

Brand image and customers' willingness to pay a price premium for food brands

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Abstract

Purpose – The aim is to understand customers' willingness, or unwillingness, to pay a price premium in the market for consumer packaged food and what kind of images brands can use in order to achieve a price premium.

Design/methodology/approach – The study is based on a quantitative survey of brand images found in food and branding literature and their impact on loyalty as well as customers' willingness to pay a price premium for consumer packaged food.

Findings – The survey shows that quality is a significant determinant of price premium, but adding other image dimensions doubles the predictability and understanding about price premium. The strongest determinants of price premium are social image, uniqueness and home country origin. Other significant determinants are corporate social responsibility (CSR) and awareness.

Practical implications – The results help brand managers to recognise the importance of incorporating price premium and to develop a better understanding of what drives price premium in addition to more traditional dimensions as quality and loyalty.

Originality/value – In grocery retailing, the competition for customers, margins and price premiums between manufacturer and private labels is fierce. Traditionally, the literature on this competition has focused on quality and product improvements as the main tool for creating distance to low priced competition. This study looks into other more branding related dimensions to distance from price competition.

Keywords Brand equity, Price premium, Brand image, Brand loyalty, Food product, Private labels

Paper type Research paper

An executive summary for managers and executive readers can be found at the end of this issue.

Introduction

In several consumer product markets, traditional manufacturer brands are facing intense price competition. One such market is consumer packaged food, in which a major reason behind the price competition has been that retailers, with increasing power, have developed and marketed their own store brands, or private labels (e.g. Verhoef *et al.*, 2002). Initially, these brands were mainly low-cost alternatives, but they have grown more sophisticated over time (Laaksonen and Reynolds, 1994). Although negative effects can occur for retailers if the store brand penetration reaches a certain level (Pepe *et al.*, 2011), the fight between manufacturer branded products and store branded products relating to margins and prices is currently fierce.

Traditionally, the literature on the competitive situation between private and manufacturer labels in the retail sector has primarily focused on the product quality as the solution for consumer packaged food brands that want to avoid a price war (see Bronnenberg and Wathieu, 1996; Hoch, 1996; Ghose and Lowengart, 2001; Steenkamp *et al.*, 2010). The idea has been that by increasing the objective or perceived product quality, a brand can create a differentiated position that motivates consumers to pay more. Also brand managers

within the food industry seem to prioritise a quality image in their efforts to build strong brands (Anselmsson and Bondesson, 2013; Davčik and Rundquist, 2012.). There are, however, reasons to believe that the product quality is losing its strength as a competitive tool (Gerzema and Lebar, 2008). Imitation, for example, has become a popular route for many companies (Verhoef *et al.*, 2002) and the market leading brands are in many cases producing for the competing private label, which principally means that the brand name is the only difference between a manufacturer label and its private label competitor. Some writers have even argued that the quality provided to consumers has been gradually eroded for years, as leading brands have reduced the objective quality of their products to meet low-cost competition (Silverstein, 2006; Ettlinger, 2008). Taken together, these developments suggest that it might be difficult to sustain a competitive advantage based solely on product quality, an interpretation that finds support in empirical studies showing that product quality perceptions alone can explain only a small share of the price consumers are willing to pay for different packaged food products (Sethuraman, 2000, 2003). This is precisely where the present study takes its starting point, attempting to understand which non-product quality-related customer perceptions explain why customers are willing to pay more or less for different consumer packaged food product brands. We argue that this can be achieved by utilising theories on customer-based brand equity, which have an explicit interest in non-product-related customer perceptions that add value to a product or service often resulting in the ability to charge a price premium (Farquhar, 1989; Keller, 1993). By treating consumer packaged food products as brands, we hope to understand the price dimension in the competition between manufacturer labels and private labels better. From a managerial point-of-view, better understanding of alternative ways to increase the distance to private labels could have

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positive impact on variety, innovation and competition (Hoch, 1996; Verhoef *et al.*, 2002).

More specifically, the aim of the present study is to develop an understanding of the driving forces behind customers' willingness, or unwillingness, to pay a price premium in the market for consumer packaged food. Although the present study focuses on consumer packaged food, we also hope to provide general contributions by adding an empirical piece from this industry, as there is limited systematic empirical research on general price premium determinants. Much of the research on brand equity (see Yoo and Donthu, 2001; Washburn and Plank, 2002; Kim and Kim, 2005) as well as food marketing (Méndez *et al.*, 2011; Rajh *et al.*, 2003; Khan and Mahmood, 2012) has focused more on why customers choose, prefer and buy (principally various aspects of brand loyalty or brand attachment), but less on why they want to pay more or less. And, those studies that have focused on customers' willingness to pay have only considered product-related perceptions (see Kalogeras *et al.*, 2009) or only one type of determinants (such as origin, see Unahanandh and Assarut, 2013). One exception is a qualitative, explorative and conceptual study by Anselmsson *et al.* (2007), which suggests that customers' willingness to pay for food brands is determined by five dimensions: awareness, perceived quality, loyalty, uniqueness and non-product-related brand associations including associations to corporate social responsibility (CSR), social image and origin. The present study can be described as an attempt to systematically and empirically evaluate which image dimensions in previous literature that specifically determines customers' willingness to pay a price premium for food brands.

Conceptual framework: price premium and customer-based brand equity

There are many different ways of defining brand equity but most authors seem to agree with Farquhar's (1989) early definition of brand equity as "the value endowed by the brand to the product". The concept of brand equity has an explicit focus on extracting the tangible economic value from brands, which makes it particularly relevant for anyone interested in how brands compete for price premiums. There is still some confusion about the distinctions and microelements of brand equity (c.f. reviews by Knowles, 2008; Christodoulides and de Chernatony, 2010), but most writers agree that the financial value of brands (or finance-based brand equity) is rooted in the minds of customers. The latter is the focus of the psychologically oriented customer-based brand equity perspective (see Aaker, 1996; Keller, 1993; Yoo and Donthu, 2001; Netemeyer *et al.*, 2004). Keller (1993) defines customer-based brand equity as the differential effect of brand knowledge on consumer response to the marketing of the brand. This is also the focus of the present paper, given the aim of understanding why customers want to pay more or less for different consumer packaged food brands.

As the research within the customer-based brand equity field has become more systematic, a distinction between determinants (*brand image*) and outcomes (*brand strength*) has evolved (Srivastava and Shocker, 1991; Feldwick, 1996; Wood, 2000; Persson, 2010). Brand image (or sometimes brand knowledge or brand description) has been defined as any information linked to the brand in the customer memory

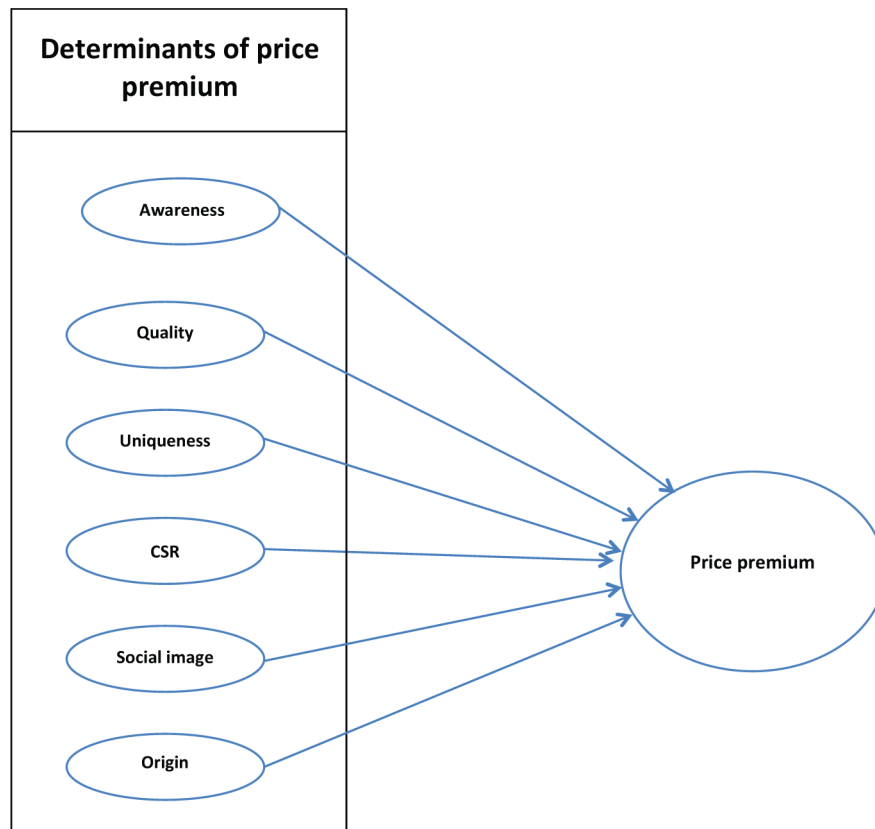
(Keller, 1993), meaning the associations and beliefs that the customer has regarding the brand. Brand strength, in contrast, is most often described as a global evaluation or an intention to behave, such as an intention to buy or pay for a brand (see Netemeyer *et al.*, 2004). Examples of general brand strengths and outcomes of brand image are price premiums, loyalty and satisfaction (Aaker, 1996; Netemeyer *et al.*, 2004; Keller, 2001). According to Aaker (1996, p. 107), "price premium may be the best single measure of brand equity available".

The present framework (Figure 1) is based on the general brand equity literature, as well as food-industry-specific works. The brand image for consumer packaged food is conceptualised in six brand dimensions that are all hypothesised to influence brand strength in terms of the willingness to pay a price premium: awareness, uniqueness, perceived quality and positive associations with CSR, origin and social image. In addition (but not included in the presented framework), and for comparative motives brand loyalty is conceptualised and tested as a brand strength construct (i.e. as an outcome of brand image, as in Wood, 2000). As loyalty is a central component in many customer-based brand equity models, there is good reason for adding the concept of loyalty into this analysis, and to compare how different determinants of price premium influence loyalty. The nature of the relationship between loyalty and price premium is an object of disagreement between researchers (e.g. Khan and Mahmood, 2012; Reichheld and Sasser, 1990) and delving deeper into that issue warrants another article. The focus and precision of this study lie elsewhere and the primary aim is thus not to settle how loyalty and price premium are interrelated.

Price premiums as an indicator of brand strength

A brand obtains a price premium when the sum that customers are willing to pay for products from the brand is higher than the sum they are willing to pay for similar products from other relevant brands (Aaker, 1996). Conceptually, several writers describe price premiums as the most useful indicator of brand equity (Blackston, 1995; Aaker, 1996; Sethuraman, 2000). Empirically, several studies (see Agarwal and Rao, 1996; Ailawadi *et al.*, 2003) seem to support their argument by showing, for example, that a price premium is relatively stable over time, yet captures variations in the brand's health, and is a powerful predictor of market shares. Some writers, such as Doyle (2001), even argue that a price premium is the most important way in which brands can create shareholder value, because it requires no direct investments to charge a higher price.

It should be noted that price premium in the present study, as well as in Sethuraman (2000), deals with a willingness to pay, which does not necessarily reflect real prices. In addition, price premium is a relative measure, which means that it is relevant for all brands (even for low-cost brands, for which customers can be willing to pay more for one brand than for another). Price premium seems to have a central place in branding theory, but there is still relatively little systematic and empirical research on which specific brand image elements build price premiums. This applies to consumer packaged food as well as other markets.

Figure 1 Conceptual framework

Brand image for consumer packaged food and its impact on price premium

In the existing brand equity literature, there are numerous different brand image models, both conceptual (Aaker, 1996; Keller, 2001) and operational. Some of the operational models were developed with the ambition of being applicable to several different types of products (Lassar *et al.*, 1995; Yoo and Donthu, 2001; Netemeyer *et al.*, 2004), while others are more specific, focusing, for example, on airlines (Chen and Chang, 2008) or restaurants (Kim and Kim, 2004). Consumer packaged food brands have also been studied by Tikkanen and Vääriskoski (2010) and Anselmsson *et al.* (2007). Those studies were more exploratory, conceptual and qualitative, which is why more quantitative analyses are needed to examine the causal relationships between different brand image elements, price premiums and loyalty. In the following, each of the six brand image elements in the present framework (Figure 1) will be described in detail, and hypotheses considering how price premiums will be built. Table I is a summary of works (by author name and year of publication) in which it has been proposed or argued that there could be an impact of certain brand images on price premium.

Brand awareness is reflected in the customers' ability to identify the brand under different circumstances (Keller, 1993), including brand recognition and brand opinion (Aaker, 1996). According to Aaker (1996), awareness is viewed as one of the most important pillars for building brand equity. It is considered to be of particular importance in low-involvement product categories (Keller, 1993; Ritson, 2003), such as groceries in general, even if that might not be

attributed to all consumer groups. In several studies, brand awareness has been found to influence customers' response to brands positively (Anselmsson *et al.*, 2007; Cobb-Wahlgren *et al.*, 1995; Yoo and Donthu, 2001; Washburn and Plank, 2002). Consequently, we assume that brand awareness is of importance for customers' willingness to pay a price premium for a food brand:

- H1a. Perceived awareness will have a positive impact on customers' willingness to pay a price premium.
- H1b. Perceived awareness will have a positive impact on brand loyalty.

In most brand equity models, perceived quality is a core element (Lassar *et al.*, 1995; Aaker, 1996). Moreover, in the food marketing literature, perceived quality is a salient concept (see Richardson *et al.*, 1994; Oude Ophuis and Van Trijp, 1995; Acebrón and Dopico, 2000) and both Anselmsson *et al.* (2007) and Kalogeras *et al.* (2009) propose it to be a determinant of price premium. As with customer-based brand equity, and in contrast to objective quality, perceived quality is a subjective mental notion that exists in customers' minds and differs from objective quality by having a higher degree of abstraction (Zeithaml, 1988; Keller, 1993; Aaker, 1996). Empirical studies have confirmed the positive relationship between perceived quality and price premiums (Netemeyer *et al.*, 2004; Sethuraman (2000), purchase behaviour (Netemeyer *et al.*, 2004), preference and purchase intentions (Yoo and Donthu, 2001; Washburn and Plank, 2002):

Table I Determining the relevant brand images for understanding price premium

Brand images driving willingness to price premium	Supporting work within branding or food marketing (examples)
Brand awareness	Aaker (1996), Anselmsson <i>et al.</i> (2007), Yoo and Donthu (2001), Washburn and Plank (2002), Cobb-Wahlgren <i>et al.</i> (1995)
Perceived quality	Anselmsson <i>et al.</i> (2007); Netmeyer <i>et al.</i> (2004); Yoo and Donthu (2001); Acebrón and Dopico (2000); Oude Ophuis and Van Trijp (1995); Kalogeras <i>et al.</i> (2009); Khan and Mahmood (2012); Sethuraman (2000)
CSR	Anselmsson <i>et al.</i> (2007); Anselmsson and Johansson (2007); Brunso <i>et al.</i> (2002); Oude Ophuis and Van Trijp (1995)
Home country origin	Anselmsson <i>et al.</i> (2007); Ahmed <i>et al.</i> (2004); Arnoult <i>et al.</i> (2010); Ger <i>et al.</i> (1999); Unahanandh and Assarut (2013)
Social image	Anselmsson <i>et al.</i> (2007); Tikkanen and Vääriskoski (2010); Lassar <i>et al.</i> (1995); Hall (2008)
Uniqueness	Anselmsson <i>et al.</i> (2007); Netemeyer <i>et al.</i> (2004); Kalra and Goodstein (1998)

H2a. Perceived quality will have a positive impact on customers' willingness to pay a price premium.

H2b. Perceived quality will have a positive impact on brand loyalty.

In Aaker's (1996) brand equity framework, associations to the organisation behind a brand are accentuated and one aspect that has been shown to be of particular relevance to the food industry is the corporation's social responsibility (or CSR). Anselmsson *et al.* (2007) proposes that when consumers perceive that a food brand company cares for the society, the environment and/or its employees, the willingness to pay a price premium for that brand is heightened (see also Anselmsson and Johansson, 2007). Such a proposition is supported by empirical observations of price premiums for most brands with CSR commitments. Much research on food-related marketing and consumer behaviour has looked at how CSR issues influence customer attitudes and behaviour (e.g. Oude Ophuis and Van Trijp, 1995; Grunert *et al.*, 1996; Nielsen *et al.*, 1998; Shepherd *et al.*, 2005). Although these studies do not unanimously support that CSR perceptions drive purchase behaviour in all customer segments, one can justly conclude that a favourable CSR image positively influences customers' loyalty and willingness to pay a price premium for a specific food brand.

H3a. Perceived CSR will have a positive impact on customers' willingness to pay a price premium.

H3b. Perceived CSR will have a positive impact on brand loyalty.

There is plenty of research on consumers' perception of the home country origin of brands and products. Generally, the underlying assumption of this field is that consumers will respond to a product or a brand more favourably if it has a favourable country-of-origin image (Maheswaran, 1994), which research has shown can also apply to food brands (Ahmed *et al.*, 2004; Arnoult *et al.*, 2010; Unahanandh and Assarut, 2013). The present paper focuses on the aspect of home country origin (c.f. Ger *et al.*, 1999; Gürhan-Canli and Maheswaran, 2000), which has been proposed to be a determinant of customers' willingness to pay in exploratory qualitative studies (Anselmsson *et al.*, 2007; Tikkanen and Vääriskoski, 2010).

H4a. Perceived home country origin will have a positive impact on customers' willingness to pay a price premium.

H4b. Perceived home country origin will have a positive impact on brand loyalty.

In the general branding literature, social image, or the social role and symbolic meaning of brands, is often emphasised (Martin and Brown, 1990; Biel, 1992). In the brand equity literature, the more specific user image construct (i.e. perceptions about the typical buyer or user of a certain brand) relates to the very same idea and is seen as an important component when building brand equity and customer loyalty (Keller, 2001). The idea is that brands, as other possessions, provide customers with means to express themselves, their ideal selves or specific dimensions of themselves (see Belk, 1988; Ball and Tasaki, 1992). This idea seems to be supported by empirical work, suggesting that social image is indeed relevant and influences customers' response in a variety of categories, not only capital and shopping goods (Lassar *et al.*, 1995), but also chemical-technical grocery products (Martin and Brown, 1990). Social image has also been shown to be a price premium driver for food brands, according to exploratory work by Anselmsson *et al.* (2007) and Tikkanen and Vääriskoski (2010):

H5a. Perceived social image will have a positive impact on customers' willingness to pay a price premium.

H5b. Perceived social image will have a positive impact on brand loyalty.

Uniqueness, meaning "to what degree customers feel that the brand differs from competing brands" (Netemeyer *et al.*, 2004, p. 211), is one of the most central cornerstones in the marketing literature, and is closely related to concepts such as differentiation and unique selling propositions. Also, in brand equity theory, uniqueness is fundamental, as the degree of uniqueness in a brand's associations, together with the favourability and strength of those associations, determines its equity (Keller, 1993). Similar propositions with regard to food brands are presented in Anselmsson *et al.* (2007). In previous empirical studies, the link between uniqueness, price premiums and loyalty has been statistically confirmed (e.g. Kalra and Goodstein, 1998; Netemeyer *et al.*, 2004), although none of these studies have focused solely on consumer packaged food:

H6a. Perceived uniqueness will have a positive impact on customers' willingness to pay a price premium.

H6b. Perceived uniqueness will have a positive impact on brand loyalty.

Explanatory power can be gained from adding non-quality dimensions of brand image to the understanding of how

brands can achieve a higher price premium. The piece-quality relation is often the first to be mentioned in academic models, from elementary economics to branding and positioning (Kotler and Keller, 2010). Quality and quality improvements are often used as the primary, and sometimes single, dimension in discussions regarding manufacturer versus private label brands. However, Sethuraman (2000) has drawn focus on non-quality determinants and that there is at lack of knowledge of how these influence price premium. He has found that not more than roughly 20 per cent of customers' willingness to pay a price premium for a certain brand can be explained by quality perceptions, and hence that further explanation should be sought after in more image-related dimensions of brand perceptions:

H7. Adding non-quality dimensions to customers' perceptions of quality will have additional positive impact on customers' willingness to pay a price premium

Methodology

Data collection

Brands from three consumer packaged food categories were chosen for the present study: bacon, frozen ready meals and rice. The criteria behind this choice were representation from each of the three broad grocery categories (fresh, frozen and dry goods), and high total category penetration, i.e. the share of households that have bought at least one item from the category during one year, based on data that was provided by a household panel owned by the international research company GfK. Finally, in each category, the market leading brand, the leading me-too private label and the leading discount private label brand were chosen for evaluation, resulting in a total of five different brands in the study, an approach similar to Khan and Mahmood (2012). In each of the categories, these three brands represent an aggregated market share greater than 50 per cent.

The brand image, brand loyalty and price premium were all captured empirically through a survey. Questionnaires were sent by mail to 850 randomly chosen respondents nationwide. The criteria for participation were that the respondent must be between 20 and 74 years old and fully or partially in charge of the household purchases of food and groceries. After two reminder letters, and incentives in the form of a ballpoint pen and participation in a public lottery, a response rate of 42 per cent (354 individuals) was achieved. A total of 51 per cent of the respondents were women and the average age was 48 years (st. dev. 14.8). Respondents were instructed to omit brands that they were completely unfamiliar with. They were also told that their answers might be based on attitudes and assumptions about a brand, and not necessarily their asserted knowledge. Each respondent had the ability to evaluate three different brands, which led to 276 responses for the category bacon, 273 for frozen ready meals, and 334 for the category rice.

Measurement

The questionnaire was based on a five-point Likert-scale structure in which respondents describe their perceptions of three different brands. The construction of the questionnaire and its items (see below) follows previous models and recommendations, primarily within the field of brand equity (e.g. Lassar *et al.*, 1995; Aaker, 1996; Yoo and Donthu, 2001;

Netemeyer *et al.*, 2004), but also draws on marketing research focusing specifically on food (e.g. Acebrón and Dopico, 2000; Sanzo *et al.*, 2003; Verdú Jover *et al.*, 2004; Shepherd *et al.*, 2005). Initially, the full scales and models found in the relevant literature were used. The original questionnaire, containing over 50 items and alternative scales, was tested in a pilot study performed on answers from about 70 university students, and then reduced and modified based on reliability tests and student feedback.

The final questionnaire was based on between three to five items per construct (see Appendix 1). After factor analysis, validation tests and modifications, the number of items per construct was reduced to between two and four.

Awareness was measured with three items from Yoo and Donthu's (2001) consumer-based brand equity scale. Perceived quality was measured with three items, based on Netemeyer *et al.* (2004), and social image with three items based on Sweeney and Soutar (2001). The country, or region, of origin for grocery products has been identified as important in several studies (Acebrón and Dopico, 2000; Thakor and Lavack, 2003; Hong and Wyer, 1990; Samiee *et al.*, 2005). As the few scales that exist are not suitable for a general grocery model (e.g. is Jover's specialised for wine), or for structural modelling (Sanzo *et al.* used only one item), we constructed a three-items scale by combining the scales in Sanzo *et al.* (2003) and Verdú Jover *et al.* (2004). Four items used in Netemeyer *et al.* (2004) were used here in order to empirically capture the uniqueness a grocery brand. Social responsibility was measured with four different items capturing four different dimensions: health, environment, working conditions, and animal welfare, all which can be found in research in organic products as well as socially responsible food production (c.f. Bech-Larsen *et al.*, 2001).

As emphasised by de Chernatony and MacDonald (2003), among several others, price premium is a relative measure that needs to be compared to relevant competitors. Comparisons within a grocery category are consequently more useful and accurate than comparisons between different product groups. Three measurements tested in Netemeyer *et al.* (2004) were used to assess the price premium. The third measurement p3 had to be modified in order to also capture negative price premium. Loyalty was measured using three out of five items suggested in Zeithaml *et al.* (1996). These three items capture recommendation to others, buying intention and preference. However, item I2 (see Appendix 2, Table AI) had to be modified in order to seize consumer packaged food products rather than services, which had been measured in the original scale.

Results

Measurement

Explorative factor analyses were conducted for all the independent scales of the three categories together in order to analyse relationships between these, and to develop distinct scales of measurement for each of the hypotheses (see Appendix 2, Table AI). At the outset, 30 image items were included of which five were later excluded (see Appendix 1 to obtain a model and measurement scales in line with the factor analysis). The rotated factor structure was then intact for all categories but the bacon category; in that category, quality and awareness loaded under the same factor, and CSR was dissolved under social imagery and uniqueness. Factor

analyses of the loyalty and price premium variables showed that these are two distinct factors. Cronbach's Alpha values based on standardised items were computed for the scales in each of the categories and the results obtained were 0.74–83 (awareness), 0.93–95 (perceived quality), 0.85–97 (origin), 0.76–79 (CSR), 0.96–96 (social image), 0.90–91 (uniqueness), 0.83–91 (price premium) and 0.86–93 (loyalty). The Alpha values ranged from 0.74 to 0.97, indicating that the scales developed in this study were acceptable and reliable measures (Hair *et al.*, 1998). The next step was to merge the items under each dimension into index values, which meant that the number of variables was reduced from 30 to eight.

The bivariate correlations (Appendix 3, Table AII) based on Pearson, show that all variables have a significant positive correlation to price premium as well as loyalty, which means that a relationship to price premium or loyalty cannot be ruled out. Overall, there are several correlations above 0.40 among the independent variables, implying that there is a risk of multicollinearity when testing the hypotheses in a multiple regression model. An analysis of collinearity is thus needed. As will be shown later (Table II), despite of the factor analysis when creating our six independent variables, an acceptable but still moderate level of multicollinearity among the independent variables remain, which makes testing of hypotheses one to six with multivariate techniques quite unreliable.

Testing hypotheses one to six – the determinants of price premium

First of all, traditional regression is chosen rather than structural equation modelling because both the framework and the hypotheses are at this stage based on a very simple structure and no alternative models or structures are proposed. The reason for keeping a relatively simple structure is that our main focus is to analyse and to compare the direct relationship between the six independent variables (hypotheses) and the two dependent variables, price premium and loyalty. Due to moderate levels of multicollinearity among the independent variables, simple linear regression analysis is used and the results are summarised in Table III.

The results presented in Table III verify that all relationships to price premium, as well as loyalty, are significant. Hence, hypotheses one to six are all supported. Uniqueness and social image are the strongest predictors of customers' willingness to pay a price premium in all three categories. Home country origin is the third strongest, with exception in the rice category. Uniqueness could explain 32 per cent of the variance of price premium in the bacon category and social image explained 36 per cent in the frozen food category. Awareness is the weakest predictor in all categories but the rice category. Depending on category, perceived quality could predict between 13 to 23 per cent of the variation in price premium. The best predictors of loyalty in all three categories are quality and uniqueness. Quality alone could explain as much as 55 to 62 per cent of the variance in loyalty. Awareness was a better predictor of quality than price premium, but still the least important predictor in two out of three categories.

Testing hypothesis seven and the added predictability of the non-quality determinants

In Table II the results from a multiple regression analysis between the six independent variables and the two dependent variables, loyalty and price premium, is presented. It shows that the strongest predictability and explained variance for price premium is found in the frozen ready meal category, and the weakest predictability, in the rice category. With the exception of the price premium model in the rice category, the proposed determinants can explain a significant proportion of the variance both in customers' willingness to pay a price premium and in customer loyalty. Adjusted R^2 value for the price premium model ranges between 0.23 and 0.46, which doubles the corresponding value in the case when only quality is used as the single predictor, in Table III. As a result, hypothesis seven is supported in all three categories. Comparing this improvement in predictability to models with loyalty as dependent variable, the results show that predictability is only slightly improved from a range between 0.53 to 0.62 to range between 0.59 and 0.68 as the other five dimensions are added.

Reviewing the correlation matrix in Appendix 3 (Table AII), there is concern about the risk of multicollinearity, although

Table II Stepwise multiple regression showing Standardise Beta coefficients, related significance, VIF as well as variation in the brand strength value explained (adj. R^2 values)

Stepwise	Bacon				Frozen food				Rice			
	Price premium		Loyalty		Price premium		Loyalty		Price premium		Loyalty	
	St. B.	VIF	St. B.	VIF	St. B.	VIF	St. B.	VIF	St. B.	VIF	St. B.	VIF
Awareness	n.s.	1.3	n.s.	1.5	n.s.	1.1	n.s.	1.1	n.s.	1.4	n.s.	1.4
Quality	n.s.	1.9	0.55 **	1.9	n.s.	1.5	0.57 **	1.4	0.23 **	1.5	0.62 **	1.6
CSR	n.s.	2.3	n.s.	2.3	n.s.	1.6	n.s.	1.5	n.s.	1.5	0.14 **	1.4
Home country origin	0.24 **	1.8	0.11 *	1.7	0.15 **	1.3	n.s.	1.5	n.s.	1.1	0.12 **	1.1
Social imagery	0.35 **	1.4	0.10 *	1.3	0.43 **	1.3	0.14 **	1.2	0.20 **	1.2	n.s.	1.4
Uniqueness	0.41 **	1.7	0.16 **	1.9	0.27 **	1.4	0.26 **	1.6	0.19 **	1.7	0.15 **	1.6
Adj. R^2	0.44		0.59		0.46		0.63		0.23		0.68	
Df	244		244		264		261		302		299	
F	64.36		90.39		106.92		151.75		31.07		158.99	
Sig.	0.00		0.00		0.00		0.00		0.00		0.00	

Notes: * $p = 0.05$; ** $p = 0.01$; n.s. = Not significant

Table III Summary statistics in single regression analysis

Dimension	Category	Price premium				Loyalty			
		R^2	Adj. R^2	F sig.	Rank	R^2	Adj. R^2	F sig.	Rank
Awareness	Bacon	0.07	0.07	**	6	0.22	0.22	**	5
	Frozen food	0.02	0.01	*	6	0.08	0.07	**	6
	Rice	0.07	0.07	**	5	0.15	0.14	**	4
Quality	Bacon	0.23	0.23	**	4	0.55	0.55	**	1
	Frozen food	0.14	0.13	**	5	0.55	0.55	**	1
	Rice	0.16	0.16	**	2	0.62	0.62	**	1
CSR	Bacon	0.17	0.17	**	5	0.26	0.26	**	4
	Frozen food	0.16	0.15	**	4	0.25	0.25	**	4
	Rice	0.1	0.09	**	4	0.26	0.25	**	3
Home country origin	Bacon	0.24	0.24	**	3	0.29	0.29	**	3
	Frozen food	0.19	0.19	**	3	0.25	0.24	**	3
	Rice	0.03	0.04	**	6	0.07	0.07	**	6
Social image	Bacon	0.27	0.26	**	2	0.15	0.15	**	6
	Frozen food	0.37	0.36	**	1	0.16	0.16	**	5
	Rice	0.12	0.11	**	3	0.12	0.12	**	5
Uniqueness	Bacon	0.32	0.32	**	1	0.36	0.36	**	2
	Frozen food	0.27	0.27	**	2	0.38	0.38	**	2
	Rice	0.16	0.16	**	1	0.35	0.35	**	2

Notes: * $p = 0.05$, ** $p = 0.01$

the collinearity diagnostics of VIF (1.1 to 2.3) and Condition Index (17.25 to 1936 for the excluded variables) show acceptable but still indicate moderate multicollinearity, particularly in the Condition Index. Analysing the significance of the Beta coefficients in the multiple regressions to the correlation matrix, and the single regression analyses, the moderate multicollinearity would have effected the outcome of hypotheses $H1$ to $H6$, if multiple regression analysis had been used for hypothesis testing. CSR actually had an unanticipated negative relationship to price premium in the bacon category, and due to the positive direction of the relationship between CSR and price premium, in addition to the relatively high VIF score, that variable was excluded from the bacon category when assessing the explanatory power of the price premium model. This was actually in line with the finding that CSR loaded under several factors in the bacon category. In spite significant correlations to price premium and R^2 values in all three categories quality is only a significant determinant of price premium in the rice category. Uniqueness and social image are the only dimensions that are significant determinants of price premium in all three tables and categories.

Discussion and implications for future research

The starting point for the present paper was the assumption that perceived quality alone cannot explain the price premium differences between manufacturer brands and store brands; an assumption that is fully supported by our findings. The present study not only reinforces previous findings that have shown that quality perceptions do not provide the full picture (e.g. Sethuraman, 2000), but also extends them by testing which non-quality brand associations make customers willing to pay more or less. When adding uniqueness, social image,

and origin to the equation, the prediction of the price premium is more than doubled: from 13 per cent to 23 per cent (20 per cent in the study by Sethuraman, 2003) to between 23 to 46 per cent depending on the category. This means a substantial enhancement of predictability and explanatory power for each of the categories. In fact, the analysis shows that adding quality to the equation does not improve the explanatory power of the price premium model. However, in the model with loyalty as the dependent variable, the non-quality dimensions do not add much in terms of explanatory power.

Three brand image dimensions stand out as particularly strong price premium determinants: uniqueness, social image and home country origin. The finding that they all have a greater impact on price premium than quality in two out of three categories certainly highlights a very central idea in brand equity theory (Keller, 2001), namely that both rational (or tangible) and emotional (or intangible) aspects are important. The strong link between perceived uniqueness and price premium is interesting, at least from a traditional strategy perspective, in which differentiation is often put forward as a way to avoid price competition (Porter, 1985). The finding that the home country origin is important to the willingness to pay a price-premium is also interesting, as there is plenty of research suggesting that the home country origin influences customers' attitudes and loyalty to food (Ger *et al.*, 1999; Gürhan-Canli and Maheswaran, 2000).

In our view, the important role of social image is the most novel finding in the present study. Indeed, there are some more general and explorative studies that have proposed how social image matters for food brands (Tikkanen and Vääriskoski, 2010; Anselmsson *et al.*, 2007) and for the consumption of organic food (Sparks and Shepherd, 1992). Hitherto, to our knowledge, it has however not been

systematically and quantitatively linked to customers' willingness to pay a price premium. Even more interestingly, the present study covers three product categories that are not usually consumed very publicly (rice, bacon and frozen ready meals). When social image is mentioned in the general branding literature, it tends to be in relation to cars, clothes and other public products, or wine, for which social image has been shown to moderate the success of store brands (Semeijn *et al.*, 2004). Also, whereas the literature tends to focus mainly, but not only, on favourable aspects of social image, what we see here is that negative symbolism is possibly stronger, as the mean scores for social image were the lowest across all the categories and types of brands. Further conclusions are hard to draw based on these data alone, and the interaction between self-concept and consumption is complex, but the findings certainly highlight that social image should be taken into account to understand the competition between store brands and manufacturer brands.

In operational brand equity work (see Kim and Kim, 2005; Yoo and Donthu, 2001), as well as food marketing research (Rajh *et al.*, 2003; Ferjani *et al.*, 2009; Méndez *et al.*, 2011), different facets of brand loyalty tend to be the response variable in focus, referring to why customers choose, buy, prefer or recommend a certain brand. The present study contributes to this work by showing that customers' willingness to pay a price premium is determined by brand image elements somewhat different from loyalty. Customers' willingness to pay a price premium is, in this food context, first and foremost driven by its social image, its origin and its ability to stand out from the competition (uniqueness). Brand loyalty, on the other hand, is driven primarily by perceived quality, which has significant but moderate impact on price premiums. Social image, which has the strongest impact on price premium, has the second weakest impact on loyalty.

The six-dimensional brand image model has satisfactory explanatory power concerning both these behaviour-related measurements of brand strength (at best 46 per cent for price premium and 68 per cent for loyalty). Although only tested in three categories and for five different brands, the model is significant and the results indicate acceptable predictability for both brand strength constructs investigated. It is evident that it is easier to predict and understand what drives the brand strength-loyalty than what drives price premium. Hence future research could go further into understanding determinants of price premium, perhaps into more status or high-involvement related categories such as olive oil, cheese or marmalade, or perhaps by using other more unconventional research methods in order to gain even better understanding.

The study shows that the images that drive loyalty not necessarily are the same as those that drive price premium. This suggests the importance of how scholars as well as managers need to distinguish between brand associations that drive price premium and others that drive loyalty. We also urge both researchers and managers to be more precise on what the objective of building a strong image should be, to obtain a price premium, loyalty or both.

Managerial implications

The present study highlights one of the central ideas in the brand equity literature: strong brands manage to evoke both rational and emotional sentiments, which make them less sensitive to competitive action by establishing more access points in customers' minds (Keller, 2001). We believe that

thinking of food products as brands can help managers find alternative routes for competition and differentiation. Instead of focusing on communicating or altering the quality of a brand, such intangible building blocks as social image and uniqueness can be used. This applies both to manufacturer brands that want to distance themselves from store brands and to store brands that want to close the gap. A further implication is hence that marketing communication (such as advertising and PR) is a powerful tool and should serve as an ingredient in the production process, since non-product-related associations are hard to build with physical features only.

The results show a clear difference between the character of a premium brand and that of a loyalty brand, which is a distinction that has not been thoroughly addressed in previous research on brand equity. In simplified managerial terms, it can be seen as corresponding to the strategic tension between profitability and revenue growth that many firms are facing (see Dodd and Favaro, 2006). Customers' willingness to pay a price premium is related to price levels and the margins a company can obtain and thus an important profitability driver, while loyalty is perhaps more related to the volume of the revenues that a brand can attain during a longer period of time. According to a study by Anselmsson and Bondesson (2013), the loyalty focus seems to be stronger among managers of food brands, but the present study, with its specific price premium focus, nonetheless contributes with findings that are particularly relevant to brands aiming to increase their margins. As price premiums and loyalty can have different brand image determinants, this distinction has a significant impact for brand and marketing managers.

The finding that CSR is significant but among the weaker dimensions regarding impact on customers' willingness to pay a price premium should raise some concerns regarding CSR brands, which due to higher costs of production need to charge a premium price (and normally use increased costs as their main sales argument). CSR had its breakthrough at the end of the 1990s, but the market share of the CSR brands is still around 3 per cent. Judging by the present findings, and its marginal significance in the multiple regression analysis, CSR brands might need to add uniqueness, social image or perhaps home country origin to their image and to their sales arguments, to be able to charge the higher price that is needed to cover the higher costs.

Limitations and implications for future research

First of all it should be noted that the measure of CSR in the present paper, combining items from two different scales, was not perfect. Acceptable fit was indeed achieved in the Alpha test, but the measure showed moderate collinearity to other dimensions – especially in the bacon category. This could explain why CSR was among the weakest determinants of price premium in the study.

This study is limited to the top brands in each category, meaning that very niched ultra-premium brands are not included. Although those brands have small market shares, studying them would likely provide even greater insights into how brand equity is created. Perhaps other image elements are relevant for ultra-premium brands, and perhaps the present model is more or less powerful in that segment.

A second limitation and possibility for future research is to delve further into the asymmetry of brand image elements, or what satisfaction researchers refer to as basic, performance

and excitement elements (see Mittal *et al.*, 1998). Studies have indeed shown that quality can become a basic (or “hygiene”) factor and have a greater impact on loyalty when it is below expectations than when it is above (Anderson and Sullivan, 1993). Whether a similar asymmetry also applies to price premium determinants and other brand image elements is something that future research could consider. Future studies could look into the interplay between quality, price premium and loyalty, perhaps in different consumption situations (e.g. purchases during workdays, weekends and for special occasions such as inviting friends for dinner).

A third limitation is that this study focuses on what Keller (2001) defines as customer mind-set, meaning beliefs, attitudes and intentions. A future study could take the investigation further down the line and study determinants of actual price premiums, margins and purchase behaviours.

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Further Reading

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Appendix 1. Final questionnaire items before factor analysis and reliability test

Awareness (Yoo and Donthu, 2001)

- a1 I am aware of this brand.
- a2 I know what this brand looks like.
- a3 I know what this brand stands for.
- a4 I have an opinion about this brand.*
- a5 I can recognise x among other competing brands.*

Quality (Netemeyer et al., 2004)

- q1 Products of this brand are well made.
- q2 Products of this brand have a high standard of quality.
- q3 Products of this brand have a consistent quality.

CSR (Bech-Larsen et al., 2001)

- c1 Products of this brand are environmentally friendly.
- c2 Products of this brand are healthy.
- c3 Products of this brand are produced under good working conditions.
- c4 Products of this brand comes from suppliers who care about animal welfare.*

Home country origin (Sanzo et al., 2003; Verdú Jover et al., 2004)

- o1 This is definitely a Swedish brand.
- o2 Products of this brand are manufactured in Sweden.
- o3 Products of this brand are made of Swedish ingredients.

Social image (Sweeney and Soutar, 2001)

- s1 Buying products of this brand would help me to feel accepted.
- s2 Buying products of this brand would improve the way I am perceived.
- s3 Buying products of this brand would make a good impression on other people.

Uniqueness (Netemeyer et al., 2004)

- u1 This brand is distinct from other brands of (product category).
- u2 This brand really stands out from other brands.
- u3 This brand is very different from other brands of (product).
- u4 This brand is unique from other brands of (product).

Price premium (Netemeyer et al., 2004)

- p1 I am willing to pay a higher price for products of this brand than for other brands.
- p2 I am willing to pay a lot more for this brand than other brands in this category.
- P3 I am willing to pay ____% less or ____% more for (Brand name) brand over other brands of (product category).*

Loyalty (Zeithaml et al., 1996)

- l1 I would recommend this brand to someone who seeks advice.
- l2 Next time I purchase (product) I will buy this brand.
- l3 I consider this brand to be my first choice.
- l4 I would say positive things about this brand to other people.*
- l5 I would encourage friends and relatives to buy this brand.*

*Removed during factor and reliability test.

Appendix 2

Table AI Principal component analysis: factor loadings based on varimax rotation

	F1	F2	F3	F4	F5	F6
a1					0.78	
a2					0.88	
a3					0.87	
q1	0.83					
q2	0.84					
q3	0.84	0.30				
q4	0.82					
u1		0.79				
u2		0.80				
u3		0.84				
u4		0.79				
s1				0.85		
s2				0.92		
s3				0.88		
c1						0.80
c2						0.82
c3			0.41			0.54
o1			0.88			
o2			0.91			
o3			0.89			
Eigen value	7.92	2.59	2.12	1.40	1.19	1.01
Cum. variance explained %	16.55	32.33	46.36	59.58	71.64	81.17
Extraction Method: Principal Component Analysis						
Kaiser-Meyer-Olkin Measure of Sampling						
Adequacy			0.88			
Bartlett's Test of Sphericity	Approx. Chi-2		10378.67			
	df		190			
	Sig.		0.00			

Note: Factor loadings below 0.30 are suppressed

Appendix 3

Table All Pearson correlations among brand image elements and strengths for all categories and brands in a mixed model

		Loyalty	Price premium	Awareness	Quality	Uniqueness	Social imagery	CSR	Home origin
Bacon	Loyalty	1	0.578 **	0.468 **	0.745 **	0.601 **	0.389 **	0.506 **	0.542 **
	Price premium		1	0.270 **	0.479 **	0.569 **	0.514 **	0.414 **	0.488 **
	Awareness			1	0.552 **	0.410 **	0.105	0.297 **	0.374 **
	Quality				1	0.631 **	0.340 **	0.512 **	0.563 **
	Uniqueness					1	0.398 **	0.620 **	0.533 **
	Social image						1	0.541 **	0.397 **
	CSR							1	0.626 **
	Home origin								1
Frozen food	Loyalty	1	0.505 **	0.277 **	0.742 **	0.618 **	0.403 **	0.502 **	0.497 **
	Price premium		1	0.121 *	0.367 **	0.517 **	0.605 **	0.395 **	0.434 **
	Awareness			1	0.341 **	0.107	0.014	0.126 *	0.248 **
	Quality				1	0.525 **	0.272 **	0.474 **	0.484 **
	Uniqueness					1	0.422 **	0.516 **	0.448 **
	Social image						1	0.360 **	0.387 **
	CSR							1	0.515 **
	Home origin								1
Rice	Loyalty	1	0.417 **	0.384 **	0.788 **	0.591 **	0.348 **	0.506 **	0.266 **
	Price premium		1	0.262 **	0.401 **	0.404 **	0.342 **	0.312 **	0.183 **
	Awareness			1	0.495 **	0.418 **	0.115 *	0.212 **	0.032
	Quality				1	0.590 **	0.286 **	0.431 **	0.142 *
	Uniqueness					1	0.397 **	0.423 **	0.111
	Social image						1	0.454 **	0.234 **
	CSR							1	0.264 **
	Home origin								1

Notes: * $p = 0.05$, ** $p = 0.01$

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