Why Not Buy the Leading Brand? a Preliminary Investigation of the Dynamics of Brand Choice

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Our interest is in how purchasers of leading and following brands differ in the way they use price fairness, hedonic and utilitarian perceptions to make their decision. A model is constructed and found to fit the data from both groups in a number of markets. Surprisingly, utilitarian perceptions are most important for both groups. Purchasers of leading brands see their purchase as superior in hedonism and even more in utilitarianism, whilst purchasers of follower brands believe their purchase to be superior in price fairness and utilitarianism.

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BACKGROUND
In most markets there is an identified market leader and several market followers. It has been suggested in the recent literature that although this is sometimes merely a pioneer effect, it may also be a consumer effect (Rettie et al. 2002). If the leading brand does indeed have a compelling competitive advantage, the question arises of why anybody should bother buying the follower brand?

We will first construct a (SEM) research model of the consumer selection process, couched in terms of perceptions of hedonism, utilitarianism and price fairness. These three latent variables are developed below. Differences in the evaluations of purchasers of leading and following brands, which might explain why people do sometimes opt for what appears at first sight to be a sub-optimal purchase solution, are then explored.

Price Fairness, Utilitarian and Hedonistic Perceptions
Cost-benefit perceptions are colored by the preconceptions of consumers about what is fair in regard to the price demanded in a trade (Kamen and Toman 1970); thus price fairness could form a reasonable perceptual proxy for actual price in a purchasing situation. Two items are drawn from Monroe (1990) to indicate the “Price fairness” latent variable in the research model.


Hedonism represents the emotional side of purchasing (Ruth 2001). Brand feelings, from Keller (1993) and Keller and Davey (2001), is the most “generic” aspect, and forms the first indicator variable for the latent construct. Symbolic imagery, the second indicator variable, is the emotion related to the socially visible icon used in the marketing of the service or product (Solomon 1983). Once the imagery evoked in a brand has been interpreted, a consumer will relate the image to his or her own life and infer either positive or negative emotional values to them. This aspect of hedonism, our third indicator variable, is referred to by Keller (1993) as usage imagery. Finally, “experiential” hedonism stems from prior experience with the brand (Keller 1993; Mathwick et al. 2001). Our structural model simply postulates that the three latent variables, Price fairness, Hedonic and Utilitarian perceptions of brand leads to brand satisfaction which, in turn, drives repeat purchase intention.

RESEARCH METHOD
A short questionnaire was designed, and used with 405 university student. Responses provide information about their actual brand choice, and their perceptions of the price fairness, utilitarian and hedonic features of the brand selected and the brands in the unselected category. Each of the observed variables is represented by a single 7-point Likert-type item using questions drawn from the established scales used in the literature discussed above.

The markets selected were jeans, sneakers, digital cameras and mobile telephones. Most of the information needed to categorize market leadership was available from public secondary data, and where there was doubt then markers were approached and consulted to confirm the brand shares.

RESULTS
For the model using data from those purchasing the leading brand, all the paths are significant, with Utilitarianism having the highest standardized estimate—of .85 as against .41 and .35 for Price fairness and Hedonistic perceptions respectively. The model fit statistics are satisfactory for exploratory work (RMR=.12; GFI=.88 and AGFI=.80).

For the follower brand data the results are similar. The model paths are significant, with Utilitarianism again having the strongest standardized estimate, of .84 as against .44 and .33 for Price fairness and Hedonistic perceptions. The model fit statistics are also satisfactory (RMR=.17; GFI=.90 and AGFI=.82).

Scales are then formed for each of the latent variables. All scale items contribute toward their respective scale and the Alpha’s are adequate (AlphaUtilitarianism=.76; AlphaPrice fairness=.78; AlphaHedonism=.75. Scale means are then calculated to allow comparison between the perceptions of purchasers of Leading and Following brands by t-test.

We first consider the case of the purchasers of Leading brands, and compare their perceptions of the Leading and Following brands with respect to the three new variables. There is no significant difference between their perceptions of Price fairness between brands. However, the perceptions of this group of both the Utility and Hedonism of Leading and Following brands are significantly different (HedonismLeading=5.56, HedonismFollowing=5.19, t=2.38, p=.02; UtilitarianismLeading=5.87, UtilitarianFollowing=5.14, t=.046, p<.001). When we consider the perceptions of purchasers of Following brands, a different picture emerges. Although there is no perceived difference in Hedonism between the brands, both Price fairness and Utilitarianism are seen to be superior for the Following brand (Price fairnessLeading=4.15, Price fairnessFollowing=5.11, t=4.49, p<.001; UtilitarianismLeading=5.90, UtilitarianFollowing=6.37, t=4.06, p<.001).

DISCUSSION
Fundamentally, the differences between purchasers of leading and following brands lie in the trade-off patterns. Leading brand buyers trade off hedonism and utilitarianism with relatively little regard to price; whereas purchasers of Follower brands trade off price against utilitarianism with comparatively little regard to hedonism. Purchasers of leading brands believe that they gain greater utilitarian and hedonic benefits from the purchase of the leading, rather than following, brand. Their counterparts—those who purchase one of the second-tier brands—believe that they not only get a fairer price but also get superior utility from buying the second brand. For these consumers, then, the trade-off is about price and utilitarian benefits.

Consideration of these results leads marketers back to basics. Functionality remains paramount—poor quality or low functionality...
will surely result in the loss of custom even for Leading brands.
Nevertheless, it seems as if perceptions of hedonism attached to
brands is a differentiating factor between Leader and Follower
buyers, although satisfaction stems primarily from utilitarian ben-
efits. While those buying leading brands have no problem paying a
price premium, price seems unimportant as an element of satisfac-
tion relative to hedonistic and functional benefits.

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