The Impact of Culture on the Consumption and Preferences of the Private Brand Versus the National Brand

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Introduction (1-1)

- World Economy (Globalization)
- Rise of MNEs
- National Brands (NBs) vs. Private Brands (PBs)
- International Marketing Across Cultures

(Hewett & Bearden, 2001; Cuneo et al., 2015)
Introduction (1-2)

Past Literature

» Domestic Market (income level, price sensitivity, attitude, perceived risk and product category shopping preferences)

Limited Literature

» International Context (Culture)

(Coe, 1971; Rao, 1969; Burger & Schott, 1972; Garretson et al., 2002; Batra & Sinha, 2000; Pepe et al., 2012).
Introduction (1-3)

Research Objectives:

(1) How do private brands and national brands increase consumers’ willingness to pay through building brand equity?

(2) How does a consumer’s culture influence their preference and willingness to pay on private brands (PBs) and national brands (NBs)?
Cultural Effects of Individualism on the Preferences on the NB and PB

Other Dimensions are still incomplete

Hofstede’s Cultural Dimensions (Power distance, uncertainty avoidance and masculinity versus femininity)

(Tifferet & Herstein, 2010)
Brand Definition: “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).

- Building Value
- Increase Perceived Quality

(Kotler & Gertner, 2002)
Literature Review (2-2)

Private Brands
- Private Labels (Store Brands)
- Emerged in 1970s
- Regarded as “inferior” in the past
- Large Growth in Recent Years

National Brands
- Manufacturer Brands
- Sold off in National Markets
- Perceived with higher quality

(Goldsmith et al., 2010; Verhoef et al., 2002; Cuneo et al., 2015; Garretson et al., 2002)
Literature Review (2-3)

Brand Equity Definition: is the additional value and utility attached to a product by the effects given from a brand name

3 Dimensions – Perceived Quality, Brand Loyalty and Brand Awareness & Associations

**Literature Review (2-4)**

**Willingness to pay (WTP) Definition:** is “the maximum amount of money a customer is willing to spend for a product or service”

- Positive relationship between Brand Equity and WTP (e.g. apparel products),
- Brand Equity → Customer Satisfaction and Brand Loyalty → WTP (Indirect Positive Influence)

(Homburg et al., 2005, p.85; Li & Ellis, 2014; Chudhuri & Holbrook, 2001; Tanveer & Lodhi, 2016;
Proposition 1 & 2

**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.
Literature Review (2-5)

Geert Hofstede’s Cultural Dimensions

- Psychologist at IBM
- Research on National Culture (1967-1971)
- 116,000 questionnaires
- 4 Dimensions: Individualism vs. Collectivism (IDV), Power Distance (PDI), Uncertainty Avoidance (UAI) and Masculinity vs. Femininity (MAS)

(Hofstede, 1983)
Literature Review (2-6)

**Individualism vs. Collectivism**

- Focus more on freedom, self-interest and immediate family
- Ties between individuals are more loose
- Look after interest of their own groups (family, tribe, village)
- Ties between individuals are more tight

(Hofstede, 1983)
Literature Review (2-6)

Individualistic Societies

- are more Brand-Savvy than Collectivistic Societies
- Preference over national brands (more packaged, attractive, higher quality)
- Less inclined to purchase private brands

(Dutta-Bergman & Wells, 2002; Sun et al., 2004; De Chernatony & McDonald, 1998; Tifferet & Hersetin, 2010)
Proposition 3a & 3b

- 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.
Proposition 3a & 3b

Private Brand Equity

National Brand Equity

Individualism

P_1 (+)  P_{3a} (-)

P_2 (+)  P_{3b} (+)

Willingness to Pay (WTP)
Literature Review (2-7)

**Power Distance (PDI):** is the degree to which societies accept power inequalities.

High
- More Autocratic & Centralized
- Larger Discrepancy in power

Low
- Less Autocratic & Centralized
- Downplay Inequality

(Hofstede, 1983)
Societies with high power distance

- have more status needs (Social & Sensory Needs → Brand Images)
- Brands = Self-Expressive Tools
- Prefer purchasing NBs over PBs

(De Mooij & Hofstede, 2002; Roth, 1995; Wernerfelt, 1990; Herstein et al., 2011; Keller et al., 2016).
Proposition 4a & 4b

- *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.
Proposition 4a & 4b

Private Brand Equity

National Brand Equity

Power Distance

Willingness to Pay (WTP)

\[ P_1 (+) \rightarrow P_4a (-) \]

\[ P_2 (+) \rightarrow P_4b (+) \]
Literature Review (2-9)

Uncertainty avoidance (UAI) is the extent to which societies react towards uncertainty.

High

- More structured, systematic and patterned
- Feel Insecure (Establish laws, rules and norms)
- Less prone to change & avoid taking risks

Low

- Less structured, systematic and patterned
- Feel more secure
- Open to change and willing to take risks

(Hofstede, 1983)
Societies with high uncertainty avoidance

- are more risk averse / motivated to reduce risks
- Prefer national brands over private brands due to level of perceived risks
Proposition 5a & 5b

- *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.
Proposition 5a & 5b

- Private Brand Equity
- National Brand Equity
- Uncertainty Avoidance
  \[ P_1 (+) \rightarrow P_{5a} (-) \]
  \[ P_2 (+) \rightarrow P_{5b} (+) \]
- Willingness to Pay (WTP)
Masculinity vs. femininity (MAS) examines the extent to which societies divide and assign gender roles.

**Masculine Societies**
- Maximizes the division of gender roles
- Values performance, showing off and making money

**Feminine Societies**
- Minimizes the division of gender roles
- Focuses on gender equality

(Hofstede, 1983)
Literature Review (2-12)

Masculine oriented societies

- Have more status needs
- Desire to show off success
- Emphasize more on performance & achievement

(De Mooij & Hofstede, 2002; De Mooij, 2000)
Literature Review (2-13)

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)
Proposition 6a & 6b

- **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.
Proposition 6a & 6b

Private Brand Equity

National Brand Equity

Masculinity

Willingness to Pay (WTP)

$P_1$ (+) $\rightarrow$ $P_{5a}$ (-)

$P_2$ (+) $\rightarrow$ $P_{5b}$ (+)

Equity

Willingness to Pay (WTP)
Figure 1. Conceptual Framework
Discussion and Conclusion (3-1)

- This paper has examined into how a consumer’s culture influences their preference and willingness to pay on private brands and national brands.
- Hofstede’s 4 Cultural Dimensions
- National brands are in overall more preferred than private brands.
Discussion and Conclusion (3-2)

Limitations

- Conceptual Study (Lacks empirical data)
- Hofstede’s cultural dimensions (National-level)

Future Research

- Expand methodology and quantitative analysis
- Individual-level based measurement of Hofstede’s cultural dimensions (Yoo et al., 2011)
- Hofstede’s 5th & 6th Cultural Dimensions
  - Long-term orientation vs. Short-term orientation (LTO)
  - Indulgence vs. Restraint (IVR)
THANK YOU FOR YOUR ATTENTION.