THE IMPACT OF CULTURE ON THE CONSUMPTION AND PREFERENCES ON THE PRIVATE BRAND VERSUS THE NATIONAL BRAND

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ABSTRACT
This study has two objectives: First, this research attempts to probe into how private brands and national brands increase consumers’ willingness to pay through building brand equity. Secondly, this study examines into how a consumer’s culture influences their preference and willingness to pay on private brands (PBs) and national brands (NBs). In particular, it utilizes Hofstede’s four cultural dimensions, which are individualism versus collectivism (IDV), power distance (PDI), uncertainty avoidance (UAI) and masculinity versus femininity (MAS). Based on past literature and theory, this study finds that NBs are in overall more preferred to PBs in Hofstede’s four cultural dimensions.

Keywords: Private Brand, National Brand, Hofstede’s Cultural Dimensions, Willingness to Pay, Brand Equity

INTRODUCTION

As our world economy is becoming increasingly globalized, the rise of multinational companies (MNEs) is becoming more prevalent (Hewett & Bearden, 2001). National brands and private brands now need to both market their products across cultures if they desire to expand internationally. National brands (NB) are manufacturer brands produced and sold off in national markets (American Marketing Association; Suyama et al., 2004). Meanwhile, private brands (PB) also known as private label brands (PLs) are retailer brands sold within their own stores (Goldsmith, 2010; Lin et al., 2009). The intense competition between retailer store brands versus national brands continues to be a growing phenomenon to this day in the global market (Cuneo et al., 2015). In order to understand how one brand can outperform the other in
an international context, one critical question to probe into is whether if cultures have an influence on the preference on NBs or PBs.

According to past literature, NBs have long dominated over PBs as their perceived quality, attitude, and brand loyalty are generally perceived as higher (Garretson et al., 2002). However, during the past few decades, private brands have emerged, grown at a fast rate, and have now even become a threat to national brands (Menon, 2017). In current times, given the large rise and development of concentrated retailers, PBs are becoming more prominent and have now improved their products through various strategies such as value pricing, increasing quality, packaging, and product differentiation (Shetty & Manoharan, 2012). Due to the ongoing intense competition, many researchers have become interested in studying both brands extensively.

Most previous research has focused on the competition between the NB and PB in the domestic market. In particular, scholars have studied and segmented consumers of the PB and NB with demographic constructs and attributes such as income level, price sensitivity, attitude towards brands, perceived risks and product category shopping preferences (Coe, 1971; Rao, 1969; Burger & Schott, 1972; Garretson et al., 2002; Batra & Sinha, 2000; Pepe et al., 2012). A limited amount of studies have investigated into a consumer’s culture as an influencing factor towards the purchase on the PB and NB. Yet, culture is an important influential factor towards understanding consumer behavior in the international context.

A main reason scholars have focused more on the domestic market and not in the international market and culture during the past is due to the lesser degree of economic globalization (Steenkamp & de Jong, 2010). However, our world today is more economically globalized than before. Through the rise of accelerated globalization, many newly developed and developing nations are joining the world for economic trade and growth (Lutz, 2011). With the ongoing trend of globalization, culture is a critical factor to probe into to understand its effects on consumer preferences on the PB and NB.

This study aims to understand how a consumer’s culture impacts their preference and willingness to pay on private brands and national brands. Specifically, this paper attempts to investigate two research questions. The first question aims to understand how PBs and NBs perform successfully in the market by attracting consumers and raising their willingness to pay through building brand equity. Brand equity is the
additional value added to a product by its brand name (Park & Srinivasan, 1994). In addition, brand equity is also applicable and fit for cross-cultural analysis. Studies by previous scholars have indicated that brand equity is generalizable across cultures, which makes it meaningful for cross-cultural comparison (Yoo & Donthu, 2002; Buil et al., 2008). Past research has looked into brand equity as a single construct, but has not examined in more detail regarding the different type of brands (Yoo et al., 2000). This study broadens previous research by extending the application of brand equity deeper into the two type of brands, the PB and NB.

The second question of this study explores into how a consumer’s culture influences their preference and willingness to pay towards the private brand and national brand. A study by Tifferet & Herstein (2010) has previously pointed out the cultural effects of individualism on the preferences of the NB and PB. Their findings indicate that consumers of individualistic societies are more brand-savvy, which make them less inclined to purchase PBs (Tifferet & Herstein, 2010). However, knowledge of consumer preferences based on other cultural dimensions on the NB and the PB is still incomplete. This study broadens existing literature by exploring into the additional dimensions of power distance (PDI), uncertainty avoidance (UAI) and masculinity versus femininity (MAS), which are based on Hofstede’s (1983) original four cultural dimensions. Researching into other additional cultural dimensions is important, because culture provides symbolic values to consumers (Hofstede, 1983). And by investigating into symbolic values, marketers can determine consumer preferences based on whether if a consumer identifies with a certain product. In other words, consumers purchase and use products for self-expression and to satisfy their symbolic need (Chernev & Hamilton, 2011).

This research contributes to the literature in the international marketing field by exploring into culture as a moderator towards the willingness to pay towards PBs and NBs. It is an important topic for exploration, because it assists marketing academics and practitioners in the following ways. First, it researches more into a global context on the PB and NB rather than the domestic market that was mainly focused in past studies. Secondly, it expands the literature of culture on PBs and NBs by probing upon other additional cultural dimensions that were previously not explored before. Thirdly, it assists marketing practitioners and managers of the PBs and NBs in understanding their consumers’ cultures across nations and on how it affects their willingness to pay for their products in the global setting.
LITERATURE REVIEW & PROPOSITIONS

Brand

A brand is a “Name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers” (American Marketing Association Dictionary). Brands are a key component towards building value in a business. They can increase the perceived quality of products and can bring positive social and emotional value to a consumer’s feelings towards a product (Kotler & Gertner, 2002). The importance and benefits of brands has called in for many studies. For instance, past literature has studied extensively into brand research ranging from brand loyalty, equity, image, awareness, management, identity, strategy and personality (Chaudhuri & Holbrook, 2001; Yoo et al., 2000; Allman et al., 2016; Aktas et al., 2016; Hanna & Rowley, 2013; He et al., 2016; Malär et al., 2011).

Private Brand vs. National Brand

Private brands also known as private labels are store brands that emerged from retailers during the late 1970s. In the beginning, private brands were regarded as inferior products in comparison to national brands as they were priced lower, had lower quality and were advertised less (Goldsmith et al., 2010). However, during the past few decades, private brands have emerged, grown at a fast rate, and are even becoming a threat to national brands (Menon, 2017). Over the recent years, private brands have improved their products through various strategies such as value pricing, increasing quality, packaging, customer segmentation, product differentiation and raising safety standards (Shetty & Manoharan, 2012). Part of the reason of the large growth of private brands can be accounted to the increased development of concentrated retailers (Verhoef et al., 2002; Cuneo et al., 2015).

National brands also known as manufacturer brands are products made by manufacturers and then sold off in national markets (American Marketing Association). The perceived quality, attitude, and brand loyalty towards national brands are generally perceived as higher than private brands (Garretson et al., 2002). Furthermore, national brands are also advertised and promoted more frequently than private brands (Hoch & Shumeet, 1993). In particular, national brands are emphasized to have authenticity with a higher willingness to pay by consumers (Kadirov, 2015). Despite having many competitive advantages over the private brand, national brands are still facing intense competition as their market share are being taken over by private brands. One reason
explaining this trend can be seen by the consumer’s shift from being more price-conscious than brand-conscious (Goldsmith et al., 2010).

**Brand Equity**

Due to the advantages of branding, understanding what creates brand value is an important determinant towards a brand’s success. Brand value can also be understood as brand equity (Keller & Lehmann, 2006). Brand Equity is the additional value and utility attached to a product by the effects given from a brand name (Park & Srinivasan, 1994). In addition, it also known as the difference in value between a branded product and an unbranded product (Yoo et al., 2000).

Brand equity consists of four dimensions, which are perceived quality, brand loyalty, brand awareness and brand associations (Aaker, 1991, 1996). A study by Yoo et al. (2000) subsequently extended Aaker’s (1991, 1996) research by reducing brand equity to three dimensions through the integration of brand awareness and brand associations. The reason of combining the two was due to their strong linked correlation. According to Zeithaml (1988), perceived quality is defined as a “consumer’s judgement about a product’s overall excellence or superiority” (p. 3). Brand loyalty is the “deeply held commitment to rebuy or patronize a preferred product/service consistently in the future” while resisting any influential factor that causes switching behavior (Oliver, 1997, p.392). And brand awareness and associations is defined as “anything linked in memory to a brand” (Aaker, 1991, p.109). All of these three dimensions build and increase brand equity.

Brand equity is an appropriate tool for measuring the PB and NB, because it encompasses and measures a brand’s value holistically at three levels, which are the product market, customer market and financial market (Keller & Lehmann, 2006). In addition, numerous studies have also argued that brand equity has a positive relationship to performance (Rubinson & Pfeifer, 2005; Keller & Lehmann, 2006; Mizik, 2014; Vukasovic, 2016). Similar to the national brand, private brands also consist of the same dimensions. A recent study by Girard et al. (2016) has found empirical evidence of the dimensions of perceived quality, brand loyalty, brand awareness and associations existing in private brands through a survey study responded by online Wal-Mart shoppers. In particular, they state that the foundation for building private brand equity are the dimensions of perceived quality and brand awareness.
### Willingness to Pay

Willingness to pay (WTP) is “the maximum amount of money a customer is willing to spend for a product or service” (Homburg et al., 2005, p.85). Past research has indicated that brand equity has a positive relationship to willingness to pay (Li & Ellis, 2014). For instance, Li & Ellis (2014) found a direct positive influence of brand equity to WTP in branded apparel products. In other words, the higher the brand equity, the higher the WTP from consumers.

Additionally, brand equity also has an indirect positive influence on WTP through customer satisfaction and brand loyalty (Homburg et al., 2005; Chaudhuri & Holbrook, 2001). A study conducted by Tanveer & Lodhi (2016) found that brand equity has a positive impact on customer satisfaction, which in turn is also empirically proved to have a positive impact on WTP (Homburg et al., 2005). Similarly, brand equity also has an indirect positive influence on WTP through brand loyalty. Brand loyalty is considered to be a key dimension of brand equity, which also has a positive impact on WTP, since consumers are willing to spend more money on their preferred brands based on their perceived value and the belief that other alternative brands cannot provide the value in the same way (Yoo et al., 2000; Jacoby & Chestnut, 1978; Reichheld, 1996). Based on the above literature, this paper posits the following propositions.

**Proposition 1:** Private brand equity has a positive relationship to willingness to pay.

**Proposition 2:** National brand equity has a positive relationship to willingness to pay.

### Hofstede’s Cultural Dimensions

Geert Hofstede is a psychologist at IBM who conducted a large scale research on national culture from 1967 to 1971. Data based on employee attitudes and values were collected with 116,000 questionnaires in total (Hofstede, 1983). It was one of the largest studies conducted on cultural research. In particular, in his study, four dimensions were investigated. They are individualism vs. collectivism (IDV), power distance (PDI), uncertainty avoidance (UAI), and masculinity vs. femininity (MAS) (Hofstede, 1983). All of Hofstede’s (1983) cultural dimensions were measured at the national-level. Thus, this study will discuss the following propositions based on the national-level. In the following parts, this paper will define each cultural dimension accordingly.
Individualism vs. Collectivism

Hofstede’s first cultural dimension is known as individualism vs. collectivism (IDV). According to Hofstede, societies that are more individualistic tend to focus more on freedom, self-interest and their immediate family. In individualistic societies, the ties between individuals are loose. On the other hand, in collectivist societies, the ties between individuals are tight. Collectivist societies also tend to look after the interests of their group such as their family, tribe or village. In addition, collectivist societies also tend to protect the interest of their group, follow their opinions and beliefs in exchange to gain protection from their group (Hofstede, 1983).

According to previous literature, individualistic societies are more brand-savvy than collectivistic societies (Dutta-Bergman & Wells, 2002; Sun et al., 2004). Brand-savvy is defined as having the preference of national brands over private brands, which are viewed to be more packaged, attractive and usually with a higher perceived quality (De Chernatony & McDonald, 1998). Although individualism may be linked towards desiring uniqueness, which national brands may sometimes lack, findings from Herstein et al. (2012) indicates that there is no association on individualism towards purchasing private brands. Another study by Tifferet & Hersetin (2010) also offers empirical evidence that individualistic consumers have more of a preference on NBs over PBs. Based on the above literature, this study posits the following propositions.

*Proposition 3a:* The cultural dimension of individualism as a moderator weakens the positive relationship of private brand equity and willingness to pay.

*Proposition 3b:* The cultural dimension of individualism as a moderator strengthens the positive relationship of national brand equity and willingness to pay.

Since individualistic consumers are more brand-savvy, they are more inclined to purchase NBs over PBs. As a result, the cultural dimension of individualism negatively moderates the positive relationship between private brand equity and WTP. Meanwhile, since individualistic consumers prefer NBs, it strengthens the positive relationship between national brand equity and WTP as a moderator.

Power Distance

Power distance (PDI) is the degree to which societies accept power inequalities. Societies with higher power distance are more autocratic, centralized and have a larger
discrepancy in power, which is created through wealth and power inequality. In contrast, societies with lower power distance try to downplay power inequalities. In addition, they are less autocratic and centralized (Hofstede, 1983).

Societies with high power distance have more status needs (De Mooij & Hofstede, 2002). Findings from Roth (1995) indicates that consumers from high PDI societies emphasize more on social and sensory needs that can be expressed through brand images. In this case, brands are used as self-expressive tools and signals that can reveal a difference in class and social aspirations (Wernerfelt, 1990). Studies have also argued that consumers from high PDI societies prefer buying more NBs over PBs (De Mooij & Hofstede, 2002; Herstein et al., 2011; Keller et al., 2016). Based on the above argument of status needs, this study posits the following propositions.

**Proposition 4a:** The cultural dimension of power distance as a moderator weakens the positive relationship of private brand equity and willingness to pay.

**Proposition 4b:** The cultural dimension of power distance as a moderator strengthens the positive relationship of national brand equity and willingness to pay.

**Uncertainty Avoidance**

Uncertainty avoidance (UAI) is the extent to which societies react towards uncertainty. Societies with high uncertainty avoidance are more structured, systematic and lead more patterned way of lives. They tend to feel more insecure of the future and thus attempt to establish security through laws, rules and norms. Furthermore, they are also less prone to change and avoid taking risks (Hofstede, 1983). On the opposite end, societies with low uncertainty avoidance tend to feel more secure and live less structured, systematic and patterned way of lives. In addition, they are more open to change and are more willing to take risks (Hofstede, 1983).

Societies with high uncertainty avoidance are more risk averse and motivated to minimize risk (Hofstede, 1983; Samaha et al., 2014). Previous studies has found that private brands in comparison to national brands are generally perceived to have higher risk by consumers (Richardson et al., 1996; Baltas, 1997; Lin et al., 2009). For instance, findings from a study by Richardson et al. (1996) indicate that PBs are perceived to have higher perceived risks than NBs in grocery and convenience products. The perceived risk of a branded product is defined as the negative expected utility derived from a purchase (Manikandan, 2012). In order to reduce risks, consumers are more
likely to choose products that are perceived to be less risky. As a result, high UAI consumers are more likely to purchase NBs over PBs. Thus, this study posits the following propositions.

Proposition 5a: The cultural dimension of uncertainty avoidance as a moderator weakens the positive relationship of private brand equity and willingness to pay.

Proposition 5b: The cultural dimension of uncertainty avoidance as a moderator strengthens the positive relationship of national brand equity and willingness to pay.

Masculinity vs. Femininity

Masculinity vs. femininity (MAS) examines the extent to which societies divide and assign gender roles. According to Hofstede (1983), masculine societies tend to maximize more on the division of gender roles. In particular, in masculine societies, men are assigned with more dominant and assertive roles. Meanwhile, women are filled more with caring and service-oriented roles. In addition, masculine societies have values such as performing, showing off and making money. On the other side, feminine societies minimize this division of gender roles and focus more on the equality between both men and women (Hofstede, 1983).

Similarly to high power distance societies, masculine-oriented societies also have more status needs in which individuals desire to show off their success by owning expensive items. These expensive items can be luxuries such as watches, jewelry, suits and dresses (De Mooij & Hofstede, 2002). In particular, performance and achievement are important factors upheld in masculine societies (De Mooij, 2000). By owning luxurious items, individuals can portray a symbol of achievement (De Mooij & Hofstede, 2002).

According to previous literature, NBs are generally perceived to have higher quality, brand image, authenticity and performance than PBs (Garretson et al., 2002; Vaidyanathan & Aggarwal, 2000; Kadirov, 2015). Garretson et al. (2002) indicates that private brands are usually regarded as inferior by consumers due to their lower price, which leads to a lower perceived quality. Thus, making it less desirable. On the other hand, NBs are usually perceived by consumers to be superior with higher quality (Garretson et al., 2002). Additionally, NBs are advertised and promoted more frequently than PBs, which allows them to gain more exposure and differentiation from PBs (Hoch & Banerji, 1993). Furthermore, a study by Kadirov (2015) also indicates
that NBs have a higher perceived authenticity than PBs and with a higher willingness to pay from consumers. Authenticity is defined as “genuine quality”, which has a meaning of “excellence in performance” in serving customers and of having high industrial quality (Beverland & Luxton, 2005; Kadirov et al., 2014; Kadirov, 2015).

Due to the higher perceived quality, brand image, perceived authenticity and performance offered by NBs over PBs, consumers from masculine-oriented societies are more inclined to purchase NBs over PBs due to the image of success the former possesses. Based on the above literature, the following propositions are made.

Proposition 6a: The cultural dimension of masculinity negatively moderates the positive relationship of private brand equity and willingness to pay.

Proposition 6b: The cultural dimension of masculinity as a moderator strengthens the positive relationship of national brand equity and willingness to pay.

Figure 1. Conceptual Framework
DISCUSSION AND CONCLUSION

This paper has examined into how a consumer’s culture influences their preference and willingness to pay on private brands and national brands. The academic implications for this study discusses how Hofstede’s cultural dimensions have moderating effects towards the positive relationship between PB equity and WTP and NB equity and WTP. In particular, Hofstede’s four dimensions are explored in this research, which are individualism versus collectivism (IDV), power distance (PDI), uncertainty avoidance (UAI), and masculinity versus femininity (MAS). The moderating effects of each cultural dimension towards PB equity and WTP and NB equity and WTP are proposed and summarized in the conceptual framework (figure 1) from the prior section.

The managerial implications for this study probe into how a consumer’s culture can affect their preferences towards PBs and NBs. For instance, consumers that have a culture of high uncertainty avoidance tend to be more risk-averse and usually prefer national brands over private brands, because NBs have a less perceived risk than PBs. As a result, firms need to be aware of their business region and consumer’s culture to compete with either PBs or NBs. Based on past literature and theory, this study finds that NBs are in overall more preferred than PBs in Hofstede’s four cultural dimensions of individualism, power distance, uncertainty avoidance and masculinity. However, the PB should not be easily overlooked as this research still contains some limitations.

This research is a conceptual study which lacks empirical data. Another limitation is Hofstede’s measurement of culture, which is based on the national-level. However, using a national-level of measure to categorize a whole nation is problematic as the nation may contain many different cultures. As a result, future research can be focused on the following suggestions. First, this study can be expanded with a methodology and quantitative analysis. Secondly, instead of using the national-level of measure, future research can focus on using an individual-level based measurement of Hofstede’s cultural dimensions as an alternative choice (Yoo et al., 2011). Thirdly, future research can also focus on investigating into Hofstede’s fifth and sixth cultural dimensions, which are long-term orientation versus short-term orientation (LTO) and indulgence versus restraint (IVR) and examine its moderating effects towards the positive relationship between PB equity and WTP and NB equity and WTP (Hofstede, 1993, 2011). Lastly, this paper contributes to the field of international marketing by exploring into how a consumer’s culture influences his/her preference and WTP towards PBs and NBs.
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