The Population Penalty: Why Common Brands Benefit From Dense Populations Less Than Uncommon Brands

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This research suggests that the relationship between population and sales in a given area grows weaker as brands become more common. Consumers in densely populated areas are motivated to express their distinctiveness, reducing their preference for common brands, creating implications for how large chain retailers select sites.

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EXTENDED ABSTRACT
The population of an area underlies many marketing decisions, such as sales strategies and retail site selection. Although the basis for these decisions are based on a well-established relationship between population and expected sales (Christaller 1935; Craig et al. 1984; Ingene and Lusch 1980; Ingene and Yu 1981; Kumar and Karande 2000; Reinartz and Kumar 1999) we show that this relationship is not always straightforward. One factor that may moderate this relationship is brand commonness - the number of units associated with a particular brand in the marketplace at a given time. Consumers often avoid common brands, such as stores with many locations, as a way to maintain a distinct identity (Ariely and Levav 2000; Berger and Heath 2007). According to Brewer’s (1991) optimal distinctiveness theory consumers derive their identity, in part, from belonging to social groups, but large groups tend to be inclusive and indistinct, and do a poor job of satisfying an innate need for distinctiveness. An important group is the community where consumers reside, and thus residents of densely populated areas are likely to have a greater need for distinctiveness than residents of sparsely populated areas. Sociologists have consistently found that urban residents are more heterogeneous than rural residents (Fischer 1984; Wirth 1938) and are more likely to belong to distinct religious organizations (Ogburn and Duncan 1964) and more likely to prefer unique art, fads and fashions (Fischer 1975; Weber 1976). Thus, we predict that consumers in densely populated areas have heightened motivation to express their distinctiveness, reducing their preference for common brands. Thus common brands suffer from a “population penalty” in which the effect of population density on sales is weaker than it is for uncommon brands.

Our first study analyzed brand commonness as a moderator of alcoholic beverages sales. The data included 11 years of alcoholic beverage sales (beer, wine and spirits) for all bars and restaurants in Texas. We modeled sales with county population density, commonness – the total number of locations – and their interaction. As predicted there was a negative interaction between brand commonness and population density on sales indicating that the population-sales relationship grows weaker with commonness. We conducted multiple versions of this model, examining population rather than population density, and controlling for cannibalization and number of competitors, but they did not change the conclusion.

While the empirical analyses provided direct measures of population density, the many factors associated with density create potential alternative explanations. Therefore, study 2 used an experimental design, manipulating density by asking participants to imagine people moving into or away from their hometown. Study 2 also examined whether the desire to be distinct was the underlying process. We manipulated the desire to distinguish from others using a task adapted from Escalas and Bettman (2005) in which participants wrote about an experience in which they were associated with a separate from a close knit social group. Afterwards, participants rated their interest in shopping at a common furniture chain. As predicted, shopping interest depended on both density and disaffiliation. In the disaffiliation condition, as well as the control condition where there was no motive prime, participants were less interested in the common store when they imagined living in a densely populated area than a sparsely populated area. However, participants primed with affiliation showed no effect of population density, supporting the social identity process underlying these effects.

Although the evidence suggests that common brands may pay a population penalty, it does not necessarily mean that they should avoid densely populated areas. Common brands may be able to reduce the population penalty by sub-branding, which involves creating a new brand that is partially independent but affiliated with an established family brand (Aaker 1994; Milberg, Park and McCarthy 1997). Consumers mentally categorize sub-brands differently than family brands (Sood and Keller 2012) creating an appearance of an uncommon brand. Our third study examines whether sub-branding may be used to help brands overcome the population penalty. As in the previous study, participants imagined a large population moving into or away from their hometown. Next, participants read a brief description of a new hair salon that was considering opening in their area. In the sub-branding absent condition, the salon was described as a “Great Clips” salon with over 3,700 locations. In the sub-branding present condition, the salon was described as a “Trend Styles by Great Clips” salon, a new salon with a single location, but owned by Great Clips which had 3,700 locations. Consistent with the previous studies, without a sub-brand, the common store (Great Clips) elicited marginally greater purchase intention among participants who imagined living in a sparsely populated area than those who imagined living in densely populated areas. However, population density had no significant effect on the sub-branded store (Trend Styles by Great Clips). These results suggest that sub-branding may offer a way for common brands to avoid the population penalty.

Many marketing decisions are based on the assumed financial benefits of operating in densely populated areas. Yet despite its importance, there is little research on the factors that affect the strength and direction of the population-sales relationship. The results presented here demonstrate that this relationship varies with the commonness of the brand. Based on optimal distinctiveness theory, our results indicate that common brands, such as large chain retailers, pay a population penalty by failing to benefit from dense populations as much as uncommon brands. Indeed for the most common brands sales may be actually lower in areas with dense populations than sparse populations. Although it is common practice for marketers to prefer market areas based on their large populations, these results imply that common brands should carefully reexamine this criterion, or consider strategies to avoid this population penalty, such as sub-branding. We hope that this research raises awareness of the variability of population’s relationship with sales, and look forward to future research examining marketing strategy from a social psychological lens.

REFERENCES


