Could the Results of Consumer Research in the Case of Manufacturer’s Brand Extension Be Transferred to the Brand Extension of Private Lables – an Exploratory Study

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Could the Results of Consumer Research in the Case of Manufacturer’s Brand Extension be Transferred to the Brand Extension of Private Labels – An Exploratory Study

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ABSTRACT
Marlboro jeans, Kellogg’s cheese and Nivea hair colouring are products marketed under a brand name with only a limited connection to the company’s original products. The situation is similar with private labels. The two are comparable: A manufacturers’ brand extension or a private label brand extension is when a firm uses an established brand name to introduce a new product. In this respect we are tempted to ask whether the consumer behaviour-related findings of manufacturers’ brand extensions apply to private labels. It is the goal of this analysis to acquire the basic behavioural explanation for private label extension. First empirical results are presented.

INTRODUCTION
Manufacturers’ brand extensions are becoming more important. This can help avoid the difficulty of introducing new products to a market. In 1991, approximately 90% of 16,000 new products introduced in American supermarkets were based on brand extensions (Rangaswamy, Burke, and Oliva 1993). Particularly up to the mid-1990s, a large number of academic investigations were conducted within this research field. The many evaluations of success and impact factors usually refer to the characteristics of a parent or mother brand, a transfer product, and the relationship between parent and transfer product.

It is doubtful that those views can be applied to retailing private labels. The transferability of those factors that are based on the parent brand’s perceived quality is particularly debatable. It stands to reason that there are other criteria applicable to the extension of private labels, such as a low price or price-performance ratio, both of which are very important. This is a very interesting issue in terms of the importance of private labels. For example, the importance of private labels in Germany grew over the past twenty years to secure a market share of more than 30% for fast-moving consumer goods in 2004, compared with 12% in 1975. Investigations indicated that, at the same time, the image of private labels often turned out to be increasingly positive compared with that of manufacturer brands. Manufacturer brands are credited with a higher quality, a better reputation etc., whereas private labels dominate in terms of a positive price-performance ratio and are comparable in terms of confidence.

The objective of this analysis is to use an exploratory study to identify the product features that influence the perception or the success of private label extensions from a consumer’s point of view. In order to achieve this goal, literature on manufacturers’ and private label brand extensions is dealt excursively with first of all. Then a framework is presented that provides the basis for an empirical analysis and which enables a scientific derivation of research hypotheses. The focus of this article is an empirical study, which examines the effects of the extension of two private labels and two manufacturer brands. The article concludes with a discussion.

A SHORT LITERATURE REVIEW
Keller (2003, 577), dealing with brand extensions, described this strategy as follows: “A brand extension is when a firm uses an established brand name to introduce a new product”. When applying this definition to retailer marketing, a brand extension can be seen as an extension of the retailer’s assortment or product line. Besides the widely-used term brand extension, other terms, such as brand leverage (“means using the initial brand platform to move into other opportunities”, see Court, Leiter, and Loch 1999, 103) or image transfer, are also used in this context (Kotler and Armstrong 2004). The latter points out that image components are transferred with the help of a brand’s name from an existing product to a new product.

All types of brand extensions have one aspect in common: They all contain opportunities as well as risks. Entrepreneurial opportunities provide advantages in marketing productivity and marketing efficiency (Erdem and Sun 2002, 418). Well-known brands improve PoS-presence, maintain a headstart in publicity and confidence, and induce greater acceptance and readiness by retailers to list the company’s products (Aaker 1990). The last argument reveals that the advantages and disadvantages of brand extensions were originally formulated in most cases for manufacturer brands. On a consumer level, the opportunities should refer to manufacturer brands as well as private labels. Well-known brand names offer consumers the advantage of hardly any information or search costs. Corresponding risks can be encountered either in combination with a transfer product or a parent brand.

Risks and opportunities involved in manufacturers’ and private label brand extensions show that making a decision for or against this strategy is a complex process. Due to the complexity and the ensuing insecurity, instruments are needed that can measure and anticipate the chances of success for brand extensions. The need to develop such instruments led to many research investigations being conducted in the mid-80s. These research activities were originally initiated by two investigations: Aaker and Keller (1990) and Boush et al. (1987). During the 1990s, several investigations followed concerning the detailed issue of manufacturers’ brand extensions (e.g., Park, Jun, and Shocker 1996; Rangaswamy, Burke and Oliva 1993; Sullivan 1992 etc.).

As far as the objective of our article is concerned, there are a great many specific issues concerning previous research that have to be discussed. As explained, previous research investigations relate to manufacturer brands, while private labels were not considered at all. This problem leads to another issue, which concerns the independent variable: Some of the investigations measure the success of manufacturers’ brand extensions by asking respondents to judge the quality of a transfer product (e.g., Dacin and Smith 1994). Private labels differ from their competitors in their pricing policy. It can therefore be assumed that assessment of the transfer product’s quality is not or not the only determinant of success in this case. Those hypotheses, which were proposed by several authors and explain the success of a manufacturers’ brand extension through the perceived quality of the parent brand or product (e.g., Bhat and Reddy 2001; Bottomley and Doyle 1996; Bottomley and Holden 2001; Rangaswamy, Burke and Oliva 1993; Sunde and Brodie 1993), are not sufficient arguments in the case of private labels. Neither the theoretical assumptions, nor the empirical results can be applied to private labels. This is especially relevant as the profiling aspects of manufacturer brands and private labels differ from each other.
FRAMEWORK OF REFERENCE FOR THE EXTENSION OF PRIVATE LABELS

In the literature, mainly three different theories can be found that explain how consumers transfer their associations with a parent brand to a transfer product. Generalization theory, for example, suggests that people tend to view individual items as being similar, no matter whether or not there are any features that would differentiate them (Kerby 1967; Roman 1969). Similarly, analogical reasoning explains the process of matching the overall attitude with the perception and judgement of those features that are exhibited by the transfer product only and not by the parent product (Kim 1991). Most of the hypotheses of impact studies, however, are formulated on the basis of the schema and categorisation theory. It is the objective of this theory to explain the transfer of associations from a parent product to a transfer product. According to this approach, the knowledge of an object is represented in the human memory by mental categories or schemata. In this way, a category is conceptualised as consisting of similar objects, while a schema contains those characteristics of a category that are perceived as being typical (Fiske and Pavelchak 1986; Fiske and Taylor 1984). The strength of a schema depends on the customer’s brand knowledge (Coupey and Jung 1996) and involvement.

The knowledge of retailing private labels may not be as distinctive as it is of manufacturer brands (Supphellen 2000; for the analysis of attitudes towards private labels Burton et al. 1998). At the same time, the customer’s involvement with regard to private labels is lower than it is for manufacturer brands because products which are sold primarily through their price presumably generate a lower emotional, but a stronger functional association. The functionality consists of superordinate product features, which, under certain circumstances, might be combined with any other brand of the same product category. Therefore they are not adequate to emphasise the uniqueness of a brand. Similarly, while Chandon, Wansink and Laurent (2000) and Ailawadi, Neslin and Gedenk (2001) talk about hedonic benefits that are provided by manufacturer brands, but to a lesser extent by private labels, Richardson, Dick and Jain (1994), as well as Bellizzi et al. (1981), point out that the attributes of private labels are rated lower than those of manufacturer brands in terms of attractiveness and appearance. Both aspects knowledge and functional associations suggest in connection with private labels that customers may not have structured brand schemata and that the volume of information about such products is quite small. A schema of private labels would therefore consist solely of price features, superordinate product class features, and possibly the retailer offering the brand, whereas a corresponding manufacturer brand schema would comprise more specific characteristics that are strongly linked to the brand (Ailawadi, Neslin and Gedenk 2001, Richardson, Dick and Jain 1994). Hypothesis H1, which is to be verified, reads as follows:

**H1**: Customers’ schemata of private labels consist solely of price and superordinate product category features, whereas the schemata of manufacturer brands include additional brand specific associations.

These considerations can now be connected with the results of the impact research. Some of the investigations were able to identify some influence from the strength and quality of a parent brand on the success of manufacturers’ brand extensions (e.g., Aaker and Keller 1990, 29). With an increasing amount of positive associations with the parent brand, there is an increasing possibility that, with a perceived similarity between the transfer product and the parent product, these positive associations will also be applied to the transfer product (Bhat and Reddy 2001; Bottomley and Doyle 1996; Lane and Jacobson 1995; Rangaswamy, Burke and Oliva 1993; Smith and Park 1992; Sunde and Brodie 1993). According to H1, private labels are neither associated with high quality, nor with superordinate unique associations, which is why they are not able to introduce successful products. Reality, however, reveals many examples which disprove this statement. Private labels, such as the German brands Balea, Mibell or Jaguar, and their versatile product lines demonstrate that private label extensions can indeed be successful. However, according to previous research results, focus should be on the following hypothesis:

**H2**: The perceived quality of the parent product has an influence on the impact of a private label extension.

This also seems to be true for the hypothesis on the perceived difficulty of manufacture. Aaker and Keller (1990, 30) presume that there will be incongruity between the transfer product and the existing associations with the brand if customers consider manufacture of the transfer product to be trivial. Coherency between the perceived difficulty in manufacturing the transfer product and the attitude of the customer towards this transfer product is therefore positive (Aaker and Keller 1990; Nijsen, Uijl, and Jones 1995; Sunde and Brodie 1993). This is also explained by the schema and categorisation theory. As the product is considered easy to manufacture, it is not ascribed high quality. This argument can be applied to manufacturer brands, but not to brands that do not stand out because of their quality. Retailers private labels are not only ascribed a lower quality compared to manufacturer brands, but also less sophisticated packaging. Thus, when taking the difficulty of product manufacturing into consideration, less competence is ascribed to private label companies, whereas brand manufacturing companies tend to be credited with a more complicated manufacturing process. Thus, the likelihood of consumers purchasing private labels would decline. The hypothesis for private labels would hence be:

**H3**: If manufacture of a transfer product is perceived as being difficult, this will have a negative impact on the success of a private label extension.

Based on H1, we can assume that superordinate product class features have no impact on the success of a private label extension because they are part of every other brand’s schema of the same product class. In order to appeal to customers and have a positive influence on purchase decisions, it is conceivable, however, that association with a lower price is quite sufficient (Burt 2000; Burton et al. 1998). This is also supported by Sethuraman and Cole (1999): “A major selling point for private labels is their lower price in relation to national brands”. The price level perceived by the customer-combined with his perceived importance of a lower price—would constitute a success factor sui generis in the evaluation of private label extensions:

**H4**: A price level perceived as being low has a positive impact on the success of a private label extension.

The interrelationship is even clearer when applied to the price-performance ratio. Investigations mentioned at the beginning show that private labels are indeed ascribed a lower quality compared to manufacturer brands, but that they are associated with a better price-performance ratio. While, historically, private labels have only offered inferior quality at a low price, many retailers have now moved up the scale by providing a fair price-performance ratio
EMPIRICAL STUDY AND RESULTS OF PRIVATE LABEL EXTENSIONS

The main aim of the following analysis is to examine the hypotheses. Evaluation of manufacturers’ brand extensions is quite often based on quality perceptions of the transfer product. For our purposes, the problem with this aspect is that it involves an indirect measurement of success, which means that customers are assumed only to buy products when the perceived quality is high. The price relevance of a private label extension does not suggest this. Thus, the dependent variable is operationalised on a global level, yet close to behaviour patterns, in terms of likelihood of purchase or purchase intention, as indicated by the customers. It is measured on a seven-point scale, where 1 represents a very low and 7 a very high likelihood of purchase (of the transfer products). The independent variables were also operationalised with seven-point rating scales for the subjectively perceived quality, the subjectively perceived price level, and the subjectively perceived price-performance ratio.

When selecting the stimuli, the parent brands examined had to meet several criteria, as did the corresponding transfer products. At first, two private labels and two manufacturer brands were selected as parent brands in order to ensure a variance across the parent brands with regard to the characteristics of the different potential effect factors. Another objective of the selection was to integrate brands that are very well known into the random sample. In those manufacturer brands and retailer private labels which met the criteria are the brand pairs Nivea and Balea (a well known private label marketed by the German drug store retailer chain “dm”) in the personal hygiene sector, as well as Landliebe and Mibell (a well-known private label marketed by the German food retailer “Edeka”). Besides searching for parent brands, it was also necessary to find suitable transfer products. By conducting qualitative pre-tests, three hypothetical transfer products were generated for each parent brand. The characteristics of those transfer products had to be different from each other in terms of the independent variable in order to ensure an adequate variance. On this basis, the transfer products “toilet paper”, “perfume” and “cleaning agents” were chosen for the parent product field “hygiene”, and “cereal bars”, “cornflakes” and “curd cheese” for the parent product field “food”.

The random sample consisted of 120 consumers (1,440 transfer product evaluations on the likelihood of purchase), with an average age of 29.3 years, own household, and a monthly income of less than 1,000 Euro. Men and women are represented in equal measures.

Number and Types of Associations

In order to test H1, respondents were asked to mention all associations that come to mind spontaneously in connection with the brands Nivea and Balea. A comparison of the number of associations with each brand shows that respondents offer more connections with the Nivea (436 associations) than with Balea (158 associations). Considering the number of people who had stated previously that they know the brand, this means that one person could connect an average of 3.6 associations with Nivea and 1.6 associations with Balea. Respondents with a higher brand involvement-meaning a dichotomy of periodic usage or rare/one-time usage-demonstrated more diverse associations.

The type of association with the two brands also differs. Most associations with Balea refer to the retailer dm and to lower price. The first association was mentioned by approximately 44% of all respondents knowing the brand, while the latter was mentioned by about 36%. All other associations refer to superordinate product class features. Amongst those associations, shower gel, body lotion, deodorant, shampoo, shaving, and showering were often mentioned.

This was different, however, for Nivea, where brand-specific elements clearly dominate. 81% of all respondents spontaneously associated Nivea with the colour combination blue and white. There were also associations with current TV commercials. These associations included such dominant features as young women, sun, summer, water, sports, and holidays. At least one of these attributes was mentioned by 43% of all respondents. Another 30% associated the aspect of care and 25% the blue and white tub of Nivea Crème with the brand. Positive characteristics, for example, pure, fresh, soft, gentle, and smooth were mentioned by 24% of those asked. Links with the brand owner Beiersdorf were made by 9%; 7% referred to the tradition of Nivea. Superordinate product class features were also mentioned with regard to this brand, forming some 37% of all associations. A similar structure of associations is conceivable for Landliebe and Mibell.

The results indicate support for H1. As was assumed, the manufacturer brand is mainly connected with brand-specific associations, while with private labels-apart from superordinate product class features-consumers tend to fall back on price-related associations. This should have consequences for the extension of private labels described above.

Evaluated Characteristics of Brand Extensions- A Comparison of Mean Values

The comparison of selected mean values suggests support for some of the hypotheses. Table 1 presents the mean values for each brand in terms of its perceived quality, its perceived price level, as well as its perceived price-performance ratio. A comparison of all brands, as well as a comparison of brands within one product category, these being Nivea and Balea, and Landliebe and Mibell, clearly shows that the perceptions of the manufacturer brand are associated with higher quality, higher price level and lower price-performance ratio. This relationship was expected. It is even more distinctive when comparing respondents who use the respective brand on a regular basis and, therefore, demonstrate higher involvement than those respondents who seldom use the respective brand (compare the results of the t-tests in Table 2).

When comparing these results with table 3, support is found for the assumption that it is not primarily the high quality, but rather the low price and a good price-performance ratio that determine the success of a private label: The table shows that the likelihood of purchase for each (transfer) product is higher for the retailing private label than for the manufacturer brand. The only exception relates to perfume. In this case, respondents prefer the Nivea brand to the Balea brand. When comparing this result with the right-hand column of Table 3, we can see that the mean value of perceived difficulty of manufacture is also relatively high for perfume. Whether there is a relationship between the likelihood of purchase and the perceived difficulty of manufacture will be discussed later.
### TABLE 1
Values of perceptions of quality, price level and price-performance ratio of (parent) brand-t-tests

<table>
<thead>
<tr>
<th>Brands</th>
<th>Mean values</th>
<th>Quality</th>
<th>Price level</th>
<th>Price-performance-ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nivea</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balea</td>
<td>5.12</td>
<td>5.08**</td>
<td>5.16**</td>
<td>3.73**</td>
</tr>
<tr>
<td>Landliebe</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mibell</td>
<td></td>
<td>6.07**</td>
<td>5.82**</td>
<td>3.57*</td>
</tr>
<tr>
<td>All manufacturer brands</td>
<td>6.05**</td>
<td>5.44**</td>
<td>3.64**</td>
<td></td>
</tr>
<tr>
<td>All private labels</td>
<td>5.06</td>
<td>2.49</td>
<td>4.85</td>
<td></td>
</tr>
</tbody>
</table>

Scale values: 1=very low / very poor, 7=very high / very good. The differences in mean values are significant on a level of * 0.05 / ** 0.001.

### TABLE 2
Values of perceptions of quality, price level and price-performance ratio of (parent) brands according to customer group-t-tests

<table>
<thead>
<tr>
<th>Brands</th>
<th>Mean values</th>
<th>Quality</th>
<th>Price level</th>
<th>Price-performance-ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency of usage</td>
<td>Frequently</td>
<td>Infrequently</td>
<td>Frequently</td>
</tr>
<tr>
<td>Nivea</td>
<td>6.28</td>
<td>5.80*</td>
<td>5.00</td>
<td>5.30</td>
</tr>
<tr>
<td>Balea</td>
<td>5.58</td>
<td>4.37**</td>
<td>1.98</td>
<td>2.11</td>
</tr>
<tr>
<td>Landliebe</td>
<td>6.39</td>
<td>5.86*</td>
<td>5.61</td>
<td>5.79</td>
</tr>
<tr>
<td>Mibell</td>
<td>5.18</td>
<td>4.81</td>
<td>2.40</td>
<td>3.20**</td>
</tr>
</tbody>
</table>

Scale values: 1=very low / very poor, 7=very high / very good. The differences in mean values are significant on a level of * 0.05 / ** 0.001.

### TABLE 3
Values of the likelihood of purchase and the perceived difficulty of manufacture of (transfer) products-t-tests

<table>
<thead>
<tr>
<th>Products</th>
<th>Mean values</th>
<th>Likelihood of purchase</th>
<th>Perceived value of the difficulty of manufacture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nivea toilet paper</td>
<td>2.35**</td>
<td>2.71</td>
<td></td>
</tr>
<tr>
<td>Balea toilet paper</td>
<td>5.67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nivea perfume</td>
<td>3.65</td>
<td>5.18</td>
<td></td>
</tr>
<tr>
<td>Balea perfume</td>
<td>3.22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nivea cleaning agents</td>
<td>2.56**</td>
<td>4.12</td>
<td></td>
</tr>
<tr>
<td>Balea cleaning agents</td>
<td>5.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landliebe cereal bars</td>
<td>3.44</td>
<td>3.61</td>
<td></td>
</tr>
<tr>
<td>Mibell cereal bars</td>
<td>3.79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landliebe cornflakes</td>
<td>3.06**</td>
<td>2.60</td>
<td></td>
</tr>
<tr>
<td>Mibell cornflakes</td>
<td>3.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landliebe curd cheese</td>
<td>3.72**</td>
<td>3.18</td>
<td></td>
</tr>
<tr>
<td>Mibell curd cheese</td>
<td>4.75</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Scale values: 1=very poor; 7=very high. The differences in mean values are significant on a level of * 0.05 / ** 0.001.
Could the Results of Consumer Research in the Case of Manufacturer’s Brand Extension be Transferred

A comparison of mean values for all four brands and all six products, which is not shown here, provides a similar picture: The quality of manufacturer brands is generally perceived to be higher and the price-performance ratio is generally perceived to be poorer compared to private labels. The likelihood of purchase also seems to be higher for private labels. The corresponding t-tests show that the mean values differ from each other significantly regarding quality, price, price-performance ratio, and likelihood of purchase. Only the characteristics of the variable “difficulty of manufacture” vary very little for each type of brand. The t-test supports this statement by not revealing any significant differences for manufacturer brands and private labels for this variable.

The previous conclusions indicate the first proof for H4 and H5. Negative relationships between the perceived price level and the likelihood of purchase, as well as positive relationships between the perceived price-performance ratio and the likelihood of purchase, are expected. On the basis of these results, however, there does not seem to be a clear indication of any connection between the likelihood of purchase and the perceived quality of private labels (H2). The results of correlations between the variables will deliver further statistical proof for these assumptions.

Evaluated Characteristics of Brand Extensions - Results of Correlations

Bivariate correlations are based on pairs of values within our random sample of single evaluations of brands and products, respectively. Table 4 shows the correlations between the independent variables perceived, e.g. quality, price level, price-performance ratio and difficulty of manufacture, and the dependent variable of purchase likelihood for transfer products on the basis of the respondents’ assessments. Excursively, it becomes clear that the purchase intentions for transfer products are connected linearly, in particular to the price-performance ratio. Admittedly, the correlations can be described as semi-strong, but they do exhibit high significance over all product categories. The table also suggests that the perceived price level coheres with the likelihood of purchase, except for perfume. On the contrary, findings concerning the perceived quality of the parent brand are somewhat more inconsistent for those transfer products that belong to the ‘food’ product category.

These observations become even clearer when calculating on a level of individual judgements for the six transfer products of both private labels. Table 5 shows that it is mainly the perceived price-performance ratio that coheres closely with the likelihood of purchase, followed by the perceived price level, then the perceived quality and difficulty of manufacture. H4 and H5 can therefore be supported, even more so as there is a negative correlation between the perceived price level of the parent brand and the likelihood of purchase of the six transfer products within the group of private labels, as well as a positive relationship between the perceived price-performance ratio and the likelihood of purchase. H2 can also be sustained, although the relationship is not as distinctive in this case.

With reference to H3, Table 6 shows the results of a corresponding correlation between the variables ‘perceived difficulty of manufacture’ and ‘likelihood of purchase’, this time illustrating a comparison between private labels and manufacturer brands. In relation to the perceived difficulty of manufacture of private labels,
a significant correlation coefficient can indeed be detected, while the interrelationship turns out to be quite significantly positive for manufacturer brands. Therefore, the assumption that manufacturers of private labels are not ascribed sufficient competence could be confirmed. Due to this result, a hypothesis that has been tested before and which states that the success of a brand extension of a manufacturer brand sees a positive effect with increasing difficulty of manufacture is also supported to some extent.

Additional Results Specific to Product and Commodity Group

In addition to the results that have been extracted from verifying the hypothesis, even more findings can be highlighted. As is pointed out in Tables 3 and 4, perfume clearly differs from the rest of the products. For one thing, the difficulty in manufacturing this product is perceived to be very high, at a value of 5.18, while secondly, it is the only transfer product with greater likelihood of purchase in the case of a manufacturer brand. Furthermore, it seems that the price level, which is perceived to be rather low for private labels, has no effect on the likelihood of purchase of this product. On the other hand, previous results are amplified by the data from Table 5 merely on the basis of the products toilet paper, cleaning agents, cereal bars, cornflakes, and curd cheese. Relationships are strengthened when the product perfume is not included in the analysis. This is particularly true for the price level and the price-performance ratio.

A comparison of the mean value differences for the likelihood of purchase in Table 3 is also significant. The differences between Nivea and Balea transfer products—apart from the product perfume—are larger than between Landliebe and Mibell. On the contrary, the difference of perceived price level between the respective brands of one product category is, as shown in Table 1, roughly the same for the categories ‘food’ and ‘personal hygiene’. Table 4 confirms the assumption that the correlations between the perceived price level or the perceived price-performance ratio and the likelihood of purchase tend to be stronger when the data analysis only includes products from the hygiene category. These assumptions are supported by adequate correlations on a judgement level. If the Landliebe and Mibell products are isolated, the correlation coefficients of the variables ‘perceived price level’ and ‘perceived price-performance ratio’ increase. All in all, the strength of relationship between the perceived price level or price-performance ratio and the likelihood of purchase seems to depend on the type of product and product category.

**DISCUSSION, LIMITATIONS AND NEED FOR FURTHER RESEARCH**

In the past, investigations concerning brand extensions usually concentrated on manufacturer brands, while this paper has concentrated on presenting exploratory results in the context of private labels due to the their increasing importance.

Even though there are limitations on the study, such as the small (convenience) sample, few isolated indicators, etc., the empirical results appear interesting.

They document the relatively minor importance of perceived quality of the parent brand in the success of retail private label extensions and prove instead that perceived price level and perceived price-performance ratio are relatively important factors. For private label managers, this suggests that the quality of the parent brand should not be focused on as only one possible criterion when discussing brand extensions, but that more focus should be placed on the perceived price level or price-performance ratio. Results of previous research maintaining that the success of a transfer product (in the case of manufacturer brands) increases with a higher perceived quality only seems to have limited validity for private labels. Still, quality should not be neglected. It is, in fact, an integral part of a private label manager’s considerations in terms of comprehensive efficiency and effectiveness of private label extensions, possibly in terms of minimum quality level.

There is also an approach via the perceived difficulty of manufacture of a product. When consumers believe that a product is hard to produce, a private label extension appears to be more problematic because retailers are not ascribed a high degree of competence, but the need for urgent research is also evident: A fictitious marginal value, indicating that the assessment of difficulty of manufacture is responsible for consumers preferring a manufacturer brand to a private label, could not be ascertained by this study.

Furthermore, the study pointed out that the product category also plays an important role in the success of private label extensions. Thus, the criteria of a price level that is perceived to be low and a price-performance ratio that is perceived to be high do not seem to have as great an impact on products belonging to the food sector as on products belonging to the near-food sector (particularly hygiene). Managers of retail firms should, therefore, bear in mind that the impact of price level and price-performance ratio on the success of a private label extension is stronger for products in one product category, but less so in other categories. This study only compares two different product categories, so more research is needed in this field.

The fairly low correlations also indicate a need for further research. The mean correlation values suggest that there are other factors that influence the success of private label extensions besides quality, price level, price-performance ratio, and difficulty of manufacture (all perceived). Furthermore, these factors should be analysed on the basis of other variables.

Moreover, the extensions of private labels may be linked to manufacturer brands, which in many cases have served as a master copy. Balea, for example, can be interpreted as a ‘Me-Too’ product of Nivea, while Mibell is possibly an adopted product range of Landliebe. The question to be investigated now is the extent to
which a private label can be successful with its transfer products if it is merely considered to be a replica of a manufacturer brand. Justified criticism, however, points out that many investigations concerning manufacturers’ or private label brand extensions, including this one, reflect an unreal environment. In a real decision situation, much more stimuli act upon a consumer, e.g. from PoS-characteristics, promotions, competing offers, etc., than the actual number of factors that can be taken into account when surveying respondents. Such variables as price level, price-performance-ratio, quality, and difficulty of manufacture may gain or lose importance when evaluating products. Even though reconstruction of such a real environment involves a great deal of effort, it could enhance the validity of results. Therefore, researchers may describe hypothetical transfer products in the future with a variety of characteristics or even submit tangible prototypes to respondents for product evaluations. In addition, an analysis based on a subjective evaluation of parent brands and transfer products irrespectively of actual purchase intentions or likelihood of purchase would be of considerable interest. In the long run, this research field should also be substantiated on a wider, more fundamental, theoretical basis.

REFERENCES


