information on brand-related outcomes, through comparative quality. The estimation and testing of IEs were conducted using the PROCESS macro for a single mediator model with a single independent variable (Figure 1) (model 4 in Hayes, 2013). Importantly, the PROCESS macro included the direct effects in all models (i.e., the parameter summarizing the relationship between the dual branding information and consumers' brand evaluations adjusted for the effects of comparative quality perceptions), without which the estimate of the IEs would consist of both direct and indirect components. As recommended by Hayes (2013), regression coefficients and IEs are reported in unstandardized form. Bias-corrected bootstrap 95% confidence intervals (CIs) with 5,000 draws were used to evaluate the indirect effects for statistical significance (Hayes, 2013). Significant evidence of mediation is present when the 95% CIs associated with the IEs of interest do not contain zero (Hayes, 2013; Zhao, Lynch, & Chen, 2010). Results of this analysis revealed significant indirect effects in the hypothesized directions of dual branding exposure on all customer brand evaluations. Importantly, the direct effects from dual branding information to brand shopping value, brand attitudes, and purchase related brand equity were all nonsignificant. Taken together, these results support an indirect-only effect of dual branding on the hypothesized outcome variables, suggesting that dual branding information does not influence brand-related outcomes independent of its effect on comparative quality. A complete presentation of results is provided in Table 3.

**TABLE 2**  
**REGRESSION ANALYSIS RESULTS**

| <b>Hypothesis</b>                                | <b>t</b> | <b>Regression Coefficient</b> | <b>Support? Y/N</b> |
|--|----------|-------------------------------|---------------------|
| H2a: Comparative Quality → Brand Shopping Value  |          |                               |                     |
| Private Label                                    | 7.44     | .43**                         | Y                   |
| National   | -3.59    | -.22**                        | Y                   |
| H2b: Comparative Quality → Brand Attitude        |          |                               |                     |
| Private Label                                    | 9.82     | .52**                         | Y                   |
| National   | -2.91    | -.18*                         | Y                   |
| H2c: Comparative Quality → Purchase Brand Equity |          |                               |                     |
| Private Label                                    | 9.07     | .49**                         | Y                   |
| National   | -5.09    | -.31**                        | Y                   |

\* $p < .01$

\*\* $p < .0001$

**TABLE 3**  
**RESULTS OF MEDIATION ANALYSIS**

| <b>Hypothesis</b>  | <b>Indirect Effect (SE)</b> | <b>95% Confidence Interval (CI)</b> | <b>Support? Y/N</b> |
|--|-----------------------------|-------------------------------------|---------------------|
| H3a: Dual Branding → Comparative Quality → Shopping Value        |                             |                                     |                     |
| Private Label  | .184(.086)                  | [.0334; .372]                       | Y                   |
| National   | -.089(.047)                 | [-.207; -.016]                      | Y                   |
| H3b: Dual Branding → Comparative Quality → Brand Attitude        |                             |                                     |                     |
| Private Label  | .226(.101)                  | [.036; .437]                        | Y                   |
| National   | -.066(.038)                 | [-.163; -.010]                      | Y                   |
| H3c: Dual Branding → Comparative Quality → Purchase Brand Equity |                             |                                     |                     |
| Private Label  | .231(.101)                  | [.043; .445]                        | Y                   |
| National   | -.147 (0.072)               | [-.308; -.029]                      | Y                   |

## DISCUSSION

The present research theorizes and tests a model for understanding how exposure to dual branding information impacts consumers' evaluations of private and premium national brands. The evolution of private label brand quality in part can be attributed to the observation that more than half of all private label brands are produced by dual branders (Kumar et al. 2010; Steenkamp et al. 2010). Importantly, while past research suggests that dual branding provides benefits for national brand manufacturers with respect to their relationships with retailers, these suppliers avoid expressed affiliation with retail brand production, understandably due to concerns about decreasing their own brand market share (Sethuraman & Raju, 2012). The current study underscores these worries by illustrating the process through which dual branding information indirectly influences respective private label and national brand evaluations through the mechanism of comparative quality perceptions. Specifically, consumers exposed to dual branding information express higher (lower) evaluations of private label (premium) brands than do those not

exposed to such information, all of which are a function of comparative quality perceptions between the two.

Moreover, national brands should take note of how easily consumer brand evaluations change upon exposure to dual branding information. In the current context, the consumer's exposure to dual branding knowledge is the result of an encounter with a stranger. Upon gaining dual branding knowledge, consumers reassess initial quality evaluations, leading to positive evaluations of private label brands. Considering the relative ease at which this knowledge influenced consumer evaluations of the brand, both retailers and manufacturers need to be aware of the potential effects of dual branding knowledge on consumer brand behavior. The findings presented in this manuscript suggest that manufacturers must defend their market share, which requires confronting consumers' improved perceptions of and attitudes toward private label brands.

## LIMITATIONS AND FUTURE RESEARCH

As with all research, there are limitations to the study presented in this manuscript. Though students represent a target group of consumers (i.e. millennials), additional studies should be performed to investigate the hypothesized effects with larger, representative samples. Additionally, this model should be tested in different contexts other than food-type grocery products. The grocery products category is highly relevant to dual branding relationship research; however, further research should test the generalizability of the model with non-food dual branded products. Future research should also consider the believability of dual branding claims, and identify potential moderating conditions under which these effects are more pronounced or mitigated. Other ways of consumer exposure to dual branding information may include encounters with former employees not bound by nondisclosure agreements, product recalls, and consumer advocacy groups. Knowledge of dual branding gained from these, perhaps more credible, sources may increase the effects found in this study and should be explored in future research. Overall, more research into the effects of dual branding information on consumer decision making is needed, representing a ripe area of exploration for marketing scholars.

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**APPENDIX 1**  
**CONFIRMATORY FACTOR ANALYSIS RESULTS**

| Items  | Standardized Loadings | t-values* |
|--|-----------------------|-----------|
| <b>Comparative Quality (<math>\alpha = .92</math>)</b>   |                       |           |
| semantic differential - Not the same quality-Of equal quality  | 0.84                  | a         |
| semantic differential - Not going to perform the same-Going to perform the same  | 0.92                  | 19.09     |
| semantic differential - Not capable of providing the same benefits-Equally capable of providing the same benefits                  | 0.82                  | 15.93     |
| semantic differential - Not equally valuable-Equally valuable  | 0.86                  | 17.00     |
| <b>Private brand - Shopping value (<math>\alpha = .95</math>)</b>  |                       |           |
| The brand pictured above offers good quality at a reasonable price.  | 0.82                  | a         |
| What you get from the brand pictured above is worth the cost.  | 0.86                  | 17.07     |
| Compared to other brands, the brand pictured above is a good value for the money.  | 0.91                  | 18.79     |
| If you buy the brand pictured above you will get your money's worth.   | 0.91                  | 18.80     |
| The level of price compared to quality of the brand pictured above is good.  | 0.92                  | 19.01     |
| <b>Private brand - Attitude toward the brand (<math>\alpha = .94</math>)</b>   |                       |           |
| I have a positive view of this brand   | 0.93                  | a         |
| I think this brand is appealing  | 0.88                  | 22.40     |
| I like this brand  | 0.92                  | 25.21     |
| <b>Private brand - Purchase brand equity (<math>\alpha = .90</math>)</b>   |                       |           |
| It makes sense to buy the brand pictured above instead of any other brand, even if they are the same.                              | 0.83                  | a         |
| Even if another brand has the same features as the brand pictured above, I would prefer to buy the brand pictured above.           | 0.89                  | 17.31     |
| If there is another brand as good as the brand pictured above, I prefer to buy the brand pictured above.                           | 0.84                  | 16.00     |
| If another brand is not different from the brand pictured above in any way, it seems smarter to purchase the brand pictured above. | 0.76                  | 13.72     |

**APPENDIX 1**  
**(CFA results continued)**

| Items  | Standardized Loadings | t-values     |
|--|-----------------------|--------------|
| <b>Premium brand - Shopping value (<math>\alpha = .95</math>)</b>  |                       |              |
| The brand pictured above offers good quality at a reasonable price.  | 0.83                  | <sup>a</sup> |
| What you get from the brand pictured above is worth the cost.  | 0.93                  | 19.88        |
| Compared to other brands, the brand pictured above is a good value for the money.  | 0.87                  | 17.97        |
| If you buy the brand pictured above you will get your money's worth.   | 0.91                  | 19.27        |
| The level of price compared to quality of the brand pictured above is good.  | 0.93                  | 20.09        |
| <b>Premium brand - Attitude toward the brand (<math>\alpha = .94</math>)</b>   |                       |              |
| I have a positive view of this brand   | 0.93                  | <sup>a</sup> |
| I think this brand is appealing  | 0.96                  | 28.03        |
| I like this brand  | 0.88                  | 22.96        |
| <b>Premium brand - Purchase brand equity (<math>\alpha = .90</math>)</b>   |                       |              |
| It makes sense to buy the brand pictured above instead of any other brand, even if they are the same.                              | 0.77                  | <sup>a</sup> |
| Even if another brand has the same features as the brand pictured above, I would prefer to buy the brand pictured above.           | 0.93                  | 15.98        |
| If there is another brand as good as the brand pictured above, I prefer to buy the brand pictured above.                           | 0.89                  | 15.30        |
| If another brand is not different from the brand pictured above in any way, it seems smarter to purchase the brand pictured above. | 0.73                  | 12.14        |

Notes: <sup>a</sup> denotes a relationship fixed to 1 for identification

\* all factor loadings have a *p*-value of < .001