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Retail Brand Extension: From Theory to Practice. A Multi-Country Study of European Grocery Retailers

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Abstract

This chapter reviews the literature on brand extension, with particular reference to retail brand extension strategies performed by grocery retailers. Aims, advantages and disadvantages, as well as types of this strategy are described. Then, the results of a survey aimed at comparing the customers' perceptions and buying behaviour when retailers extend their brands, in particular when this strategy is pursued in non-traditional businesses, are presented. The survey consisted in administering a structured questionnaire aimed at investigating the main antecedents of brand extension success to samples of retail customers interviewed in two different retail national contexts, namely, Italy and France. The extension product investigated is car fuel offered through a fuel station branded with the retailer's brand name. Applying Structural Equation Modelling (SEM), the mediating role of attitude towards the extension (ATEX) in generating brand extension success (INTEX) and the key role of fit and of the perceived capability of the retailer to offer the extension product (R&C) as antecedents were verified in both national contexts. On the contrary, the impact of customers' preference towards national brands (NBP) reported mixed results.

Keywords: brand extension, grocery retailing, private labels (PLs), multi-country analysis, SEM

1. Introduction

Brand extension is one of the most important and often used branding strategies.

It is commonly employed by companies to bond new product categories that are going to launch in the market with an existing and established brand name.

Despite the relevance of the topic, most previous research into brand extension has mainly focused on manufacturer brands, paving the way to a rich empirical research, predominantly

experimental, conducted in order to understand the factors affecting a brand extension success (e.g. in [1–3]). On the contrary, retail brand extension has been rarely studied by the literature [4, 5]. In fact, “research into brand extensions in a retail context has focused on manufacturers’ brand extensions sold within a retailer’s store, rather than analysis of a retailer’s own brand extensions” ([6], p. 395). Moreover, very little is known about customer perceptions and buying behaviour when retailers extend their brands, in particular when this strategy is pursued in non-traditional businesses. In this context, the chapter would contribute to filling in this literature gap reviewing the literature on retail brand extension strategies, with particular reference to grocery retailers, and presenting and discussing the results emerged from a survey intended at measuring customers’ perceptions of retailers’ brand extension strategy in non-traditional businesses.

The increasing competition and emerging saturation in the grocery sector have strengthened grocery retailers in extending their assortments through their private labels (PLs) [7, 8]. As a result, the PLs offer covers now not only the traditional fast moving consumer goods (FMCG) categories but also non-food categories (e.g. clothes, over-the-counter products, etc.) and services (travel booking, financial services, phone services, etc.). Consequently, a retailing context is a useful framework to study brand extension, given this recent and unusual brand extension strategy [4] and the limited theoretical and empirical literature on the topic. Apart from [6, 9, 10], all focused to investigate the grocery retail brand extension to financial services, no other specific research, to our knowledge, has addressed this issue. Last but not the least, extant literature on retail brand extension is mainly based on hypothetical brand extensions rather than actual implemented brand extensions [11]. This is why we offer a study aimed at capturing customers’ perceptions related to a real retail brand extension case and in doing so, we believe to contribute also to the empirical evidence on this study field.

The survey consisted in administering a structured questionnaire aimed at investigating the main antecedents of brand extension success to samples of retail customers interviewed in two different retail national contexts, namely, Italy and France. Even if these countries are geographically and culturally closed, the level of evolution of the grocery retail structure differs as it developed more recently in Italy compared to France. As a consequence, the brand extension strategies operated by French retailers have a long tradition compared to a similar, but more recent trend, that is now developing in the Italian grocery retailing system.

Accordingly, the chapter would also stimulate a managerial interest. In fact, retail managers and business practitioners require to determine which brand extensions are consistent with their brand and could be rightly perceived by the clientele in order to be potentially successful.

After having discussed retail brand extension purposes, advantages and disadvantages, and types of extensions, the chapter would describe the state of the art of the studies on retail brand extension. Then, the empirical study performed is depicted, highlighting the research hypotheses and the survey accomplished to test them. Methodology issues, samples features and the main results emerged from the survey are then illustrated and discussed. The chapter ends with a conclusion paragraph aimed at depicting limits and further research avenues of the study performed.

2. Brand extension: Aims, advantages and disadvantages and types

Brand extension consists of the use of a renowned brand name when launching new products [12], and it is a strategy usually adopted in order to reach a number of purposes. In particular, the extant literature on brand extension identified the following possible aims, resulting in several advantages:

- reducing the risk of product failure;
- leveraging the company's brand image;
- strengthening customer loyalty;
- diminishing marketing costs;
- boost profitability;
- differentiate the core offer from that proposed by competitors.

Brand extension has been extensively used as a strategy to reduce the risk of product failure [11, 13]. Actually, employing an established brand familiar to consumers may lead them to accept more favourably a new product and to be more prone and willing to buy it, decreasing the possibility of an unsuccessful launch [14].

Brand extension could also be used to reinforce the relationship with customers [15]. In fact, 'the probability of a customer's staying within a corporate brand family (or, equivalently, a brand system or a brand portfolio) will be proportionally greater than the number of brands offered by that corporation, all other factors being equal' [16, p. 7]. Leveraging of brand equity [17, 18] and enhancement of the core brand [19] have also been identified as important purposes pursued by companies in choosing to extend their brands. Moreover, this strategy could also be beneficial from the marketing point of view, not only increasing the targeting ability of the company responding to distinguishable groups of consumers with diverse needs, but also by facilitating distribution and by lowering needed promotion costs [20] and advertising costs [1, 21]. Sinapuelas et al. [22] found that innovative line extensions tend to have a higher level of average trial probability rather than non-innovative line extensions that, instead, can gain higher trial from greater distribution. From the advertising point of view, an elaborate publicity strategy was found to mitigate the negative effects of lower fit on extension evaluations [23]. Moreover, a positive comparison-framed ad message stimulates more favourable extension assessments and higher purchase intentions than a negative comparison-framed ad message in case of related brand extension; on the opposite, both positive and negative comparison-framed ad messages contribute equally to brand extension evaluations and purchase intentions under dissimilar extension conditions [24].

Many businesses try to leverage their brands to maximize their returns [25] and extending a core brand to a new product is a commonly used strategy to reach this goal [26].

Conversely, researchers have noted that the development of a distinct yet related extension carries with it considerable marketing risks and possible disadvantages. Managing many

brands can complicate and create dangers and problems for the core corporate structure. Then, having the same name on a large number of products can also deteriorate the parent brand's equity. The literature stated (e.g. in [1, 27]) that a poorly implemented brand extension strategy may affect the reputation and subsequent performance of the parent brand. A number of studies highlighted that unsuccessful extensions could jeopardize brand equity, or the future value of the brand as the basis on which to introduce extensions, by hurting and weakening the positive associations with the original brand [28–30]. Sometimes, a reverse-effect could arise from the extension product, affecting the core offer [1, 31]. In fact, for a brand extension to be successful, there usually must be some logical association between the original product/brand, so-called parent brand, and the new one. Consumers perceive the launch of a brand extension as a type of behaviour on part of a parent brand [32]. Consequently, the main risk associated with the practice of this growth strategy is the possibility that the extended category product cannot be recognized by the consumer as consistent with the parent brand.

Brand extension success depends on the product category and types. For instance, Albrecht et al. [33] found that the functional value of the parent brand is more important for non-luxury brands, while luxury brands rely more on the hedonic value of the parent brand.

Two main types of brand extension strategies are recognized in the literature: line extension and brand extension. Line extension occurs when a new product is introduced in the same product category as the core brand. This is the most common way of extending a core brand [34]. The other type is a brand extension, occurring when a new product is introduced in a product category different from the product category of the core brand [35]. Some studies compared line and brand extension strategies: for instance, in Ref. [36], parent brand attitude resulted as highly associated with line-extension attitude rather than with brand-extension attitude; moreover, line extension leads to lower perceived functional risk and higher storing predisposition than brand extension.

Focusing on brand extension, it might be acknowledged that the extended category can then be related, that is, 'similar' [37] or unrelated with the existing product categories. More distant and unrelated is the extended category, higher the risk of dilution for the parent brand. Indeed, weak or non-existent association can result in brand dilution or negative reciprocity effects leading to harm the parent brand [17, 38–40]. Brand extension in unrelated markets may lead to the loss of reliability if a brand name is extended too far, damaging the image of the core/original brand. In some cases, the extension product may not generate new revenues but eat into the parent brand's market share itself.

2.1. Retail brand extension

The literature on brand extension in retailing contexts appears scarce.

Only a few papers are specifically focusing on the topic [4–6, 9, 10], starting to look at the phenomenon quite recently, as all these papers dated back to the new millennium. And, even if the issue to what extent can retailers extend into new unrelated product categories under their store brand has been raised in the literature [7], research on this peculiar topic dramatically lacks.

This could be explained by a number of reasons. First of all, the scholars' attention was traditionally attracted by the store, with a large number of studies on store image, while the retail brand image started to be considered only recently. Burt and Sparks [41] reviewing the literature on the 'retailer as a brand' concluded that although many retailers have become very sophisticated in managing their brands, extant literature has not analyzed the use of their brands consistently. These authors argue that it is 'erroneous to continue to refer to retailers 'own labels' or 'private brands', when for a number of leading retailers, the retailer has become the brand' [41, p. 199]. Actually, a retailer can be considered as a brand [42], and the PL is actually a brand extension of a retailer as the parent brand. But, this view has been looser in the retailing literature so far. In fact, the literature on PLs is quite rich and flourishing, but it is not theoretically rooted in the brand extension perspective.

Apart from these acknowledgements, the restricted number of papers facing the challenge to study retail brand extension ended in using very different approaches and methodologies, reporting contradictory results.

In Ref. [43], the phenomenon has been studied in a promotional perspective evidencing that in aisle-promotion materials which add additional cues for consumers to evaluate new brand extensions may have an effect on consumers' attitudes and their purchase intentions.

The literature evidenced that high parent quality negatively affects an extension's sales when functional fit is high [44], that is, low parent quality can increase an extension's sales when specific circumstances happen.

Other authors [6] aimed at understanding the impact of a brand extension on the core retail brand, trying to prove if a successful implementation of financial services brand extension impacts positively/negatively on the core retail brand. They performed it by measuring satisfaction with the extended offer and proving that the company receives benefits with respect to its core brand when it offers satisfying financial services to its customers. Oppositely, its core brand suffers when these financial services are poorly perceived. However, Alexander and Colgate [6] did not test a simultaneous model taking into consideration the traditional antecedents used by the literature on brand extension.

Consumers' perceptions in retail brand extension (applied to financial services, again) was the interest of Laforet [9, 10], using a discriminant analysis and considering the role of three antecedents, namely, fit, risk and trust. She concluded that when consumers knew the store or were store loyal, they tended to trust the store brand extension, while when consumers did not have previous knowledge or were new to the store, fit and risks were impacting on the store brand extension.

In Ref. [4], retail brand extension has been proved to influence consumers' relationship evaluations with a parent brand prior to a subsequent impact on parent brand equity. That is, brand extension feedback phenomenon entails an underlying process of conversion of brand extension attitudes to bring change in brand equity.

Eight dimensions relevant to retail brand extensions were postulated by Mitchell and Chaudhury [5] for a non-tangible offering, such as a service or retailer, highlighting that it is

the image that will drive attribute clusters to form categories. These authors concluded that retail brand extension success is based on perceptual extension-fit judgments of relevance, concept fit, typicality and understanding, with the role of transfer (in the model proposed in this chapter: R&C) playing a more crucial role in service sectors—and specifically in retailing—than in manufacturing.

Investigating the relationship between customer loyalty to the retail brand and the purchase of non-traditional products and services offered by grocery retailers with their private labels, Ref. [45] showed that attitudinal loyalty plays a significant role as buying predictor, but this depends on the non-traditional product/service category offered.

In order to contribute in filling in the gap on the retail brand extension literature, the following study was performed, leading to some interesting results.

3. Consumers' perceptions of retail brand extension: A comparison between Italy and France

3.1. The research hypotheses

The model proposed is aimed at verifying the effect of attitude towards the extension (ATEX) as a mediator of a number of antecedents—conceptual fit (FIT), National Brand Preference (NBP) and Resources and Competences (R&C)—on retail brand extension success. The proxy used to evaluate retail brand extension success is the intention to buy the extended product (INTB).

The extant literature on brand extension traditionally suggests that the transfer of brand associations from the parent brand to the extension product depends on the extent to which consumers perceive a logical and coherent association, called fit, between the brand and the extension product [38, 46]. In this perspective, brand extension fit is defined as 'the perceived similarity (e.g. product category, usage situation) and relevance of parent brand associations (i.e. attributes or benefits) for the extension category' [26, p. 967]. Prior product brand extension research findings suggest that a higher level of fit results in a better evaluation of any type of extension [28, 47, 48], directly influencing consumers' attitude towards brand extension. Moreover, the literature agrees in recognizing a major role played by the FIT construct on ATEX compared to other antecedents [3, 32, 38, 49, 50]. The primary role played by FIT has been verified in a retailing context too [5].

H_{p1}: Fit has a significant positive impact on brand extension attitude.

PLs literature found that consumers perceive national brands (NBs) as superior to store brands. This is due to their perceived higher quality [51], and to a broader knowledge of national brands compared to private labels [7]. In fact, traditionally, PLs have been positioned as low price/good value for money offerings [52] and were perceived as more risky than NBs [53, 54]. Accordingly, preferences for NBs can result in a negative ATEX.

Hp2: Preference for national brands has a significant negative impact on brand extension attitude.

Consumer perceptions of the expertise of a company can be a key determinant in shaping brand extension evaluations [1]. This antecedent was termed as “Transfer” by [5] p. 97, defining it as “the extent to which the skills, facilities and people used in developing and making the original product may be useful in making the extension product”, that is: the more experienced, skilful and capable is the brand company who makes the extension, the better the attitude toward the extension. To clarify the direction of this link and accordingly to [5], but using a more intuitively label (resources and capabilities), we hypothesize as follows:

Hp3: Resources and capabilities have a significant and positive impact on brand extension attitude.

In line with the Theory of Planned Behaviour (TPB) [55, 56], attitudes have been shown to strongly influence purchasing behaviour and intentions in various contexts (e.g. [57]). This has also been found true when ATEX is considered [2].

Hp4: Consumers’ attitude towards the brand extension positively affects intention to buy the extension product.

3.2. Empirical analysis across countries

To empirically investigate similarities and differences between Italy and France in consumers’ perceptions of retail brand extension in non-traditional business, an in-store survey was conducted administering a structured questionnaire to two convenience samples of retail customers. The questionnaire was pre-tested and then administered to comparable samples of respondents, both in Italy and in France, during their grocery shopping in hypermarkets offering a fuel station service labelled with the retailer’s brand. In this way, we have drawn a representative sample of retailer’s shoppers in both countries [58]. Moreover, both samples are loyal customers of retailers as in Italy, 88.8% of respondents own the fidelity card of the retailer, and in France, the owners of the retailer’s fidelity card are 56.1% of the French sample.

3.2.1. The sample

Our sample consisted of 320 Italian respondents and 240 French respondents; however, due to some uncompleted questionnaire, the final sample used in this analysis consisted of 123 French responses.

As resulting from the socio-demographic analysis of the two samples, we can consider the two shoppers’ groups as sufficiently representative of the Italian and French grocery shoppers, although young adults are prevalent in the French sample (**Table 1**).

In terms of employment, because of the young age of the sample, 55.4% of French respondents are students and 9.9% are unemployed. About 31.4% of the sample is employees, while 0.8% is retired and 2.5% is housewives. Conversely, in Italy, 71.9% is employees,

| | Italy | | France | |
|-----------|---------|-----------|---------|-----------|
| | Men (%) | Women (%) | Men (%) | Women (%) |
| >25 years | 3.1 | 5.0 | 13.0 | 52.8 |
| 25–35 | 6.9 | 11.3 | 12.2 | 17.1 |
| 36–50 | 7.8 | 34.1 | 0.8 | 2.4 |
| 51–65 | 5.9 | 23.8 | 0.0 | 0.8 |
| <65 years | 0.3 | 1.9 | 0.0 | 0.8 |

Table 1. Demographic characteristics.

2.8% is unemployed, 11.3% is retired, 3.1% housewives and just a 10.9% of respondents are students.

3.2.2. *The measurements employed*

To assess differences in consumers’ intention to buy fuel from the retailer, we performed a structural equation model for both countries. In fact, as emerges from the literature, Structural Equation Models (SEM) are the main methodology to compare differences across groups [59]. The structured questionnaire is based on constructs derived from the main brand extension literature. Items and original constructs are presented in **Table 2**. Using the software Lisrel 8.80, we first compute a confirmatory factor analysis (CFA) to test the convergent and discriminant validity of constructs. All items are significant and loaded onto the expected latent construct [60]. As reported in **Table 3**, values for the average variance extracted (AVE) and for constructs’ composite reliability (CR) support the convergent validity of the investigated constructs for both groups [61].

Using the Fornell and Larcker criterion [61], the discriminant validity of the surveyed constructs in both Italy and France was confirmed. In fact, the square root of AVE by the underlying construct is larger than the correlation of this construct and the other constructs (**Table 3**).

3.2.3. *The structural model*

Once identified the validity of constructs underling our analysis, we performed a SEM for each group to verify differences and similarities in consumers’ intention to buy the extension product. The structural model in both countries evidenced a good model fit. Although significant Satorra and Bentler chi-squares were found both in Italy $\chi^2_{(SB)(180)} = 190.960, p < 0.00$ and in France $\chi^2_{(SB)(180)} = 121.700, p < 0.00$ due to the violation of the assumption of multivariate normality, the normed chi-square indicated a good model fit in both countries: $\chi^2/df_{(IT)} = 1.968$; $\chi^2/df_{(FR)} = 1.337$. Accordingly, the Root of Mean Squared Error of Approximation ($RMSEA_{(IT)} = 0.0551$; $RMSEA_{(FR)} = 0.0457$) and close-fit $RMSEA_{(IT)} < 0.05 = 0.224$ and close-fit $RMSEA_{(FR)} < 0.05 = 0.593$ are not significant in both cases. The models have no substantial problem with the residuals ($SRMR_{(IT)} = 0.0514$; $SRMR_{(FR)} = 0.0672$). The incremental fit measurements resulted greater than 0.95 both in Italy (NNFI = 0.992; CFI = 0.993) and in France (NNFI = 0.992; CFI = 0.993). The structural models showed a good predictive ability for both INTB ($R^2_{(IT)} = 0.658$; $R^2_{(FR)} = 0.546$) and ATEX ($R^2_{(IT)} = 0.642$; $R^2_{(FR)} = 0.614$).

| Original scale | Scales | Measurements | | Italian factor loadings | French factor loadings |
|-----------------|----------------------------|--------------|---|-------------------------|------------------------|
| Adapted by [62] | Intention to buy extension | INTB1 | I am willing to fill in my car with the car fuel offered in the retailer X's petrol station in the future | 0.956 | 0.897 |
| | | INTB2 | If I were going to fill in the car with car fuel again, I would consider to go to the retailer X's petrol station | 0.850 | 0.867 |
| | | INTB3 | The likelihood of filling in the car with car fuel of the retailer X's petrol station is very high | 0.943 | 0.877 |
| [1, 63] | Attitude towards extension | ATEX1 | My attitude towards the retailer X's extension to petrol stations is very positive | 0.951 | 0.789 |
| | | ATEX2 | Overall, I am very positive towards the retailer X's extension to petrol stations | 0.974 | 0.956 |
| | | ATEX3 | My opinion about the retailer X's extension to petrol stations is positive | 0.964 | 0.900 |
| [2, 64] | Conceptual fit | | The extension of the PL X to offer car fuel is: | | |
| | | FIT1 | Not logical-logical | 0.889 | 0.882 |
| | | FIT2 | Not similar-similar | 0.946 | 0.953 |
| | | FIT3 | Not appropriate-appropriate | 0.951 | 0.903 |
| | | FIT4 | Incoherent-coherent | 0.984 | 0.931 |
| [53] | National brand preference | NBP1 | I prefer to buy car fuel from traditional suppliers | 0.816 | 0.708 |
| | | NBP2 | I consider branded car fuel better than that of the retailer X | 0.916 | 0.906 |
| | | NBP3 | There is a significant quality difference between branded and PL car fuel | 0.903 | 0.865 |
| [1] | Resource and capabilities | R&C1 | The retailer X's resources have been useful to enable the retailer to offer car fuel | 0.838 | 0.787 |
| | | R&C2 | The retailer X's skills and experience in offering PLs are similar to those needed to offer car fuel | 0.913 | 0.871 |
| | | R&C3 | The retailer X's personnel, infrastructure and capabilities were useful in developing and launching petrol stations branded with the retail brand | 0.940 | 0.856 |

Table 2. Constructs and factor loadings.

| | | Italy | | | | | | | France | | | | | | |
|----------------------------|------|-------|-------|--------------------|--------------|--------------|--------------|--------------|--------|-------|--------------------|--------------|--------------|--------------|--------------|
| Constructs | | AVE | CR | Correlation matrix | | | | | AVE | CR | Correlation matrix | | | | |
| Intention to buy extension | INTB | 0.842 | 0.941 | 0.917 | | | | | 0.775 | 0.912 | 0.880 | | | | |
| Attitude towards extension | ATEX | 0.928 | 0.975 | 0.811 | 0.963 | | | | 0.782 | 0.915 | 0.739 | 0.884 | | | |
| Conceptual fit | FIT | 0.890 | 0.970 | 0.569 | 0.702 | 0.943 | | | 0.842 | 0.955 | 0.514 | 0.696 | 0.918 | | |
| National brand preference | NBP | 0.773 | 0.911 | −0.510 | −0.629 | −0.479 | 0.879 | | 0.690 | 0.869 | 0.268 | 0.362 | 0.341 | 0.831 | |
| Resource and capabilities | R&C | 0.806 | 0.926 | 0.529 | 0.652 | 0.614 | −0.490 | 0.898 | 0.704 | 0.877 | 0.533 | 0.722 | 0.641 | 0.540 | 0.839 |

Note: Diagonal elements in bold are the square root of average variance extracted (AVE).

Table 3. Reliability, convergent and discriminant validity coefficients.

4. Results

Analysing the results for Italian shoppers, we found a few differences compared to the results emerged in the French sample. In fact, in the case of Italy (**Figure 1**), the main antecedent of the attitude towards the extension product is FIT (FIT \rightarrow 0.394* \rightarrow ATEX) confirming H1. The NBP plays a negative role in determining ATEX (NBP \rightarrow -0.315* \rightarrow ATEX) supporting H2. In agreement with H3, R&C has a positive and significant effect on ATEX (R&C \rightarrow 0.257* \rightarrow ATEX). Finally, in line with the literature, ATEX has a strong effect on INTB confirming H4 (ATEX \rightarrow 0.811* \rightarrow INTB).

Also in France (**Figure 2**), ATEX has a positive effect on INTB (ATEX \rightarrow 0.739* \rightarrow INTB). Nevertheless, the main antecedent of attitude towards an extended product in France is R&C (R&C \rightarrow 0.488* \rightarrow ATEX), while FIT represents the second element that influences ATEX (FIT \rightarrow 0.396* \rightarrow ATEX). What emerges from French results is that NBP has no significant effect on the attitude towards a retailer's fuel offer; consequently, H2 was not verified (NBP \rightarrow -0.036 (n.s.) \rightarrow ATEX).

Finally, ATEX resulted as a mediator of the effects of FIT and R&C on INTB in both national contexts. In fact, as proved by the Sobel test (**Table 4**), all the indirect effects are significant apart from the indirect effect of NBP in France, where the effect of NBP on ATEX is not significant and consequently its indirect effect too.

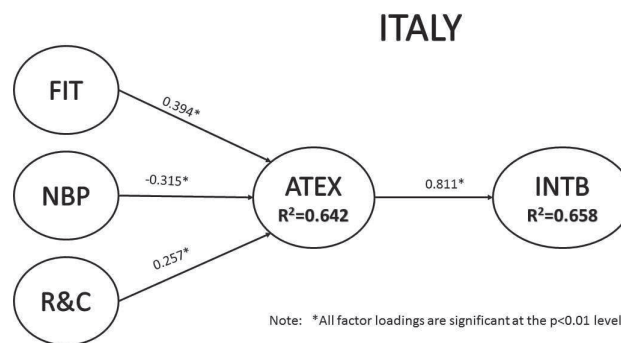


Figure 1. Structural model: Italian results.

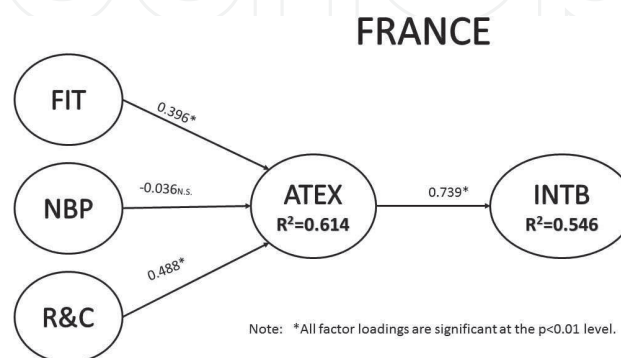


Figure 2. Structural model: French results.

| | Italy | France |
|-------------------|---|---|
| FIT → ATEX → INTB | $c' = 0.393$; $p\text{-value} = 0.000$ | $c' = 0.278$; $p\text{-value} = 0.001$ |
| NBP → ATEX → INTB | $c' = 0.300$; $p\text{-value} = 0.000$ | $c' = 0.031$; $p\text{-value} = 0.722$ |
| R&C → ATEX → INTB | $c' = 0.268$; $p\text{-value} = 0.000$ | $c' = 0.456$; $p\text{-value} = 0.001$ |

Table 4. Indirect effects and Sobel test.

5. Discussion

Our findings are generally confirming the significance and expected direction of the major relationships verified by scholars in the brand extension study field, contributing to the current literature by testing them in an under investigated context such as grocery retailing. Specifically, our study confirms that INTB is strongly influenced by ATEX. Our results also evidenced that grocery retailers are recognized as having the right equipment, people and capabilities to extend their brand even in non-traditional businesses, and that this effect occurs independently from the level of evolution (long tradition/recent offer) of the non-traditional offer in the retailing systems observed. From this point of view, the grocery retailers' brand looks as more elastic than other brands when grocers decide to launch extension into distant product categories [37]. In this way, our findings also support [65] statement that broad brands tend to have more associated benefits than narrow brands and can therefore be potentially used more successfully when companies decide to implement brand extensions in distant businesses. Store brands were predicted to succeed in categories that were not complex, for which there is relatively little variance in the (functional) quality across the competing brands [66]. From this point of view, grocery retailers seem to perfectly fit this requirement, they are well positioned on service convenience provision, a key aspect in the buying decision process of car fuel consumers, the extended category used in this study. But, this can be true for many other unusual categories in which grocery retailers are now operating, such as mobile phone services, utilities, travel booking, etc. This is why there might be a scope for extending the brand to new categories, even if distant.

However, if we look in detail at our findings comparing the different national contexts investigated, some interesting differences from the empirical analysis emerge. A different tradition in the relationship between retailers and consumers seems to lead to a different response by the latter respect on some specific antecedents of brand extension success in France differently from Italy. Focusing on the Italian context, where retailers have begun to extend their core business only a few years ago, we found that retailers suffer the comparison with national brands, and this result is expected and in line with the extant literature on brand extension, the NBP construct is significantly and negatively affecting ATEX. On the contrary, the NBP construct did not report any significance in the model regarding the French context. This could be related to the fact that familiarity with the PL is still low in Italy (around 18% of market share [67]) and therefore buying an extension product offered with the retailer's brand could be perceived as more risky than buying it from a well-known NBs supplier [53, 54]. This is reinforced by a cultural issue concerned with the Italian people's proneness to be more sensitive to well-known brands than other foreign population. Differently, French people are

used to a highly evolved retailing system, very well known and famous retail brands and are quite accustomed to the brand extension strategies made since long by them.

Furthermore, Italians consumers pay greater attention on the logical similarity between the extended category product and the core offer as FIT resulted as the major ATEX antecedent, confirming literature's findings [5, 38, 49].

However, when the retailer acquires a strong role in the market and the relationship between the retailer and the consumer is consolidated, the situation radically changes. In fact, as in the case of France, although the retailer must prove its own resources and expertise to offer an extended product and the FIT should be coherent with the core business, the comparison with national brands do not penalize the retailer. As a consequence, on one hand, the role of the retailer is dramatically reshaped: the retailer can propose an offer in alternative product categories and competitive strategies among retailers affect not only the core business but also an extended offer less comparable by consumers. On the other hand, considering the advanced maturity stage reached by the grocery retailing system in France and the greater use of assortment extension performed by the local retailers, the future scholars need to rethink antecedents involved in brand extension in retailing contexts.

If retailers want to be successful in extending their brands in distant product categories, they should strengthen the positive attitude created around their product extension mainly leveraging FIT perceptions and investing in better communicating how skilful, experienced and well-equipped they are in distributing products and serving customers, no matter which kind of product category/service they are offering on the market through their brand.

6. Conclusions

This chapter contributes to the current literature on brand extension focusing on a poorly investigated area such as retail brand extension.

Specifically, an empirical research was performed to test a model in two different national contexts, Italy and France. Findings support the belief that grocery retailers are well positioned to take advantage from a wide brand extension strategy. Our findings aim to assist them in their brand extension decision-making and implementation, particularly when it comes to enter unusual and distant businesses, where performing a brand extension strategy can be very risky. But, our research evidenced that in grocery retailing, brand extension in dissimilar businesses can result in a positive attitude towards the retailer and, consequently, into purchase intentions. In order to convert this potential heritage in a successful strategy, grocery retailers should be able to leverage the similarity that their customers perceive in the extended offer. This should be fulfilled giving particular emphasis on their capabilities in managing store infrastructures and creating value through their service offer. Stimulating trials and using communication tools retailers could better acknowledge customers on their extended offer and in particular on their capabilities to extend their core competences to offer a good extension product even in very distant products and services categories such as car fuel apparently is. From this point of view, we suggest retailers to give particular attention to

the way in which they design and manage the car fuel branded with the retailer's brand name: logos, colors, the level of service offered, etc. should be immediately let customers reconnect this offer to the retail chain.

Another key point emerging from our results could be quite useful: retail brand extension could be differently perceived by retail customers of different national contexts. Even if this is beyond the scope of our research, our findings seem to acknowledge that the higher the level of evolution of a retailing system when it comes to brand extension issues, the higher the likelihood to report different results in testing traditional models of customers' perceptions of brand extension success strategies. Accordingly, scholars studying retail branding should be acknowledged that a rethinking of the antecedents involved in brand extension could be appropriate.

In sum, as customer loyalty has been found to act as a buying purchase predictor [45], our results evidenced a potential great success for this kind of offer. Relevant factors for a successful brand extension strategy in retail should be FIT and R&C. Consequently, retailers should enhance the perceived similarity with the parent brand in order to have favourable extension evaluations. But, this depends on the level of retail evolution of the national context in which the retailer operates: in Italy it is important to reduce the perceived gap within NBs and PLs, as this antecedent influence PL proneness, while in a highly evolved retailing context such as France, this is uninteresting, while R&C is key to succeed and even more powerful than FIT.

Despite the contributions made by this chapter, we are aware of the limitations affecting our study. First, the model is applied to only one product category, highly specific, namely car fuel branded with the retailer's brand name, while it would be interesting to test it also in other non-traditional business contexts. In particular, it could be thought provoking to test the model in product categories that entails a high level of involvement and trust in the supplier such as pharmaceutical products and/or financial services. Moreover, familiarity with the retailer's PLs could be included in future analyses in order to check for a possible moderating role on the relationship between NPB and ATEX.

Last but not the least, it would be beneficial for the possible contribution to the brand extension literature to survey constructs able to measure the feedback effects of the retail brand extension in non-traditional businesses. In particular, retailer brand equity could be introduced in the model as dependent variable. The understanding of the possible implications for the core offer and the retailer image are crucial points when diversification strategies are to be evaluated.

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Competition between Private Labels and National Brands in a Multichannel Retailer

Marta Arce-Urriza and Javier Cebollada

Additional information is available at the end of the chapter

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Abstract

This chapter analyzes private label and national brand competition across online and offline channels. We analyze competition using three measures: market share, a loyalty index, and what is called in the literature conquering power (a measure of the ability of a brand to capture nonloyal consumers). We first provide a brief theoretical introduction and literature research about the topic. We also do an empirical analysis using data of a multichannel grocery retailer that sells both its own private label and national brands, through physical stores and an online store. The data include the purchases made by a sample of multichannel consumers. We find that the private label increases, in general, its competitive position in the online channel, compared to the offline channel. However, this result does not hold for all the product categories. We discuss some drivers of this general improvement, as well as potential causes for the differences between categories. We conclude with some recommendations for multichannel retailers and manufacturers.

Keywords: private label, national brand, multichannel retailing

1. Introduction

Private labels (also called store brands, as opposed to national brands, manufacturer brands or name brands) are becoming a dominant feature in the world markets. A private label is a “brand owned not by a manufacturer or producer but by a retailer or supplier who gets its goods made by a contract manufacturer under its own label” [1]. Since their origins in the 1960s and 1970s, private labels have evolved from offering cheaper, generic products, to become almost equivalent in quality and closer on pricing to national brands in the mind of consumers. In 2013, and according to Nielsen [2], private labels’ world average value share was 16.5%. This share is in general higher in developed countries (Europe, North America, and the Pacific), and lower in developing countries (Latin America, Asia, and Africa/Middle East).

Europe is the region where private labels have the higher penetration, reaching shares above 40% in the United Kingdom, Spain, and Switzerland, and being in general higher than 20% for most European countries. On the contrary, in big markets like China, India, and Brazil, private labels' value share is 5% or less (see **Figure 1** for more details). Steenkamp and Geyskens [3] analyze the factors that explain the differences in private label share across countries are mainly market (for example, national brands and retailers concentration) and institutional factors (like culture or market size).

The reason for the success of private labels is that their advantages exceed their disadvantages for the three main agents involved: retailer, manufacturer, and consumer. For the retailer, all are advantages: increasing bargaining power over manufacturers, control of all marketing of the brand, more store loyalty (private labels are only sold at one retailer), and higher contribution margin, compared to national brands. For the manufacturer of a private label, the main advantage is that it sells a high volume of goods without the need of investing in marketing activities. There are disadvantages, though: high risk (since sales are concentrated on one or few clients—the retailer), lower bargaining power, lower contribution margin, and they may not invest on developing their own brand. For the consumer, all seem to be also advantages: she can get a good with the same quality than a national brand at a lower price, and she benefits, in general, from competition between national brands and private labels. Sethuraman and Gielens [4] explore several drivers of private label's share.

Competition between private labels and national brands on current markets is very high. An indicator of the strength of this competition is whether promoted national brands and private labels attract the same consumers. Ailawadi et al. [5] find two different market segments for private labels and promoted national brands, but they also find a significant (and increasing) share of consumers belonging to a third segment that purchase both private labels and promoted national brands, which indicates strong competition. On the other hand, private labels and national brands strategies are, up to some point, different. Private labels know that maintaining a price differential with national brands is very important, but also recognize that being perceived close to them in quality is essential for their success. National brands are responding to this strategy increasing innovativeness and creating a strong brand image.

There are several interrelated factors boosting private label growth in the last years. One is the increasing concentration in retailing, which enables retailer chains to manage with their own brands. A second factor has been the economic crisis. A report [6] shows that more than 50% of consumers from 55 countries revealed that they were switching from national brands to private labels because of the economic downturn. However, it seems that when economy recovers, and once consumers have learnt to consume private labels, they do not stop buying them. This is shown in a study that compares the evolution of the market share of private labels and national brands in the USA for 21 years [7]. A third factor is a more positive attitude of consumers toward private labels. Although price is still the main primary driver for consumers to buy private labels, quality, and value are also considered important reasons. For example, a recent survey [2] shows that more than 60% of consumers think that private labels are a good value for money, and the same percentage agrees that buying private labels makes them feel smarter (see **Figure 2**).

Private Label Value Share by Country (top 25). Source: Nielsen (2014)

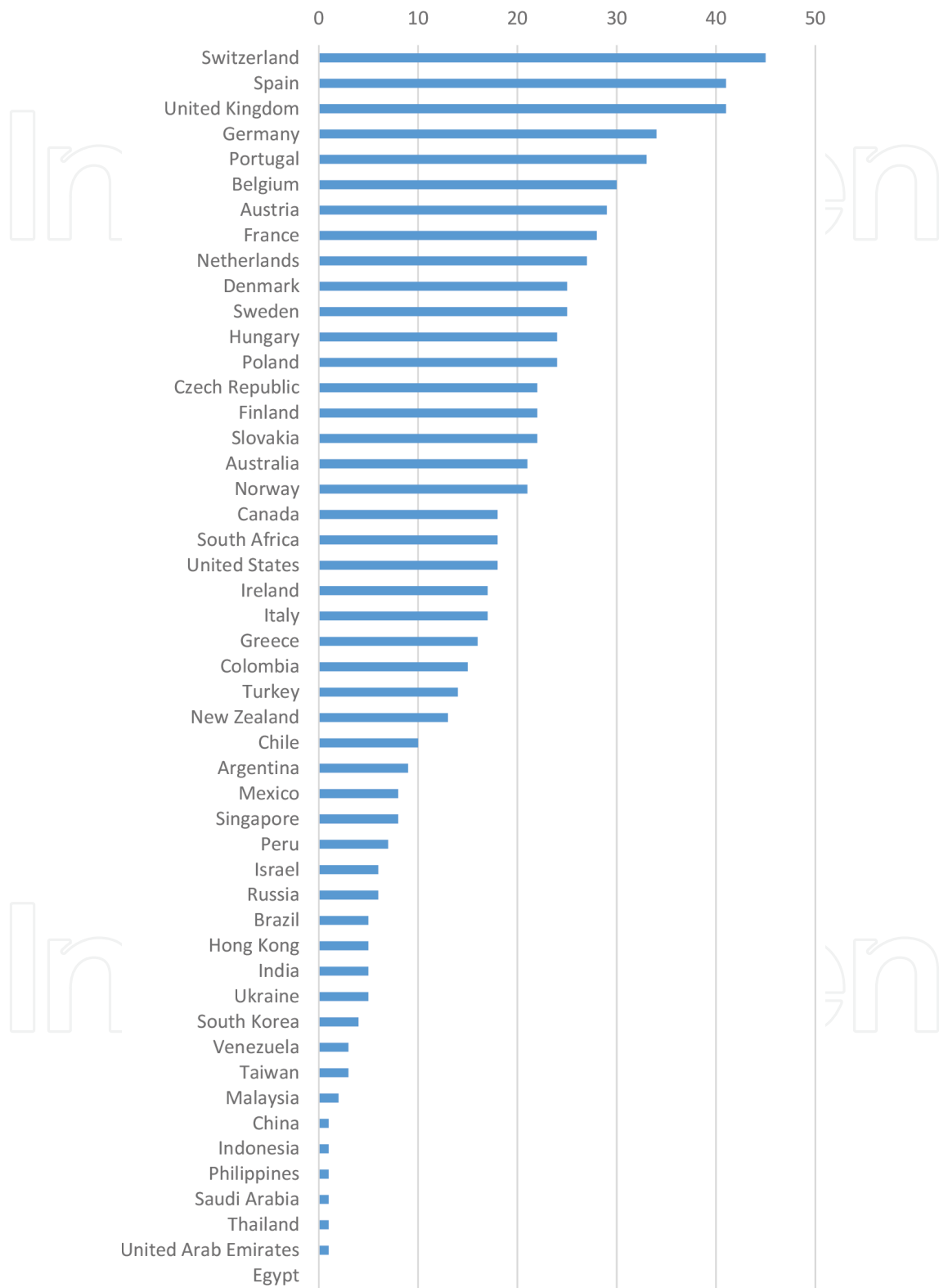


Figure 1. Private label penetration by country.

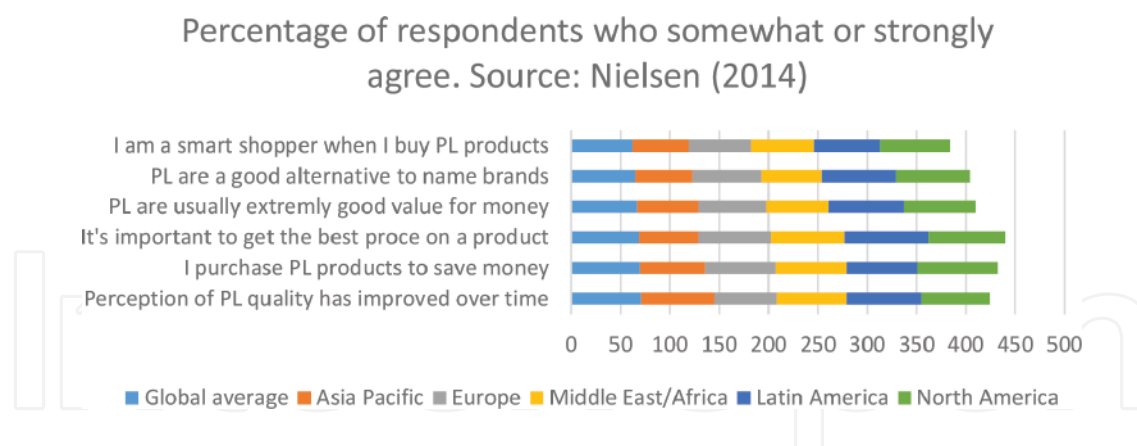


Figure 2. Perceptions about private label across world regions.

Another important factor that has not been enough investigated, and may affect the success of private labels, is the growth of electronic commerce. Although electronic commerce still represents a small fraction of traditional commerce in many product categories, all analysts believe it will grow in the future. A recent report [8] shows that 54% of consumers surveyed in 25 countries buy products online whether weekly or monthly. There are several academic articles showing that brands become more important in online than in offline channels. The reason seems to be that brands may help consumers to overcome the need for touch during the purchase process at online stores, serving as information providers and reducing the associated risk [9, 10].

In spite of the growing research both on private labels and on electronic commerce, the performance of private labels in online stores has been hardly studied. For example, Kopalle et al. [11] mention that the Internet is an interesting field for the battle of private labels and national brands, but do not go deeper. Amrouche and Yan [12] develop a game theory model to describe the decision of a retailer to introduce a private label at both channels, online and offline. Arce-Urriza and Cebollada [13] study competition between private labels and national brands across both the online and the offline channels of a grocery retailer. They find that both private labels and national brands have some gains at the online channel (for example, higher degree of loyalty), but that the private label improves more than the national brand.

This is the topic of our work. If private labels are increasing their presence in markets, and consumers are buying more online, will the private label maintain its success at the online channel? How private labels perform in online stores, compared to offline stores?

To assess these questions, we empirically analyze the performance of private labels and national brands in a multichannel grocery retailer in Spain. This retailer has its own private label in most of the categories, as well as one or more national brands. The retailer operates hundreds of offline stores and one online store. Since there can be more than one national brand in each category, we will compare the private label against, first, the national brand leader and, second, against a compound of all the national brands in the category, what we call the reference brand.

To evaluate the strength of private label, we examine three measures of competition at the brand level: market share, loyalty, and conquering power. We compute these three measures

for the brands in different categories, and for purchases made at each of the two channels, online and offline, and compare the results.

2. Empirical application

2.1. Data

We use data from a grocery retailer with more 600 offline stores and 1 online store in Spain. The online store centralizes all the online orders, independently of the location of the consumer. The order is later processed at one designated offline store close to the residence of the consumer, and home delivered. We analyze the purchases of a sample of more than 2500 consumers during 12 months in 2013 at both channels, online and offline. The retailer offers a wide variety of products, ranging from food to house care and personal care products, and, in general, everything that can be purchased in a typical supermarket. For most of the categories, the retailer offers its own private label, one or several national brands, and one or several second brands. Although only around 6% of the items sold are private label, its volume share is around 30%. We examine 30 categories (see **Table 2** for the list of the categories). These categories are the biggest in volume share among the categories meeting the following criteria: private label has a significant volume share, and the category has a significant sales volume at both channels. Among the different national brands in a category, we select all brands meeting the following criteria: have at least 100 purchases and have at least a 1% of market share at each channel. On average, a category has one private label and three or four national brands.

2.2. Private label, national brand leader, and reference brand: measures for competition analysis

We compare the private label against the national brand leader and the reference brand. The national brand leader is the national brand in the category with the highest volume share. The reference brand aggregates all the national brands in the category into a single brand. Therefore, at each category, and for the purpose of our analysis, there is one private label, one national brand leader, and one reference brand.

We use three variables to measure the competitive position of each of the brands in the study: market share, loyalty, and conquering power (see [14], and Appendix for more details). These variables definition is shown in **Table 1**.

| | Market share | Intrinsic loyalty | Conquering power |
|-----------------------|--|---|--|
| Private label | # units of private label sold in the category/# total units sold in the category | Percentage of intrinsically loyal consumers (α_i) to the private label in the category | Percentage of non-loyal consumers in the market (π_i) who purchase the private label |
| National brand leader | Id., national brand leader | Id., national brand leader | Id., national brand leader |
| Reference brand | Id., reference brand | Id., reference brand | Id., reference brand |

Table 1. Measures for private label and national brand competition.

Note that market share can be explained in terms of brand intrinsic loyalty and conquering power (see Eqs. (4)–(6) in Appendix for more details).

At each product category, the reference brand market share, intrinsic loyalty, and conquering power are calculated as follows:

$$\text{Market Share} = \frac{\sum_i^I \text{Market Share (percent)}_i \cdot \text{Market Share}_i}{\sum_i^I \text{Market Share}_i} \quad (1)$$

$$\text{Intrinsic Loyalty} = \frac{\sum_i^I \text{Intrinsic Loyalty}_i \cdot \text{Market Share}_i}{\sum_i^I \text{Market Share}_i} \quad (2)$$

$$\text{Conquering Power} = \frac{\sum_i^I \text{Conquering Power}_i \cdot \text{Market Share}_i}{\sum_i^I \text{Market Share}_i} \quad (3)$$

where i represents each of the national brands in the category, and I is the total number of national brands in the category.

To assess the difference in performance of the private label and the national brand across online and offline channels, we, first, compute the measures of **Table 1** for each of the categories of study. Then, we compute ratios of the form

Online Private Label market share's growth = Online Private Label market share/Offline Private Label market share

Online Private Label conq. power's growth = Online Private Label conq. power estimate/Offline Private Label conq. power estimate

Online Private Label int. loyalty's growth = Online Private Label int. loyalty estimate/Offline Private Label Int. loyalty estimate

for the private label, the national brand leader and reference brand, at each of the categories. In **Table 2**, we can see the results of these computations.

In **Table 2**, we can see the ratios online/offline for the three measures of interest (market share, conquering power, and intrinsic loyalty), for the private label, national brand leader, and reference brand, and for each of the categories. Information in the table indicates there are differences across product categories in the growth (or decrease) of brand competition between online and offline channels for all measures under study. For instance, while market share for the brioche category online is 1.59 times its value offline, market share for the noncarbonated mineral water category online is 0.48 times its value offline.

The last line of the table shows the mean values of the ratios across all the product categories. Looking at the market share, results show that both the private label and the national brand (leader and reference) increase their market share, but more the first (1.09 vs. 1.01 and 1.01).

| Product category | Market share | | | Conquesting power | | | Intrinsic loyalty | | |
|-----------------------|------------------------------|--------------------------------|--------------------------------------|------------------------------|--------------------------------|--------------------------------------|------------------------------|--------------------------------|--------------------------------------|
| | Private label ratio (on/off) | Reference brand ratio (on/off) | National brand leader ratio (on/off) | Private label ratio (on/off) | Reference brand ratio (on/off) | National brand leader ratio (on/off) | Private label ratio (on/off) | Reference brand ratio (on/off) | National brand leader ratio (on/off) |
| Aluminum foil | 0.98 | 1.07 | 1.07 | 0.90 | 1.12 | 1.12 | 1.11 | 2.10 | 2.10 |
| Biscuits | 1.00 | 0.88 | 0.84 | 0.87 | 0.91 | 0.75 | 1.16 | 1.00 | 1.05 |
| Bleach | 1.03 | 0.95 | 0.95 | 1.04 | 0.96 | 0.96 | 1.15 | 1.30 | 1.30 |
| Brioche | 1.59 | 0.95 | 0.63 | 1.38 | 0.96 | 0.66 | 1.36 | 1.08 | 0.96 |
| Canned chickpeas | 0.97 | 1.16 | 1.10 | 0.96 | 1.22 | 1.19 | 1.26 | 1.34 | 1.29 |
| Canned tuna | 1.16 | 0.97 | 1.14 | 1.22 | 0.93 | 0.97 | 1.12 | 1.06 | 1.08 |
| Chocolate | 0.55 | 1.44 | 1.46 | 0.82 | 1.32 | 1.41 | 0.80 | 1.13 | 1.19 |
| Dish-washer | 0.97 | 1.01 | 1.01 | 0.93 | 1.05 | 1.12 | 1.22 | 1.19 | 1.21 |
| Floor cleaner | 1.11 | 0.95 | 0.99 | 1.11 | 0.91 | 0.93 | 1.33 | 1.14 | 1.16 |
| Flour | 1.23 | 0.82 | 0.81 | 1.39 | 0.84 | 0.84 | 1.15 | 1.04 | 1.03 |
| Frozen pizza | 1.02 | 0.88 | 0.88 | 1.40 | 0.89 | 0.87 | 1.20 | 1.49 | 1.39 |
| Hair conditioner | 1.37 | 0.99 | 1.06 | 1.29 | 0.85 | 0.82 | 1.65 | 1.29 | 1.23 |
| Kitchen paper | 1.13 | 0.91 | 0.90 | 1.07 | 0.98 | 0.98 | 1.37 | 1.51 | 1.50 |
| Muffins | 0.94 | 1.39 | 1.28 | 0.95 | 1.23 | 1.15 | 1.11 | 1.07 | 1.13 |
| Nonfat milk | 0.92 | 1.16 | 1.17 | 0.87 | 1.13 | 1.08 | 1.01 | 1.08 | 1.07 |
| Olive oil | 1.03 | 0.86 | 0.89 | 1.05 | 0.84 | 0.85 | 1.12 | 1.10 | 1.08 |
| Olives | 1.08 | 1.05 | 1.08 | 1.11 | 0.97 | 1.09 | 1.30 | 1.36 | 1.17 |
| Orange juice | 1.41 | 1.01 | 1.01 | 1.24 | 1.24 | 1.21 | 1.19 | 1.14 | 1.42 |
| Paper napkins | 1.06 | 1.01 | 0.94 | 1.22 | 1.05 | 0.98 | 1.17 | 3.11 | 6.36 |
| Plain yogurt | 1.16 | 0.93 | 0.94 | 1.27 | 0.74 | 0.74 | 1.17 | 1.01 | 1.01 |
| Plastic bags | 1.08 | 0.93 | 0.95 | 1.74 | 0.85 | 0.85 | 1.12 | 2.92 | 4.46 |
| Powder detergent | 1.18 | 0.89 | 0.93 | 1.58 | 0.87 | 0.94 | 1.05 | 1.12 | 1.04 |
| Rice | 1.19 | 1.21 | 1.11 | 1.28 | 1.03 | 0.97 | 1.62 | 1.19 | 1.14 |
| Sandwich bread | 1.15 | 0.95 | 0.95 | 1.34 | 0.72 | 0.72 | 1.10 | 1.02 | 1.02 |
| Shower gel | 1.57 | 1.18 | 1.13 | 1.64 | 1.07 | 1.01 | 1.36 | 1.29 | 1.26 |
| Spaghetti | 1.37 | 0.90 | 1.21 | 1.51 | 0.78 | 1.78 | 1.29 | 1.13 | 1.02 |
| Toilet paper | 1.00 | 1.01 | 1.02 | 0.90 | 1.05 | 1.06 | 1.16 | 1.52 | 1.32 |
| Transparent foil | 1.03 | 0.96 | 0.96 | 1.13 | 0.89 | 0.89 | 1.14 | 1.23 | 1.23 |
| Uncarb. mineral water | 0.48 | 1.00 | 1.01 | 0.58 | 1.01 | 0.97 | 0.59 | 0.92 | 0.94 |
| WC cleaner | 1.04 | 1.02 | 1.00 | 1.01 | 0.95 | 0.91 | 1.14 | 1.27 | 1.35 |
| Mean | 1.09 | 1.01 | 1.01 | 1.16 | 0.98 | 0.99 | 1.18 | 1.34 | 1.48 |

Table 2. Online/offline ratios by product category.

Note that the market share is the compound of the intrinsic loyalty and the conquering power. Therefore, it is interesting to see what happens with these two measures. Mean values show that whereas the intrinsic loyalty is 1.18 times greater online than offline for the private label, it is 1.34 times greater for the reference brand and 1.48 times greater for the national brand leader. These figures suggest that all the brands increase their intrinsic loyalty online, but the improvement is stronger for the national brand (both the leader and the reference) than for the private label. On the contrary, the average ratios online/offline for conquering power show that only the private label increases its conquering power online, whereas the national brand leader and the reference brand decrease it, although slightly (1.16 vs. 0.98 and 0.99). These results show that the higher increase in market share in the online channel of the private label, compared to the national brand, is a result of both an increase in intrinsic loyalty and in conquering power. And that the increase in market share on the online channel of the national brand is a result of an increase in intrinsic loyalty, but not in conquering power. We can see these results graphically in **Figure 3**.

2.3. Online/offline ratios by product categories

The online/offline channel effects that have been reported heretofore on average can be visually represented for categories by means of a map, which considers the three competition measures we analyze. This map uses data from **Table 2** as input and represents the effects of online channel shift on intrinsic loyalty, conquering power and market share across product categories. In concrete, the X-axis reflects the effect of online channel shift on a brand's conquering power, the Y-axis reflects the effect on its intrinsic loyalty, and the color and shape

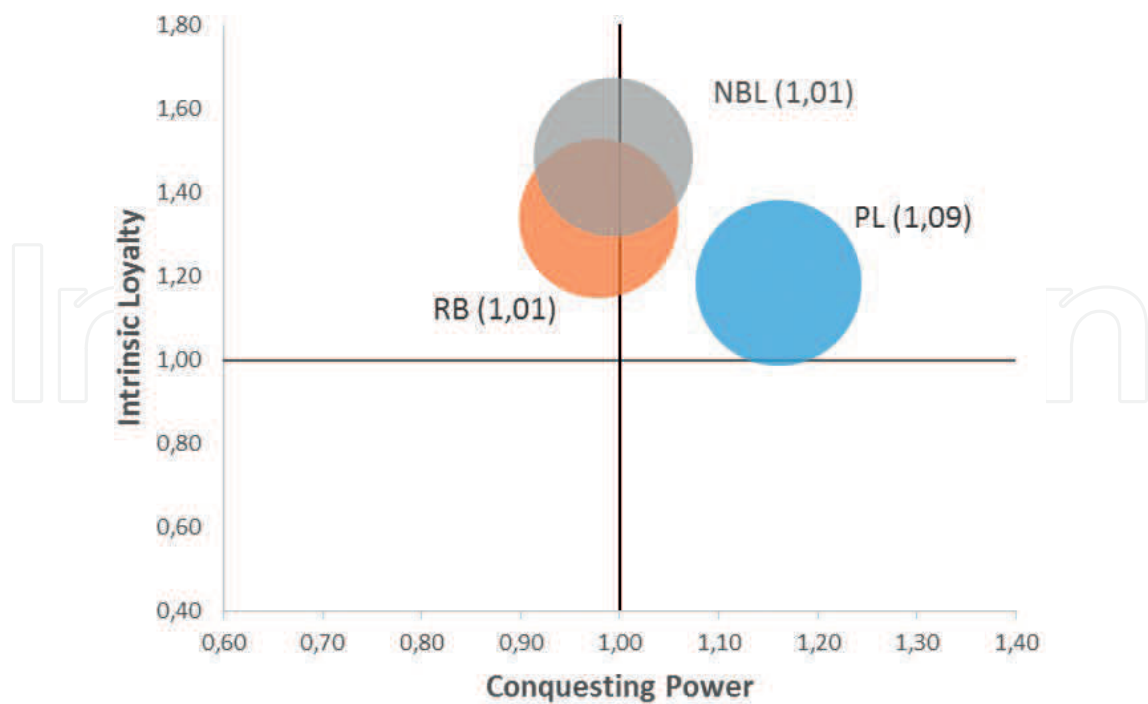


Figure 3. Private label, national brand leader, and reference brand's intrinsic loyalty and conquering power online/offline ratios. Between parentheses market share online/offline ratios.

of the bean representing the brand reflect the effect on its market share (note that, at this map, the position of each category is represented by a bean). For the intrinsic loyalty and conquesting power dimensions, the frontier between a gain and a loss (due to the online channel shift) is delimited by a line, whereas the market share change is marked with beans with of different shape.

Figures 4–6 show this map for the private label, the reference brand, and the national brand leader, for all the analyzed product categories. These maps provide two insights. First, within each map, we can observe that the effect of the online channel shift is not homogeneous across product categories. For instance, when going online (see **Figure 4**), the private label gets worse in terms of intrinsic loyalty, conquesting power, and market share for the chocolate category, whereas better for the shower gel category. For the canned chickpeas category, however, the private label improves its position in terms of intrinsic loyalty but gets worse in terms of conquesting power and market share. Second, across the three maps (private label, reference brand, and national brand leader maps), we can compare the position of each category for the private label and national brands. In this comparison, the reader must take into consideration that the market shares and conquesting powers for all brands in a category add to 100, respectively.¹ Therefore, it is not striking that while the private label gets worse online for the

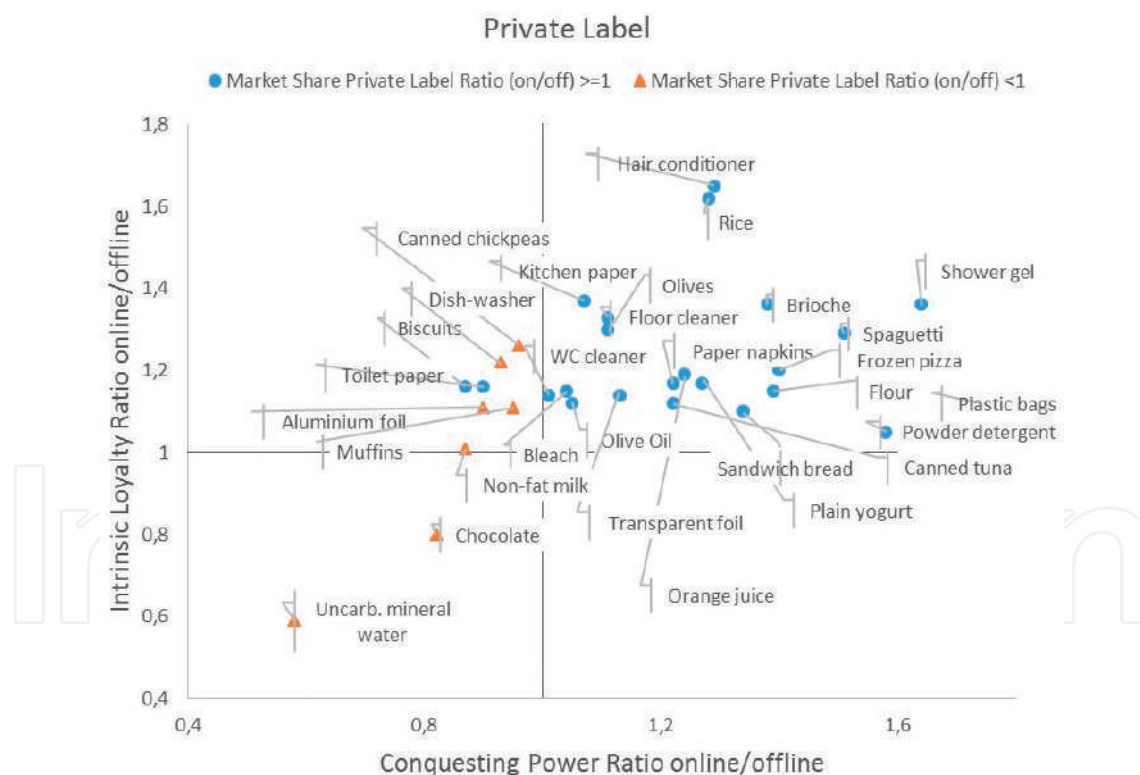


Figure 4. Private label channel shifts across product categories.

¹In our analysis, market shares for some categories do not add 100 because not all the brands in the category have been included in the analysis, as explained before.

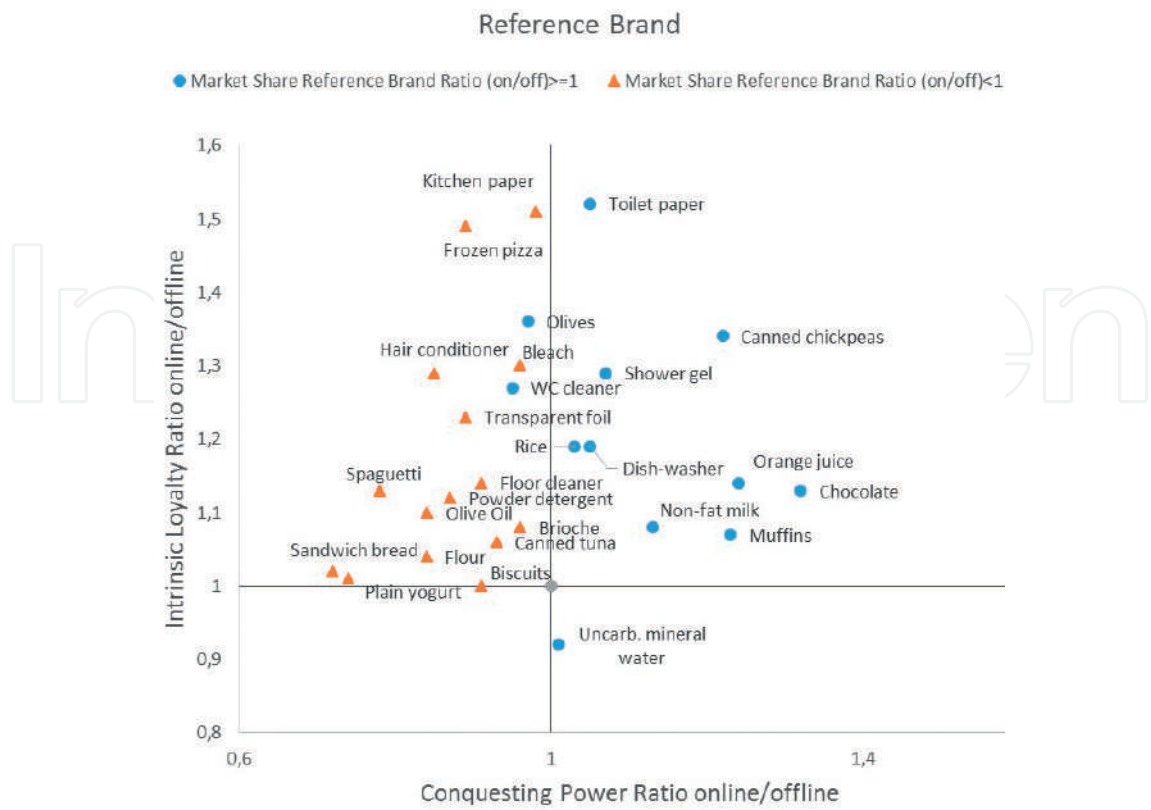


Figure 5. Reference brand channel shifts across product categories.

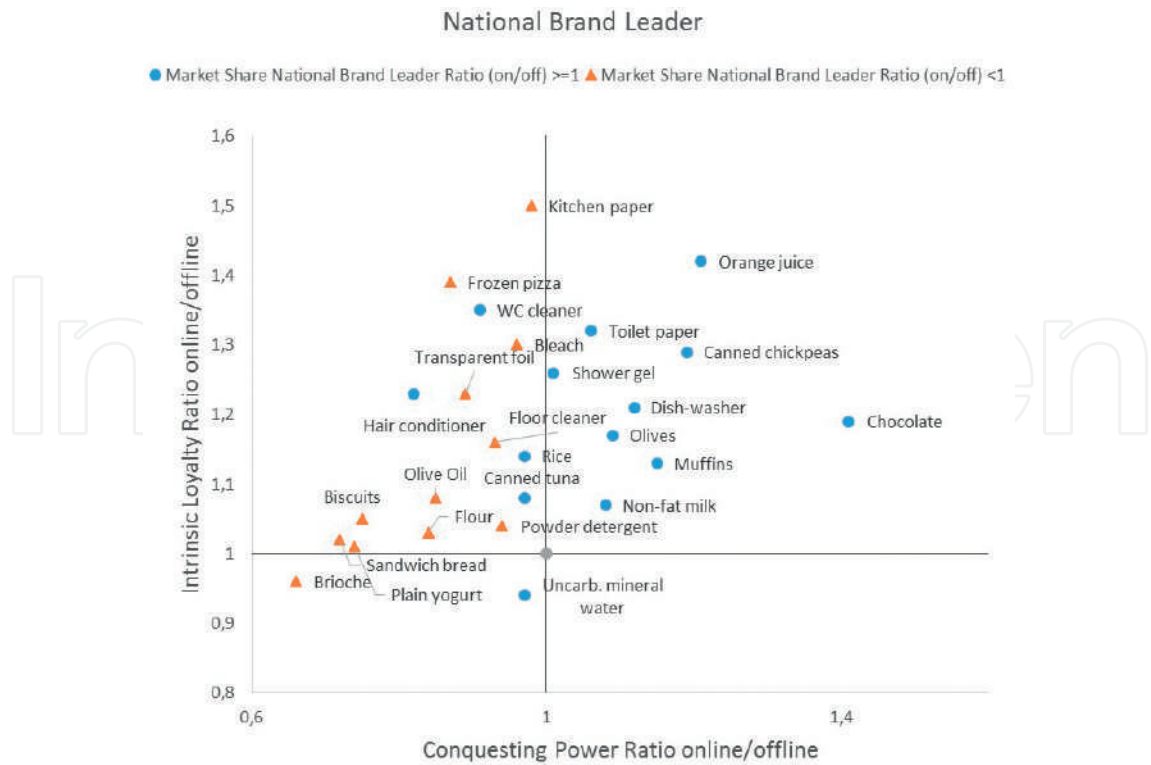


Figure 6. National brand leader channel shifts across product categories.

chocolate category, the reference brand, in particular the national brand leader improve their position online. However, for the intrinsic loyalty dimension, we can see categories for which the online channel shift affects all brand measures in the same direction. For instance, for the kitchen paper category, the private label, the reference brand, and the national brand leader have their intrinsic loyalty increased online. In general, private label's loyalty decreases at the online channel for foods and beverages, and increases for sensory products (products consumers evaluate with their senses, such as smell or touch). We can also see that private label's loyalty grows less in categories where the price difference between the private label and the national brand is higher. This finding favors the idea that an excessive price differential with national brands may hamper the success of the private label in the category. More results about the differences across categories are found in [13].

Global results indicate that whereas both the private label and the national brand increase their intrinsic loyalty online, it is the private label the brand which increases its conquering power online. In addition, it is the brand which increases more its market share online. These findings suggest that the private label is benefiting from its "empowered" conquering power online to gain market share at this channel. However, category-level results show that the online channel does not affect competition among private label and national brands homogeneously across categories. This finding reveals that management shall suit its online global marketing strategies to category-specific characteristics.

3. Conclusions and management implications

We provide here some conclusions and implications for manufacturers and retailers in the management of their national brands and private labels. We focus on the online channel, and add some recommendations to the existing literature (see, for example, [15]). We have found that all the brands increase their loyalty online and more the national brands. This means that consumers tend to purchase the same brand more in the online channel than in the offline channel. One reason can be that consumers might be using shopping lists from previous purchase occasions when buying online. Another reason can be that consumers buy online for convenience, and this makes them to do less search and to be more inertial in their behavior. Higher loyalty reduces competition. If brands want to break this loyalty, they should make more and deeper price discounts than in the offline channel. Otherwise, consumers will keep buying the same brand. Launching a new product will also be more difficult in the online channel, since it will not be included in the shopping lists.

Only the private label increases its conquering power at the online channel. One reason can be that the retailer offers a tool to substitute all the brands in the cart by the private label, and there can be consumers using it. This shows that the retailer has a higher control on the shopping environment online, and that this control may be used in its favor. Another reason can be that, since consumers use the online channel for convenience, purchasing the private label simplifies the purchase, and therefore some consumers may behave in this way. The private label increases its market share online, and this is driven by its higher conquering power.

We have also seen that these general results vary across categories. Although we have not investigated here the reasons why this might be, it seems clear that the previous general results will be even deeper in some categories. For example, the market share of the private label is 157 and 137% higher online than offline for the shower gel and the spaghetti categories.

In general, we can conclude that the private label improves its competitive position at the online channel more than the national brand. This is bad news for manufacturers, and good news for retailers.

Acknowledgements

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Appendix

The Colombo and Morrison Model

We use the model by Colombo and Morrison [14] to build the measures of intrinsic loyalty and conquering power.

The Colombo and Morrison [14] model is well established in the marketing literature (e.g., [16]). Its parameter estimates have clear managerial interpretations, it is robust, and the data requirements are few. The input to the model is a brand switching matrix whose elements (i, j) represent the proportion of consumers who purchased brand i on one purchase occasion and switched to brand j on the next occasion (see an illustration below). The elements (i, j) therefore give the conditional probability that brand j is purchased, given that i was bought the previous time. A simple brand-loyalty measure would look at the diagonal elements of the matrix, which give the repeat-purchase probabilities. However, this measure, as already noted, does not distinguish between (1) consumers who repurchase the brand because they are intrinsically loyal to the brand and (2) consumers who just pick any brand and happen to select the same one on two consecutive occasions.

The key underlying assumption of the Colombo and Morrison model is, therefore, that there are two kinds of consumers: consumers who are intrinsically loyal and stay with the same brand, and potential switchers who on every purchase occasion choose between all brands in the market.

All potential switchers are assumed to have the same probability to buy a specific brand, but this probability may differ across brands. The proportion of loyal consumers and the potential switchers' choice probabilities are linked to the elements of the observed brand switching matrix through:

$$p_{ii} = \alpha_i + (1 - \alpha_i)\pi_i, \quad i = 1, 2, \dots, I \quad (4)$$

$$p_{ij} = (1 - \alpha_i)\pi_j, \quad i \neq j, \quad i, j = 1, 2, \dots, I \quad (5)$$

where p_{ij} is an element of the switching matrix, π_i the proportion of potential switchers buying brand i , and α_i the proportion of the current buyers of brand i who is intrinsically loyal. The first equation states that the (conditional) probability to repurchase brand i (p_{ii}) depends on (1) the proportion of loyals (α_i) and (2) the proportion (π_i) of the potential switchers ($1 - \alpha_i$) who decided to repurchase brand i after all. The second equation shows how the conditional probability p_{ij} equals the proportion (π_j) of the potential switchers ($1 - \alpha_i$) who choose brand j . Clearly, every actual switcher is a potential switcher, but not every repeat purchase comes from a loyal consumer.

Parameters α_i and π_i must be estimated for each brand included in the brand switching matrix. Note that although α_i and π_i can both vary between 0 and 1, there is no simple relation between the two because they refer to a different base. The former refers to the proportion of the current buyers of a brand that is intrinsically loyal, while the latter refers to the proportion of the total number of switchers in the market that will buy that brand. In general, α_i will be larger than π_i , but this has no intrinsic meaning as, already explained, they refer to different bases. Note also that $\sum_{i=1}^I \pi_i = 1$; i.e., the sum of the proportion of potential switchers who decided to repurchase each brand in the market equals 1.

The market share of a brand can then be explained in terms of its intrinsic loyalty and its conquering power. At a purchase occasion t , the market share of brand i is the sum of its probability of being repurchased by consumers who previously purchased it, plus the probability of being purchased by consumers who previously purchased other brands in the market.

$$\text{Market Share}_i = P_{ii} + \sum_{j \neq i}^J P_{ji} = \alpha_i + (1 - \alpha_i)\pi_i + \sum_{j \neq i}^J (1 - \alpha_j)\pi_i = \alpha_i + \sum_j^J (1 - \alpha_j)\pi_i \quad (6)$$

In terms of our two dimensions of brand i 's power, it is clear that α_i measures its intrinsic loyalty, while π_i is a measure of the brand's conquering power.

Specification of our model

The Colombo and Morrison model is based on the construction of a brand switching matrix, which requires a minimum of two observations per consumer. Given that we observe the purchase behavior of our consumers during a whole year, we applicate Colombo and Morrison model to successive switching matrices, which results in the evaluation of α_i and π_i at the purchase occasion level, instead of at the consumer level. This means that for every consumer in our database, we examine its repetitive or switching behavior across brands from one purchase occasion to the next.

Imagine there are three brands in the market, brand A, brand B, and brand C. Consider that consumer h purchases brand A at its first purchase occasion, brand A at its second purchase

occasion, and brand C at the third one. Consider that consumer k purchases brand B at its first purchase occasion, brand A at its second purchase occasion, brand C at its third purchase occasion, and brand C at its fourth one. From our approach, we do not limit our attention to two consecutive purchases of each consumer (let us say the first two purchase occasions), but to all purchase occasions of each consumer.

For consumer h , we consider the following switching matrices:

| Purchase occasion 1 | Purchase occasion 2 | | | Purchase occasion 2 | Purchase occasion 3 | | |
|---------------------|---------------------|---------|---------|---------------------|---------------------|---------|---------|
| | Brand A | Brand B | Brand C | | Brand A | Brand B | Brand C |
| Brand A | 1 | 0 | 0 | Brand A | 0 | 0 | 1 |
| Brand B | 0 | 0 | 0 | Brand B | 0 | 0 | 0 |
| Brand C | 0 | 0 | 0 | Brand C | 0 | 0 | 0 |

For consumer k , we consider the following switching matrices:

| Purchase occasion 1 | Purchase occasion 2 | | | Purchase occasion 2 | Purchase occasion 3 | | | Purchase occasion 3 | Purchase occasion 4 | | |
|---------------------|---------------------|---------|---------|---------------------|---------------------|---------|---------|---------------------|---------------------|---------|---------|
| | Brand A | Brand B | Brand C | | Brand A | Brand B | Brand C | | Brand A | Brand B | Brand C |
| Brand A | 0 | 0 | 0 | Brand A | 0 | 0 | 1 | Brand A | 0 | 0 | 0 |
| Brand B | 1 | 0 | 0 | Brand B | 0 | 0 | 0 | Brand B | 0 | 0 | 0 |
| Brand C | 0 | 0 | 0 | Brand C | 0 | 0 | 0 | Brand C | 0 | 0 | 1 |

Hence, we apply Colombo and Morrison model to the following switching matrix:

| Purchase occasion $t-1$ | Purchase occasion t | | |
|-------------------------|-----------------------|---------|---------|
| | Brand A | Brand B | Brand C |
| Brand A | 1 | 0 | 2 |
| Brand B | 1 | 0 | 0 |
| Brand C | 0 | 0 | 1 |

With our approach, we (1) take into consideration all purchases of every consumer in a product category, and therefore introduce the weight of each consumer's purchases on the total category purchases, i.e., we provide more weight to heavy than light buyers in the category. Consequently, we (2) can consider a larger number of observations at each category, which allow us to evaluate a wide range of categories in our investigation. Otherwise, the switching matrices for some categories would have presented too many zeros to enable the estimation of the parameters.

Besides, in this investigation, we intend to draw differences in brand power across online and offline channels. Given that the building of a switching matrix needs evaluating pairs of two consecutive purchases, we should determine how we define an “offline observation” and an “online observation.”

In our database, we can find four different combinations for a pair of purchases: (1) both purchases are done offline, (2) both purchases are done online, (3) the first purchase is done offline but the second is done online, and (4) the reverse, the first purchase is done online but the second is done offline. Limiting our attention to the first two cases, for which the differentiation between an offline observation and an online observation is clear, would have meant to discard many of the purchase registers of our database, since many consumers switch between channels from one occasion to the next. Hence, we establish the following criteria to distinguish between offline and online observations: A pair of two consecutive purchases is considered as an offline observation when the second purchase is done offline, whereas it is considered as an online observation when the second purchase is done online. This means it is the channel where the second purchase is done, the one which determines whether an observation is referred to as offline or online. In this way, we attach more importance to the channel where the consumer is currently purchasing than the channel where it previously purchased as a determinant of its current shopping behavior.

We build a switching matrix per category and channel, which means that for the estimation of intrinsic loyalty and conquering power parameters, we use 60 switching matrices (30 product categories \times 2 channels).

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Analysis of Antecedents that Contribute to Try New Products in Retail Commerce

Natalia Rubio, Nieves Villaseñor Román and
María Jesús Yagüe Guillén

Additional information is available at the end of the chapter

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Abstract

Offering innovative goods and/or brands to attract and retain customers is one of the challenges in the retail sector, which is characterized by high competitiveness and economic recession. This chapter analyzes the different variables that contribute to increasing customers' willingness to try retailers' innovations relative to the products and/or brands they offer. Specifically, we discuss the role that consumer satisfaction with price level, perceived quality of the assortment, and trust in the retailer plays in the dependent variable. The model is tested empirically on a sample of 498 individuals responsible for purchasing consumer products; causality is contrasted using a structural equation model (SEM). The results show that customers' trust in the retailer is the most important factor in explaining the decision to try new products and brands, followed by perceived quality of the assortment and satisfaction with price level. Furthermore, our finding that trust in the retailer is the most influential antecedent of customer willingness to try the retailer's innovations shows the importance of relationship marketing in the proposed model. Since this influence is significantly higher in the group of regular customers of the commercial chain, regular customers represent a sensitive segment for retailers in terms of product acceptance and testing.

Keywords: innovative products and brands, retailing, trust, regular and nonregular customers, assortment, price

1. Introduction

There is a widely held view that retailing is somehow less innovative than other service sectors [1]. The importance of innovation in entrepreneurial strategy is generally clear due to the high investment innovation requirements. According to Reinartz et al. [2], innovations in

retailing have several dimensions, such as retail formats, branding, assortment, process innovations, customer experience, information technology, new media, handling of payment and order fulfillment. Reinartz et al. [2] explain that (1) in the case of retail formats, supermarkets were considered as innovations when they were first introduced in markets that are currently viewed as mature retail markets. Thus, the development of new retail formats represents a promising source of retailing innovations; (2) in the case of branding, retailers' strategic decisions, such as single versus multiple private label brand names, or their positioning represent another dimension of innovations in retailing; (3) also, the assortments such as variety, stock ownership and speed of replenishment have also been identified as potential ways for a retailer to innovate and differentiate itself from competitors; (4) process innovations such as market research and supply chain management also constitute potential avenues for retailers to achieve a competitive advantage. For example, new forms of collaboration between manufacturers and retailers in supply chain management such as efficient consumer response (ECR) and category management represent major innovations in retailing pioneered by companies such as Walmart in the United States and Metro in Europe; (5) new forms of market research and marketing intelligence generation such as scanner data-based, customer loyalty program-based and customer experience management-based activities represent innovations in retailing; (6) other important dimensions of retailing innovation include the customer experience, such as innovations based on store atmosphere, expertise, and knowledge of front-end staff; and (7) information technology and new media-enabled retailing innovations. In this last case, according to Sorescu et al. [3], the wave of innovative technologies is spreading fast, by making available many interactive systems that able to support both consumers while shopping and retailers for achieving fast and update information on market trends and selling process. For instance, in recent years, groceries have introduced: (1) self-service technologies equipped with radio frequency identification (RFID) systems, such as the self-cash desks, (2) informative touch points; (3) interactive displays equipped with touch screens; and (4) digital signage and applications for mobile phones.

Another line of research about innovations in retailing considers new product development [4]. This study follows this line of research due to the high number of failures among new products launched on the market. According to Ref. [5], the possibility of success of a new consumer good in 2015 reached 29% compared to 45% in 2014. It is important to understand which factors influence consumers' process of trying and adopting new products [6, 7]. For example, perceived benefits and low level of perceived risks are important predictors for new products acceptance, which is today facilitated by the customers' greater ability to acquire and process the information needed to manage the risk associated to new products. This chapter focuses on the study of new product and brand trial, since it is the most used metric to measure the success of business innovation. It should be noted here that there are two types of innovations: incremental or sustained innovation and radical or disruptive innovation. Incremental innovation often exploits existing benefits or technologies. Also, it usually improves an existing product or adapts it for a new use. On the contrary, a radical innovation is one that produces a substantial improvement in the satisfaction of consumer needs [8].

The process of adoption of new products is especially important in the retail context, which is characterized by stagnant consumption and strong competition in the distribution channel,

and where relationships between manufacturers and distributors and between distributors and consumers are undergoing a process of change.

Specifically, this chapter analyzes the Spanish sector of consumer goods' distribution, where innovations are of considerable importance because of their added value. Given that Spain is behind most European countries in terms of innovations [5], it becomes very relevant to deepen on the aspects that can motivate to improve this situation. In the context of Spanish consumption, 73.1% of the new products launched in 2015 belonged to the food category. Beverages and cosmetics followed in the ranking of most innovative product categories, with a share of innovative products of 15.2 and 11.7%, respectively [5].

Considering aggregate data, the number of innovative products has grown in Spain in the last period analyzed (2014–2015). In 2015, 118 new products that did not exist before were launched, 9% more than in 2014. However, the number of innovations in 2015 is lower than in 2010, when 156 innovations were marketed [5].

In this situation, companies recognize the importance of understanding consumers' needs in depth and of identifying the issues consumers consider most relevant when shopping for mass consumption products. Based on this knowledge, the various commercial chains can differentiate themselves from the competition, achieve greater brand value through acceptance of the products they commercialize on the market, and increase the profitability they gain from their customers.

With regard to brand innovation, the conflict between manufacturer brands and store brands becomes very relevant. According to Ref. [5], manufacturer brands in Spain are the engine of product innovation. In 2015, 9 of 10 innovations were developed by manufacturer brands [5]. In 2012, 82.1% of all product innovations carried a national brand. That percentage grew to 89.5% in 2015, when just 10.5% of the innovative products were private-label goods.

With respect to the innovations of the manufacturer brands, Danone was the most successful manufacturer brand, thanks to the launch of Font Vella mineral water designed for children. Other brands such as Yatekomo (Gallina Blanca's instant noodles), the probiotic dairy product Actimel pro-Vital, Thomas Bagels, and Activia Fruit Fusion yogurts, also achieved remarkable success (see **Table 1**).

In the case of private labels, those belonging to Mercadona and Lidl are the most successful in terms of innovation [5]. The success of their store brand innovations coexists with the fact that Mercadona marketed just 10% of all manufacturer brand innovations while Lidl only introduced 2% of them, representing the two chains with fewer national brand innovative products in their shelves. An evidence to the fact that Mercadona opts to privilege the innovations of its own brands is the launch of a new line of vegan products and fitness products with at least 15 new references with its own brand such as "lentil and begur salad," "kale," "veggie mortadella," "Edamame green soybeans," "Agave syrup," "Maple gingerbread syrup," "cous cous," etc. On the opposite side, the chains that sold more manufacturers' innovations were Carrefour, Alcampo, and Eroski, who introduced 70, 40, and 43% of all manufacturers' innovations, respectively [5].

In this context, our study proposes two goals: (1) to develop a model to explain the customer's propensity to try retailers' innovations of the products and/or brands provided, using three

| Innovative products | |
|----------------------------------|---|
| Font Vella kids | Suchard oreo |
| Yatekomo Yakisoba chicken | San Miguel Melocotuva+ Naramango+Piñacuya |
| Actimel pro-vital | Frigo magnum mini-pink |
| Bagels | Shandy zero |
| Activia fruit fusion | Flora gold |
| Source: Kantar Worldpanel, 2015. | |

Table 1. Top innovations in the Spanish market.

key variables of the retailers’ strategy: assortment and price of the products offered and consumers’ trust in the retailer and (2) to compare the influence of trust on the dependent variable for regular and nonregular customers of the retail chain, given the growing importance of this variable for relationship marketing. These goals advance research on new product acceptance in the retail area and contribute practical implications aimed at improving retail management.

This study is structured as follows. The second section presents a literature review, followed by a methodological section. We then explain the main results obtained from the analysis. The study concludes with the discussion of these results and the main limitations and future lines of research.

2. Literature review

2.1. Model of innovative product acceptance in the retail area

The literature defines innovation differently, depending on the field. According to Lusch and Nambisan [9], in the context of Service Dominant Logic, innovation can be considered the rebundling of diverse resources that create novel resources that are beneficial (i.e., value experiencing) to some actors in a given context; this almost always involves a network of actors, including the beneficiary (e.g., the customer). From the perspective of marketing, innovation can be defined as the process of launching new products or services on the market that satisfy the consumer’s needs [10] leading to the consumer’s acceptance of the new products or the generation, acceptance, and implementation of new ideas, processes, products, or services [11, 12].

Huang and Huddleston [13] insist on two innovation-related concepts: (1) innovativeness and (2) the capacity to innovate. They contend that firm innovativeness is the notion of openness to new ideas as an aspect of a retailer’s culture, whereas the capacity to innovate is the ability of the retailer to adopt or implement new ideas.

Among the factors that influence the process of trying and accepting new products, we can classify a series of variables into variables related to the market, such as concentration of brands and firms [14]; variables related to the firm itself, such as its reputation and market power [7];

variables related to the individual, such as his/her willingness to adopt innovations [15]; and variables related to the product and/or brand, such as its degree of innovation [16].

Trying to integrate some of the previous factors, Bass [17, 18] proposes a model that explains the acceptance of innovations. This model expresses the adoption of innovation as a dependent variable of (1) the individual's innovativeness, (2) the effectiveness of external influence on consumers, and (3) the accumulated product adoption (due to the effect of word-of-mouth). To do this, Bass [17, 18] uses three measures: the innovation ratio (or external innovation), the imitation ratio (or internal influence), and the market potential.

Based on factors related to the firm and the brand, this chapter focuses on characteristic aspects of retail strategy that contribute to the trying and acceptance of new products in this sector, such as the retailer's ability to develop an assortment of new products or brands with higher quality or unique features. A retailer, who focuses on building, developing, and nurturing its assortment's brands, benefits from using branding as a means of identification, differentiation, and guarantee of consistency for consumers. As a result, retailer assortment resulting from the retailer's brand orientation may provide consumers with added value as well as emotional attachments [19]. The literature has contrasted that a brand's reputation encourages acceptance and trying of new products [7]. A brand enjoys a good reputation when consumers perceive it as having consistent product quality over time. When characteristics of a new brand or product cannot be observed before they are consumed, as is the case with mass consumption products, the parent brand's reputation extends to the new products commercialized under this brand name [20]. Our study starts from this principle and proposes that the quality consumers attribute to the products and brands a retail chain commercializes—whether the retail brands or manufacturer brands—encourages acceptance of new products that the retailer begins to commercialize, since retailers will not take the risk of launching low-quality products that can jeopardize their current and future sales. Furthermore, the more the retailer allocates economic and shelf space to communicate the quality of its assortment, the more it will encourage customers' support for its new products [7]. Based on the foregoing, we propose:

H₁: The quality of the retailer's assortment has a positive and significant effect on the consumer's acceptance of new products and brands.

There is considerable evidence showing that perceived costs and perceived benefits are the major determinants of consumers' acceptance of new consumer products [21]. For example, price level established by the retailer, the second antecedent considered in the research, could be associated to perceived costs.

The effect of the price level established by the retailer on acceptance of new products is not clear. The consumers most inclined to buy innovative products are less sensitive to price level and would be willing to assume a higher price level to obtain the differentiation that innovation targets [22]. There would thus be no negative effect on the relationship between price level and acceptance of new products. Not all consumers are willing to assume the price premium involved in entry of new products on the market [23]; however, in this case, consumers' price sensitivity could be a barrier to acceptance of innovations [24]. Since this study focuses on mass consumption products, a significant percentage of household expenses, in context of economic

recession in which consumers are rational in their shopping, we tend toward the second stream of research and propose that establishing a satisfactory price level encourages acceptance and trying of new products. That is

H₂: Satisfaction with the retailer's price level has a positive and significant effect on the consumer's acceptance of new products and brands.

Finally, consumers have very limited knowledge of innovations. As a result, most consumers are unable to decide whether new products are associated with possible risks. One way people cope with a lack of knowledge is to rely on trust to reduce the complexity of decisions. Past research suggests that trust had an impact on perceived risk as well as on perceived benefit. Trust had an impact on the acceptance of, or willingness to buy, consumer goods products [21].

The trust that consumers place in the retailer is closely tied to the firm's reputation and market power and encourages acceptance of the new products the retailer commercializes [25]. It is expected that new products launched by a reputable retailer tend to have a greater acceptance than others launched by less reputable retailers. The reason being that firms with high reputation would have little interest in "cheating" their customers by launching a product of low-added value that could harm their business strategy, as this could affect their present and future sales. New products commercialized by a retailer which enjoys its consumers' trust are thus usually expected to have greater acceptance than those sold by retailers with worse positioning, since customers perceive lower risk in the acquisition and trying of products sold by retail chains with reputation in which they trust [26]. Based on the foregoing, we propose:

H₃: Trust in the retailer has a positive and significant effect on the consumer's acceptance of new products and brands.

2.2. Differences between regular and nonregular customers of the retail chain

Given the growing importance of relationship marketing, a proliferation of studies has advanced knowledge by incorporating moderating variables related to the characteristics of the relationship between companies and their customers [27]. These variables include, for example, length of the relationship [28, 29], frequency of contacts between company and customer [30], and consumer's involvement with the product, service, or firm itself [31]. Another important aspect that determines the success of an innovation is the influence of the number of people using the new product (direct effect) or its relation to the use of other products (indirect effect) [32]. These variables moderate the main effects of a series of antecedent variables on relational result variables like customer satisfaction and loyalty [33].

The literature review performed indicates, however, that it is necessary to incorporate new moderating variables whose effects have not been considered. To date, no studies have been found that develop models of innovative product acceptance that include as moderating variable a characteristic of the consumer's relationship with the retailer that is very important in studies of shopping habits in stores that sell mass consumption products: the regularity of that relationship.

Based on prior studies and on the importance of relational variables, this study proposes that the influence of trust in the retailer on consumers' acceptance of new products is more effective

in the group of regular customers. A regular customer has built an established relationship with the retailer, resulting in a stronger emotional link than that of the nonregular customer. This established relationship grants greater weight to relational issues (such as trust, commitment, satisfaction, etc.) in new shopping decisions [34, 35]. If we compare two customers with the intention to buy a new product/brand from a specific retailer—one customer regular and the other sporadic—the regular customer is more likely to make the decision to try, due to prior interactions with this retailer [36]. The sporadic customer, in contrast, is more familiar with the offering of competitor retailers and thus more rational when adopting the decision to try new products and brands, basing his/her decision more on functional criteria of the retailer's supply (such as perceived quality and price of assortment) than on emotional criteria [37]. We thus propose that the effect of trust in the retailer on trying new products is stronger among regular than among sporadic customers. The hypothesis is stated as follows:

H₄: The regular character of the customer has a positive moderating effect on the relationship between trust in the retailer and acceptance of new products.

Figure 1 presents the theoretical research model.



Figure 1. Theoretical model of adoption of innovative products in the retail area.

3. Methodology

To contrast the model for new product acceptance, we perform an empirical study using a phone survey addressed to people responsible for buying the mass consumption products for their household. First, we asked the respondents to indicate at which of the following retail chains they shopped: (1) Carrefour, (2) Alcampo, (3) Eroski, (4) El Corte Inglés, and (5) Mercadona. These chains are chosen because, according to the economic information contained in Ref. [34], in

2015 they held the highest market shares in value terms in the analyzed product categories (Mercadona: 22.7%, Carrefour: 8.5%, Alcampo: 3.8%, Eroski: 6.2%, and El Corte Inglés: 1.8%).

The interviewer then told the respondent to which retail chain his/her answers should refer in the questionnaire. This enabled us to control responses to obtain a uniform percentage of surveys for each retail chain analyzed. That is, we applied random stratified sampling with simple allocation, such that the initial sample of shoppers was composed of similar subsamples related to each of the retail chains analyzed. We obtained 498 valid questionnaires.

Regarding the sociodemographic profile of the sample, it is observed that the respondents are mainly women, aged between 21 and 40 years old, who work outside the home and who have, at least, secondary studies. Regarding the family situation, the households of two to four members predominate, with a maximum of two children and a family income between 1000 euros and 2000 euros.

Perceived quality of assortment was measured through three items from the studies by Seiders et al. [27] and Vázquez et al. [38], and satisfaction with price level by three items adapted from the scales by Sirdeshmukh and Singh [39] and Anselmsson and Johansson [40]. For trust in the retailer, we adapted three items from the study by Crosby et al. [41] and Wong and Sohal [42]. Finally, the measurement most used to measure the success of product innovation in the consumer was the trying of new products [43]. All variables were measured on an 11-point Likert scale, from 0 (disagree completely) to 10 (agree completely). **Table 2** provides descriptions of the variables with their corresponding items.

The habit of shopping at the retail chain can affect the influence of the antecedents analyzed on acceptance of new products. This study thus classifies consumers into two segments, according to whether they indicate that they shop in the retail chain regularly or only sporadically. To measure regularity of shopping at the retail chain, we asked the following question: “Is this your regular shopping chain?” The consumers who answered yes (324) were considered regular customers; the others (174) were considered nonregular customers.

| | |
|---------------------------------|---|
| Perceived quality of assortment | CS1: The retailer provides very high-quality fresh products |
| | CS2: The retailer provides very high-quality packaged goods |
| | CS3: The retailer provides the products and brands that I need |
| Satisfaction with price level | SP1: The retailer generally provides a satisfactory price level |
| | SP2: The general price level does not undergo abusive increases over time |
| | SP3: At this retailer, I fill my shopping cart for a reasonable price |
| Trust in retailer | CF1: The retailer does not cheat me |
| | CF2: The retailer is honest |
| | CF3: I trust the retailer |
| Trying innovative products | PR1: When the retailer incorporates new products, I like to try them |
| | PR2: When the retailer incorporates new brands, I like to try them |

Table 2. Study variables.

The empirical model was estimated using covariance structure modeling with the statistical package AMOS 19.

4. Results

4.1. Descriptive results

The results shown in **Table 3** offer high mean values of the three antecedents proposed (the perceived quality of the assortment, the price level, and trust in the retailer). All are above 7.

Customers show an intermediate level relative to the acceptance of new products and brands, with mean values around 6.20 for the acceptance of new products and mean values around 6.29 for the acceptance of new brands. In particular, Alcampo, Eroski, and Mercadona are the most successful chains in terms of new products' acceptance, although it should be noted that Alcampo and Eroski follow antagonistic strategies regarding the introduction of innovations compared to Mercadona. While Alcampo and Eroski support the innovations of manufacturers, Mercadona opts to privilege the innovations of its own brands.

The analysis by chains of the mean levels of the antecedents indicates that Carrefour's customers perceive the quality of the assortment and the price level of this retailer to be below the average value of the sample. Trust in the retailer does not exceed the average level either. Thus, despite the fact that Carrefour favors the introduction of brands' innovations, their customers seem not to be appreciating this strategy.

In the case of Alcampo and Eroski, their customers show adequate satisfaction levels in terms of assortment quality. Their customers are particularly pleased with the price level of these chains. Trust of their customers is an aspect that both retailers must improve. In both cases, it can be inferred that the high levels of innovation's acceptance are due, on the one hand, to the fact that these chains support the introduction of manufacturer brands' innovations, and on the other hand, to the brand equity of these brands that facilitates the introduction of innovations in the market.

The customers of El Corte Inglés appreciate the quality of its assortment but consider that the price level is high. Trust in this chain must also be improved, which explains why its customers are less inclined to test the innovations of products and brands that this retailer sells.

Finally, Mercadona enjoys high levels of perceived quality of assortment and high levels of customers' satisfaction with the store's price level. Also, Mercadona generates high levels of trust in its commercial policy. These three factors favor the trial of Mercadona's innovations (see **Table 3**).

4.2. Measurement model

For each subsample, we confirm the quality of the measurement scales, following the recommendation by Byrne [44]. We perform a confirmatory factor analysis, whose results show highly satisfactory fits of the proposed model in both samples. As may be seen in **Table 4**, the

| Variables in the model | Retailers | Mean | Standard deviation |
|---|-----------------|------|--------------------|
| CS1: The retailer provides very high-quality fresh products | Carrefour | 7.08 | 1.56 |
| | Alcampo | 7.00 | 1.58 |
| | Eroski | 7.15 | 1.49 |
| | El Corte Inglés | 7.29 | 1.55 |
| | Mercadona | 7.17 | 1.64 |
| | Total | 7.15 | 1.58 |
| CS2: The retailer provides very high-quality packaged goods | Carrefour | 7.45 | 1.25 |
| | Alcampo | 7.42 | 1.20 |
| | Eroski | 7.51 | 1.19 |
| | El Corte Inglés | 7.59 | 1.28 |
| | Mercadona | 7.50 | 1.34 |
| | Total | 7.53 | 1.24 |
| CS3: The retailer provides the products and brands that I need | Carrefour | 7.66 | 1.27 |
| | Alcampo | 7.61 | 1.24 |
| | Eroski | 7.54 | 1.33 |
| | El Corte Inglés | 7.71 | 1.35 |
| | Mercadona | 7.62 | 1.43 |
| | Total | 7.60 | 1.33 |
| SP1: The retailer generally provides a satisfactory price level | Carrefour | 7.08 | 1.36 |
| | Alcampo | 7.38 | 1.24 |
| | Eroski | 7.19 | 1.26 |
| | El Corte Inglés | 6.99 | 1.44 |
| | Mercadona | 7.21 | 1.47 |
| | Total | 7.15 | 1.33 |
| SP2: The general price level does not undergo abusive increases over time | Carrefour | 6.88 | 1.34 |
| | Alcampo | 6.99 | 1.30 |
| | Eroski | 6.88 | 1.31 |
| | El Corte Inglés | 6.87 | 1.34 |
| | Mercadona | 6.90 | 1.46 |
| | Total | 6.87 | 1.34 |
| SP3: At this retailer, I fill my shopping cart for a reasonable price | Carrefour | 6.87 | 1.39 |
| | Alcampo | 6.95 | 1.41 |
| | Eroski | 6.88 | 1.31 |
| | El Corte Inglés | 6.73 | 1.49 |
| | Mercadona | 6.93 | 1.52 |
| | Total | 6.92 | 1.37 |

| Variables in the model | Retailers | Mean | Standard deviation |
|---|-----------------|------|--------------------|
| CF1: The retailer does not cheat me | Carrefour | 7.03 | 1.34 |
| | Alcampo | 6.98 | 1.41 |
| | Eroski | 6.99 | 1.47 |
| | El Corte Inglés | 7.11 | 1.33 |
| | Mercadona | 7.17 | 1.42 |
| | Total | 7.13 | 1.35 |
| CF2: The retailer is honest | Carrefour | 7.13 | 1.39 |
| | Alcampo | 7.11 | 1.42 |
| | Eroski | 7.12 | 1.40 |
| | El Corte Inglés | 7.16 | 1.35 |
| | Mercadona | 7.26 | 1.40 |
| | Total | 7.21 | 1.33 |
| CF3: I trust the retailer | Carrefour | 7.26 | 1.46 |
| | Alcampo | 7.22 | 1.45 |
| | Eroski | 7.30 | 1.50 |
| | El Corte Inglés | 7.37 | 1.38 |
| | Mercadona | 7.44 | 1.39 |
| | Total | 7.39 | 1.36 |
| PR1: When the retailer incorporate new products, I like to try them | Carrefour | 6.08 | 1.99 |
| | Alcampo | 6.32 | 1.95 |
| | Eroski | 6.22 | 2.02 |
| | El Corte Inglés | 6.09 | 1.98 |
| | Mercadona | 6.28 | 2.00 |
| | Total | 6.20 | 2.00 |
| PR2: When the retailer incorporate new brands, I like to try them | Carrefour | 6.23 | 1.99 |
| | Alcampo | 6.38 | 1.91 |
| | Eroski | 6.30 | 2.04 |
| | El Corte Inglés | 6.16 | 1.96 |
| | Mercadona | 6.33 | 2.02 |
| | Total | 6.29 | 1.99 |

Table 3. Analysis of the variables of the model by retailer.

results respect the limits proposed in the scholarly literature for goodness of overall fit of the measurement model.

The results for reliability and validity of both subsamples are presented in **Tables 5** and **6**, respectively. In all cases, the statistics used for reliability—the Alpha Cronbach and composite

| Regular retail chain customers (<i>n</i> = 324) | Nonregular retail chain customers (<i>n</i> = 174) |
|---|---|
| $\chi^2/\text{df} = 1.14$; CFI = 0.997; AGFI = 0.957; RMSEA = 0.02 | $\chi^2/\text{df} = 2.08$; CFI = 0.963; AGFI = 0.868; RMSEA = 0.06 |

Table 4. Indicators of goodness of fit of the measurement model for both groups.

| Variables | L_i | E_i | Reliability | | Validity | |
|---------------------------------|-------|-------|------------------|----------------------------|----------------------------------|---------------------|
| | | | Alpha Cronbach | Composite reliability (CR) | Average variance extracted (AVE) | Convergent validity |
| Perceived quality of assortment | | | | | | |
| CS1 | 0.60 | 0.66 | 0.75 | 0.74 | 0.50 | $t = \dots$ |
| CS2 | 0.76 | 0.42 | | | | $t = 6.14^{***}$ |
| CS3 | 0.74 | 0.46 | | | | $t = 5.83^{***}$ |
| Satisfaction with price levels | | | | | | |
| SP1 | 0.82 | 0.33 | 0.81 | 0.83 | 0.62 | $t = \dots$ |
| SP2 | 0.71 | 0.50 | | | | $t = 7.49^{***}$ |
| SP3 | 0.82 | 0.32 | | | | $t = 10.39^{***}$ |
| Trust in the retailer | | | | | | |
| CF1 | 0.82 | 0.33 | 0.88 | 0.86 | 0.67 | $t = \dots$ |
| CF2 | 0.78 | 0.39 | | | | $t = 12.40^{***}$ |
| CF3 | 0.86 | 0.26 | | | | $t = 17.98^{***}$ |
| Trying innovative products | | | | | | |
| PR1 | 0.92 | 0.15 | $r = 0.84^{***}$ | 0.92 | 0.85 | $t = \dots$ |
| PR2 | 0.92 | 0.16 | | | | $t = 14.43^{***}$ |

Significance: *** *p* < 0.001.
L_i: Standardized loading; *E_i* = (1 − *R*²): error variance.

Table 5. Analysis of reliability and validity of the measurement scales in the sample of regular customers.

reliability—exceed the minimum value of 0.70 recommended by Ref. [45]. In all cases, the average variance extracted is greater than or equal to 0.5, and all items have good convergent validity, since the results show that all parameters are statistically significant.

We also confirm discriminant validity in both subsamples. **Table 7** shows that the square root of the average variance extracted from each construct in all cases is higher than the correlation between each pair of concepts.

4.3. Causal relationship model

First, the model in **Figure 1** was estimated using structural equations, without including moderating effects. The fit obtained is satisfactory ($\chi^2 = 57.71$; *df* = 31; $\chi^2/\text{df} = 1.86$;

| Variables | L_i | E_i | Reliability | | Validity | |
|---------------------------------|-------|-------|------------------|----------------------------|----------------------------------|---------------------|
| | | | Alpha Cronbach | Composite reliability (CR) | Average variance extracted (AVE) | Convergent validity |
| Perceived quality of assortment | | | | | | |
| CS1 | 0.82 | 0.33 | 0.77 | 0.79 | 0.56 | $t = \dots$ |
| CS2 | 0.82 | 0.33 | | | | $t = 6.42^{***}$ |
| CS3 | 0.60 | 0.67 | | | | $t = 4.39^{***}$ |
| Satisfaction with price levels | | | | | | |
| SP1 | 0.94 | 0.12 | 0.86 | 0.85 | 0.66 | $t = \dots$ |
| SP2 | 0.72 | 0.48 | | | | $t = 8.29^{***}$ |
| SP3 | 0.76 | 0.42 | | | | $t = 9.08^{***}$ |
| Trust in the retailer | | | | | | |
| CF1 | 0.84 | 0.30 | 0.88 | 0.88 | 0.72 | $t = \dots$ |
| CF2 | 0.94 | 0.11 | | | | $t = 13.59^{***}$ |
| CF3 | 0.75 | 0.44 | | | | $t = 5.79^{***}$ |
| Trying innovative products | | | | | | |
| PR1 | 0.60 | 0.69 | $r = 0.83^{***}$ | 0.70 | 0.54 | $t = \dots$ |
| PR2 | 0.88 | 0.23 | | | | $t = 5.71^{***}$ |

Significance: *** $p < 0.001$.

L_i : standardized weighting; $E_i = (1 - R^2)$: error variance.

Table 6. Analysis of reliability and validity of the measurement scales in the sample of nonregular customers.

| | | Perceived quality of assortment | Satisfaction with price levels | Trust in the retailer | Trying innovative products |
|---------------------------------|------------|---------------------------------|--------------------------------|-----------------------|----------------------------|
| Perceived quality of assortment | Regular | 0.70 | 0.45 | 0.44 | 0.39 |
| | Nonregular | 0.75 | 0.36 | 0.45 | 0.45 |
| Satisfaction with price level | Regular | | 0.79 | 0.53 | 0.32 |
| | Nonregular | | 0.81 | 0.20 | 0.68 |
| Trust in the retailer | Regular | | | 0.82 | 0.48 |
| | Nonregular | | | 0.85 | 0.26 |
| Trying innovative products | Regular | | | | 0.92 |
| | Nonregular | | | | 0.73 |

Diagonal: square root of the variance.

Table 7. Analysis of discriminant validity for both subsamples, using the average variance extracted method.

CFI = 0.990; NFI = 0.980; IFI = 0.990; GFI = 0.979; AGFI = 0.956; RMSEA = 0.042), confirming that trust in the retailer, perceived quality of assortment and satisfaction with price level have a significant influence on consumers' acceptance of new products and brands. **Table 8** presents the parameters obtained.

Once we confirm the measurement invariance required to compare the groups of customers, we observe that two of the three antecedents analyzed—satisfaction with retailer's price level and trust in the retailer—affect the two samples with different intensity relative to the consumer's intention to try innovative products (see **Table 9**).

Specifically, for both regular and nonregular customers, perceived quality of the retail assortment has a positive and significant influence on acceptance of new products and brands. We see, however, that the effect of trust in the retailer is significantly higher in the case of regular customers, as was proposed in Hypothesis 4, but is not significant in nonregular customers. This difference indicates that, insofar as regular customers trust their shopping chain, they perceive less risk in the new products their retail chain commercializes and feel more inclined to try the products than do nonregular customers. In addition, although we did not propose it initially, we see that satisfaction with the retail chain's price level is an incentive for nonregular customers to try new products, whereas the effect of this antecedent is not significant for regular customers. One of the main variables influencing new product acceptance is consumers' price sensitivity [24]. The strong statistical correlation between regular shopping behavior and loyal shopping is widely recognized in the scholarly literature. Furthermore, loyal customers are less sensitive to high prices and to price increases. These phenomena, confirmed in the prior literature, would explain at least partially why regular customers' intentions to try new products do not increase significantly with increased satisfaction with the retailer's affordable prices [46], whereas sporadic customers are more price-sensitive [47],

| Model relationships | Standardized coefficient | t-value |
|--|--------------------------|---------|
| Perceived quality of assortment → Trying innovative products | 0.23 | 3.42*** |
| Satisfaction with price level → Trying innovative products | 0.17 | 2.69*** |
| Trust in the retailer → Trying innovative products | 0.25 | 4.40*** |
| *** $p < 0.001$ | | |

Table 8. Modeling results for antecedents of trying innovative products.

| Antecedents | Regular customers | Nonregular customers | Critical ratios of differences between parameters |
|---------------------------------|-------------------|----------------------|---|
| Perceived quality of assortment | 0.22*** | 0.28** | 0.34 (n.s.) |
| Satisfaction with sprice level | 0.04 (n.s.) | 0.20** | 1.65* |
| Trust in the retailer | 0.35*** | 0.11 (n.s.) | 2.72*** |

$t = 1.65$ for $p < 0.1$, $t = 1.96$ for $p < 0.05$, and $t = 2.58$ for $p < 0.01$, *** $p < 0.001$, ** $p < 0.05$, * $p < 0.01$.

Table 9. Modeling results for antecedents of trying innovative products in regular and nonregular customers of the retailer.

compare the supply at multiple retailers, and use satisfaction with a specific retailer's price levels as a factor determining their intention to try that retailer's new products.

5. Conclusions, limitations, and future lines of research

While some authors have investigated consumer resistance to innovation (e.g., see Ref. [48]), explained through (1) rejection, (2) postponement, and (3) opposition, depending on the degree of change required and conflicts with the consumer's prior belief structure, this chapter focuses instead on positive adoption decisions.

The results obtained in this research enable us to confirm that the model proposed functions well to explain the consumer's intention to try innovative products in the retail context. First, trust in the retailer, perceived quality of assortment, and satisfaction with price level contribute to increasing the consumer's intention to try novel products and brands.

According to the descriptive results obtained, it can be indicated that the quality of the assortment and the satisfaction with the price level of the chains are two fundamental variables that the retailers must jointly manage to encourage the testing of new brands. In this study, Mercadona, Alcampo, and Eroski, which enjoy the most satisfactory levels in terms of the quality of their assortments and in terms of their price level, are those that have a greater success in relation to their new brands. El Corte Ingles is appreciated by the quality of its assortment but it is a chain with a high level of prices, which reduces the possibility of testing its brands' innovations. In the case of Carrefour, this chain should improve the positioning of its assortment in terms of quality and in terms of price levels to promote the trial of products' innovations.

It may be assumed that customers have some previous experience or knowledge about the parent brand that incorporates the innovation when he/she is going to try an innovation. This implies that a brand extension strategy is favored by the brand equity of the parent brand (e.g., consistency in quality level, brand image, brand reputation or loyalty). Also, customer trust in the parent brand favors the adoption of new products (e.g., new sizes or types of packaging, new flavors, etc.).

Customer trust in the retailer is particularly relevant. Generally, the trial of new products implies increased perceived risk due to the lack of knowledge customers have about the new product (e.g., the use of a new technology, new ingredients, etc.). So, in addition to the guarantee provided by the quality of the assortment and the incentive that supposes an adequate price level, customer's trust in the retailer will play a key role in diminishing the resistance toward product innovations. This suggests that retailers should make sure the necessary information about the new products is available to the consumer at the moment it is requested or needed. For example, attractively presenting the new products in the store, but outside store, social media or new technologies can be particularly helpful in illustrating how new products can be incorporated in daily habits or situations. Also, the collaboration of manufacturers and retailers in terms of communication campaigns to inform about the features of new products (e.g., ingredients, etc.) to reduce the perceived risk can be very useful.

Secondly, retailers must make significant investments in research, development, and innovation related to their assortments. The design and development processes in terms of new products play a critical role. To address the concern of building customer acceptance of innovations, retailers need to focus on the strategic role of the image and the awareness of the products and brands they market.

Also, retailers must practice a customer-oriented policy, encouraging customers' participation in terms of ideas and suggestions to develop goods and services that better meet their needs (value cocreation). For example, Mercadona, who enjoys high average levels of acceptance of its new products, has developed a system of coinnovation with 9000 customers, thanks to which it launches 400 references per year. In Mercadona's coinnovation centers, there are 180 monitors to interact with customers, as well as workers who receive consumer suggestions. These coinnovation centers identify the selection of products that are going to be developed according to users' needs. Thanks to this system, Mercadona has achieved a great success in terms of innovation. For example, it has recently launched a new line of vegan and fitness products such as tabule with fresh vegetables, lentil, salad, etc. [49].

Thirdly, retailers must design attractive price promotions to favor the testing of new products or brands because lower prices encourage customers to buy them—66.2% of Spanish consumers like to try new products, however 48.8% of them indicate that price is a determining factor in the choice of this new product [50].

Although the retailer's quality of assortment is an antecedent of intention to try the retail chain's innovative products regardless of the group of consumers analyzed, the effect of trust in the retailer and satisfaction with price level on new product acceptance varies according to the group of customers analyzed.

We can derive important strategic implications for retailers from the results obtained for the proposed modeling. First, we recommend that commercial chains not betray their regular customers' trust, because these customers' trust in the honesty, benevolence, and good deeds of the retailer will make them more inclined than nonregular customers to try the new products and brands the retailer commercializes. Regular customers that trust the retail chain give the chain greater profitability than do nonregular customers, since the former add innovative products to their shopping carts more easily, basing their decisions less on economic criteria and more on the trust they place in the retailer than do nonregular customers.

In contrast, to get nonregular customers to try the new products and brands commercialized by retailers, retailers should communicate positioning based on quality of assortment and consistent price level over time. This recommendation stems from the fact that nonregular customers, who are in an early phase of their relationship with the retailer, base their intentions to try new products more on the functional aspects of retail strategy than on emotional aspects. Nonregular customers' trust will be constructed over time as the fruit of repeated interactions with the commercial chain, becoming a future decisive factor in their intention to try new products. At this initial stage, however, assortment quality and price are the retailer characteristics that make noncustomers more inclined to try new products.

Given the different behavior of both segments (regular and nonregular customers), we can recommend retailers' different commercial strategies according to each group. For attracting

nonregular customers with their innovations, retailers could invest on advertising that communicates price promotions in order to increase the differentiation of their assortment in terms of price. Regular customers, who frequently visit stores and trust the retailer, will be more sensitive to merchandising actions that take place in the point-of-sale. Therefore, it is recommended that retailers generate many contact points in the store between the new product and/or new brand and the regular customer (e.g., attractive signage, placement of innovations in strategic and visible places of the stores).

This study is not exempt from limitations, which could be taken into account in future studies. The data were obtained for the Spanish mass consumption market. It is advisable for future studies to include other countries, product categories, and customers' buying habits. The percentage of customers that are prone to innovations varies according to the country analyzed: it is estimated that in the United Kingdom this percentage is 24% compared to 14% in France and 9% in Spain. These differences could be important in deciding a global innovation campaign, since customers would be more likely to try the new products in countries with a higher percentage of innovative shoppers. In terms of new product categories, future studies could focus on durable goods that require greater information search and purchase planning and thus exhibit lower innovation-acceptance ratios than consumer goods [8]. Also, customers susceptible of storing products in the home would have less opportunity to interact in the store, thus reducing their probability of innovations' trial [8]. The tendency to store products of a certain category could be considered as a negative factor in the acceptance of innovation. Finally, buying behaviors that include situations of greater risk or purchase complexity would also be more susceptible to failure or to delay the acceptance of new products over time [8].

Also, it is advisable for future studies to differentiate among other groups of customers than those analyzed. For example, it could be incorporated psychological traits of individuals, such as their innovation proneness.

Also, it would be interesting to incorporate the moderating effect of the retail strategy in relation to the importance given to the private labels and manufacturer brands in its assortment. Since consumers can only accept the innovations that retailers incorporate in their shelves, the trial of new products and brands will be conditioned by their incorporation in the retailers' assortments. For example, as we mentioned in the introduction, there are retailers that support the introduction of manufacturer brands' innovations, such as Alcampo, Eroski, and Carrefour, whereas other retailers, such as Mercadona, back the introduction of their own brands' innovations.

Finally, it would be interesting for future research to incorporate new antecedents into the model to improve the explanatory power of the dependent variable (consumer's acceptance of new products), as well as to incorporate new dimensions of this construct, beyond the consumer's intention to try, in order to enrich the research variable conceptually.

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Management of a City Brand: An Examination on Three Stakeholders' Attitudes

Funda Bayrakdaroğlu

Additional information is available at the end of the chapter

Abstract

Nowadays, cities mean more than just being a geographical border. Many researchers and practitioners evaluate cities under “brand” category; therefore, they adapt all kinds of branding techniques developed for products to cities. Thus, city branding has become a commonly studied topic in the literature within theoretical and practical contexts. The understanding of stakeholders’ needs lie behind the success of city branding. The three basic functions of cities, i.e. “to live, to do business, and to visit,” point to the fact that the stakeholders in city branding are composed of residents, entrepreneurs, and visitors. However, it is observed in the city branding literature that limited stakeholder groups are in focus. According to the limitedness in the literature, the purpose of this study is to analyze the attitudes and behaviors of stakeholder groups composed of residents, entrepreneurs, and visitors toward a city brand. Data of the study were acquired via face-to-face questionnaires with 1145 respondents of which 481 were residents, 342 were entrepreneurs, and 322 were visitors. Structural equation modeling (SEM) was employed as a research method. The findings of SEM show that the city brand elements that affect the attitudes of residents, entrepreneurs, and visitors toward the city brand are different.

Keywords: city marketing, city branding, stakeholders, residents, visitors, entrepreneurs

1. Introduction

Branding methods, which have conventionally been applied in order to differentiate the goods and services from the rivals’ offerings, are employed in many fields at the present time. Many of the most known cities and countries in the world have realized the need for branding and struggle to increase their preferability in global competition. Therefore, cities

are not only geographical borders that combine people to continue their lives, but also a city may refer to a “branded product,” which affects many stakeholders and is affected by them at the same time.

In consideration of the elementary idea of marketing as to meet the needs and wants of consumers, every city should develop a stakeholder management system that enables to consider the needs of city’s own consumers. However, the answer to whom or which organizations constitute the stakeholders is diversified. The reason is that a city may be a destination to be seen, a place to live, or an area to set up and run a business. So, multilateral structure of stakeholders in city branding is very understandable. The multilateral structure of cities implies that the expectations from the city and the attitudes toward that city may vary. From this point of view, it can be stated that three main stakeholder groups are composed of residents, visitors, and entrepreneurs depending on three certain functions of a city as “to live, to visit, and to do business.”

Consumers develop attitudes toward a city brand—likewise a product, a person, or an object—according to the stakeholder group which they belong to. The examination of stakeholders’ attitudes toward the city brand makes a sophisticated stakeholder management, which underlies the success in city branding, possible. Therefore, the present study focuses on attitudinal differences among three basic stakeholder groups (residents, visitors, and entrepreneurs) toward Muğla city brand in consideration of various city brand elements. Hereunder, the first section devotes attention to the literature review of city branding and its connection with three stakeholder groups. The next section expands on data collection and findings regarding residents, visitors, and entrepreneurs’ attitudes.

2. City branding

With the global integration that is defined as globalization, territorial limits disappeared, economic, political, and social relations have accelerated and capital circulation moved beyond national borders. Beyond doubt, cities were affected mostly from the quick spread of globalization [1]. In other words, in the context of global intercity competition, cities’ major goal is to increase their competitiveness, in which the positioning and attractiveness of a city have a critical function [65]. As a result of these, many of the most known cities in the world struggle to be a center of attraction and try to develop successful strategies in order to be the best managed and liveable city and to be capable of competing with others.

When the competitive pressure both in local and foreign markets is taken into account, the growing importance of adaptation of branding techniques to cities in theoretical and practice dimensions can be understood better [2]. Moreover, even if there are some unique features of city branding which differ from product branding, strategies devoted to product branding can be applied to cities to a great extent and those concepts of branding form a basis for branding of cities [3]. Accordingly, nowadays marketing and brand management are not only proper for products and services, but also they are handled for city marketing and city branding [4].

City branding is generally associated with city marketing. In spite of close relationship between these two concepts, some differences draw attention. The application of city marketing, which is defined as *“the coordinated use of marketing tools supported by a shared customer-oriented philosophy, for creating, communicating, delivering, and exchanging urban offerings that have value for the city’s customers and the city’s community at large”* (p. 43) [5], can be possible through city branding. Hereunder, the applicability of marketing to cities must be considered with city branding [6]. In plain language, *“city branding is merely the application of product branding to cities”* (p. 508) [7]. O’Leary and Iredal who made a mention of the concept first refer it to *“a set of activities which are designed to create positive attitudes and behavior towards geographic places”* (p. 156) [8]. According to another definition, city branding is *“indicator of activities put forth by the cities which pretend to be a center of attraction for existing and potential customers and aim at creating a positive perception in the minds of people by adding value to every kind of output concerning the city and city-dweller with the application of product and service branding strategies to cities”* (p. 97) [9]. Various researchers have contributed to the explanation of city branding concept with their definitions which are presented in **Table 1** [10].

One of the most comprehensive definitions was suggested by Zenker and Braun as *“all associations which are visually, verbally and behaviorally formed in the minds of consumers and shaped by general design of the city through the aims, communications, values and culture of its stakeholders”* (p. 5) [11]. As seen in the definitions, it is quite clear and common that city branding is generated in the minds of people [12].

Once a city has created its own brand, it can achieve various advantages like serving as an attractive place for visitors, a peaceful urban life for residents, and an accelerating industrial and trading area for investors and entrepreneurs [13]. For this reason, the importance and meaning of creating a city brand must be addressed through the stakeholders in a city.

| Researcher | City branding definition |
|-----------------------------|--|
| Nickerson and Moisey (1999) | City branding is building up a relation between people and the image of their city. |
| Hall (1999) | The essential goal of city branding is to “provide a consistent and focused communication strategy.” |
| Cai (2002) | City branding means to choose a consistent brand factor combination by establishing a positive image in order to gain a recognition and differentiation with the city as the destination. The brand factors include names, terms, signs, logos, design, symbol, slogan, packing or the combination of the above; among them, name is the priority. |
| Rainisto (2003) | City branding is a method to increase the attraction of the city; the essential point is to establish city recognition. |
| Julier (2005) | City branding is considered an effort to create and enrich the city’s qualities. |

Table 1. Different definitions in the literature regarding city branding.

2.1. Stakeholders in city branding

Core of the marketing underlies understanding of needs and wants of (potential) consumers. Aaker [14] states that the most important obstacle is to define the consumers with the products and services of the organization instead of consumers' needs and wants. Levitt [15] describes this with the concept of "marketing myopia." The philosophy of city branding also corresponds with "customer-orientation" [13]. Besides, according to Kavaratzis and Hatch [12], the most essential part of city branding is the stakeholders of city. Satisfying the varying needs of stakeholders in an optimum way—the primary objective of city branding—accords with this as well [16]. Moreover, every city embodies different "capitals," which give strategic strength to the city and carry it a step further. These are intellectual and social, environmental, technical, financial, culture and leisure, and democratic capitals [17]. Integration of these capitals in the city has transformed city branding to very interactive field for stakeholders rather than handling the city solely to create an attractive place for visitors [18].

Defining the stakeholders in city branding as "*all the people and organizations that are important for the functioning of the city*" (p. 49) is the easiest answer but not the most satisfying one [5]. Depending on "Stakeholder Theory" of Freeman [19], stakeholders can be described as parties who affect the city brand and also affected by it. Even if stakeholders are labeled as "city's customers" [5], "city's owners," "city's users," and "city's managers" [20], what's certain that the complexity and the quantity of city branding stakeholder groups are more multifaceted in comparison to product branding. What is meant by the quantity and the complexity challenge of city branding is the large number of stakeholders and the limited understanding of branding among key stakeholders [64]. Accordingly, the stakeholders grouped with various labels and different categories are shown in **Table 2** [5].

| Categories | I | II | III | IV |
|---|-------------------------|--|-------------------------|---------------------------------------|
| City's users (Van den Berg et al., 1990; Ashworth and Voogd, 1990) | Residents | Companies | Visitors | |
| Target markets of city marketers (Kotler et al., 1993; 1999) | Residents and employees | Business and industry | Visitors | Export markets |
| City customers (Rainisto, 2003; Kotler et al., 2002) | New residents | Producers of goods and services, corporate headquarters and regional offices | Tourism and hospitality | Outside investment and export markets |
| General customer groups (Braun et al., 2003) | (Potential) residents | (Potential) companies | (Potential) visitors | (Potential) investors |

Table 2. Stakeholder groups in city branding.

As shown in **Table 2**, it is possible in city branding to refer to several meanings and different levels of involvement for stakeholders. According to Işık and Erdem [59], the success of city branding is associated particularly with the efforts of local administration (municipalities), nongovernmental organizations, and volunteers. In addition, Oğuztimur and Akturan [60] state that cities compete with one another to meet the needs of their target groups like citizens, investors, and tourists and try to achieve a sustainable competitive advantage. Moreover, Hultman et al. [62] suggest examining brand administrators' attitudes because it constitutes an important first step in defining the extent of advocacy that should accompany city branding. Hence, research on city branding should focus on various stakeholder groups as possible in order to develop strategies for cities how to build an advantageous brand [21]. At that rate, the more diverse research group related to stakeholders in city branding, the more successful city brand positioning. When the basic functions of a city as "to live, to do business, and to visit" is taken into account, three significant stakeholder groups become prominent: residents, entrepreneurs, and visitors [22]. In other words, cities struggle for attracting residents, visitors, and businesses more than ever [23]. Moreover, within consumer-based approach, it is worth to examine the relations and interactions that sometimes create synergy and sometimes conflict among these three stakeholder groups [5].

2.1.1. Residents

Residents, one the stakeholder group, are often pointed out as an important target market in city branding [22–26]. If consumer-orientation is regarded as the core philosophy in marketing science, resident-oriented city brand should pay attention to the way residents create an image of the city, how they perceive and assign a meaning to it, and what kind of physical, symbolic and other elements they attach to it when they are evaluating the city [7]. According to Braun et al. [22], resident in a city have four different roles while they are interacting with others:

- The first and most absolute role of residents as "consumers" is being an important target market. It is important to note that both potential and existing residents should be assumed as consumers and branding strategies of the city should be developed in order to influence their decision-making processes.
- Residents are the integrated part of a city brand. This is the result of a deliberate marketing strategy but it is also a natural process as residents are the "bread and butter of cities." Moreover, residents contribute to every phase of developing a city brand. Therefore, Freire [4] states that residents should be evaluated as a "manageable" asset.
- Another role of residents arises with "brand ambassador" mission. This is because residents interact with visitors directly or indirectly and constitute a link for the evaluation of consistency between expectations and reality. Moreover, if the residents understand and adopt the promise of city brand, targeted behavior will occur toward that city [23].
- The most ignored role of residents is their being "a citizen" at the same time. Residents play a key role as citizens who involve in political legitimization of the city with their votes [27]. It is necessary to pay attention to this role due to citizens' influential political power [23].

Besides economic contributions to “residential consumers,” cities offer many social and emotional benefits like information sharing, social bonding with others, and involvement in activities [28]. One of the basic branding dimensions for cities is to pride of residents upon the city, which is convenient for living and available for opportunities [18]. Accordingly, a general answer for the question “What kind of expectations the residents have concerning the city?” is “a suitable place to live in.” A city is a place in which residents have their home, continue their jobs, raise their kids, and share their social life with their friends. Moreover, most of the residents embrace the city as a “belonging matter.” Thereby, residents expect to live in “an attractive living environment” that meets their needs and wants [22]. The attributes that make the city attractive for residents to live in or meet residents’ needs and wants can vary. According to a global research, liveability of a city depends on “cultural movements, standard of living, convenience of traffic flow, and the working age population” [29].

Kemp et al. [25] state that one of the most necessary points in building successful city branding strategy is analysis of residents’ needs. Moreover, when residents show loyalty to city brand, they establish a bond between themselves and city branding efforts, yet more they attach city brand with their self-identity, ultimately, they promote the city through word-of-mouth by serving as an “ambassador.” So, residents who have positive attitude toward city convey the uniqueness of city brand to other stakeholders [30]. Freire [4] contributes that city people is the most important component of city branding, and visitors are affected by resident stakeholders while they are deciding on destination to visit.

2.1.2. *Visitors*

The power of cities in attracting visitors is one of the significant economic, social, and cultural health indicators of the region [29]. This brings the visitors, who visit the city with any reason, into prominence as a stakeholder group in city branding [5, 31, 32]. Tourism researches that regard city branding as “an effort to increase the number of visits to the city” focus on visitors [33–39, 61, 63].

According to tourism literature, the place visited is named as “destination,” and destinations are visited by two types of visitors: business tourists and leisure tourists [32]. With a more general classification, Kotler et al. categorize the visitors as business visitors and nonbusiness visitors. Business visitors are people who participate in business meetings, look through the lands and properties, buy or sell the products, whereas nonbusiness visitors are called “tourist” and they constitute the group who wants to see the city’s landmarks and center of attractions, historic buildings, or to visit their families and friends [31]. As it is found, this stakeholder group is not composed of tourists; hence, the groups should be titled as “visitors.”

A more detailed classification of visitors can be listed as follows [40]:

- Conference and fair participants
- Short-term visitors
- Daily travelers
- Stopovers in the city by visitors during a long trip

- Stopovers for shopping while having a touristic trip
- Long-term visitors who want to visit the place around the city

The attributes that visitors look for in a city vary depending on the reason of their visits. In other words, the motivation for destination choice is affected by expected benefits from the city and passes through five phases as illustrated in **Figure 1** [41]:

Irrespective of the visitors' reason for being in the city, their spending on diverse products and services contribute to the city directly or indirectly. Therefore, to enhance these, spending must be targeted by increasing the number of visits and extending the period of stay because every marginal visit lowers the unit cost [40].

Moreover, even if visitors are expected to stay temporarily and not to reside in the city, Braun [5] points out that visitors may turn into a resident if they are satisfied from the visit. Depending on the visitor's potential for being a resident, it is necessary and important to understand the expectations of visitors from a city. Tourism managers and marketers frequently face the question "What are the factors affective on city choice to visit?" For this reason, it is essential

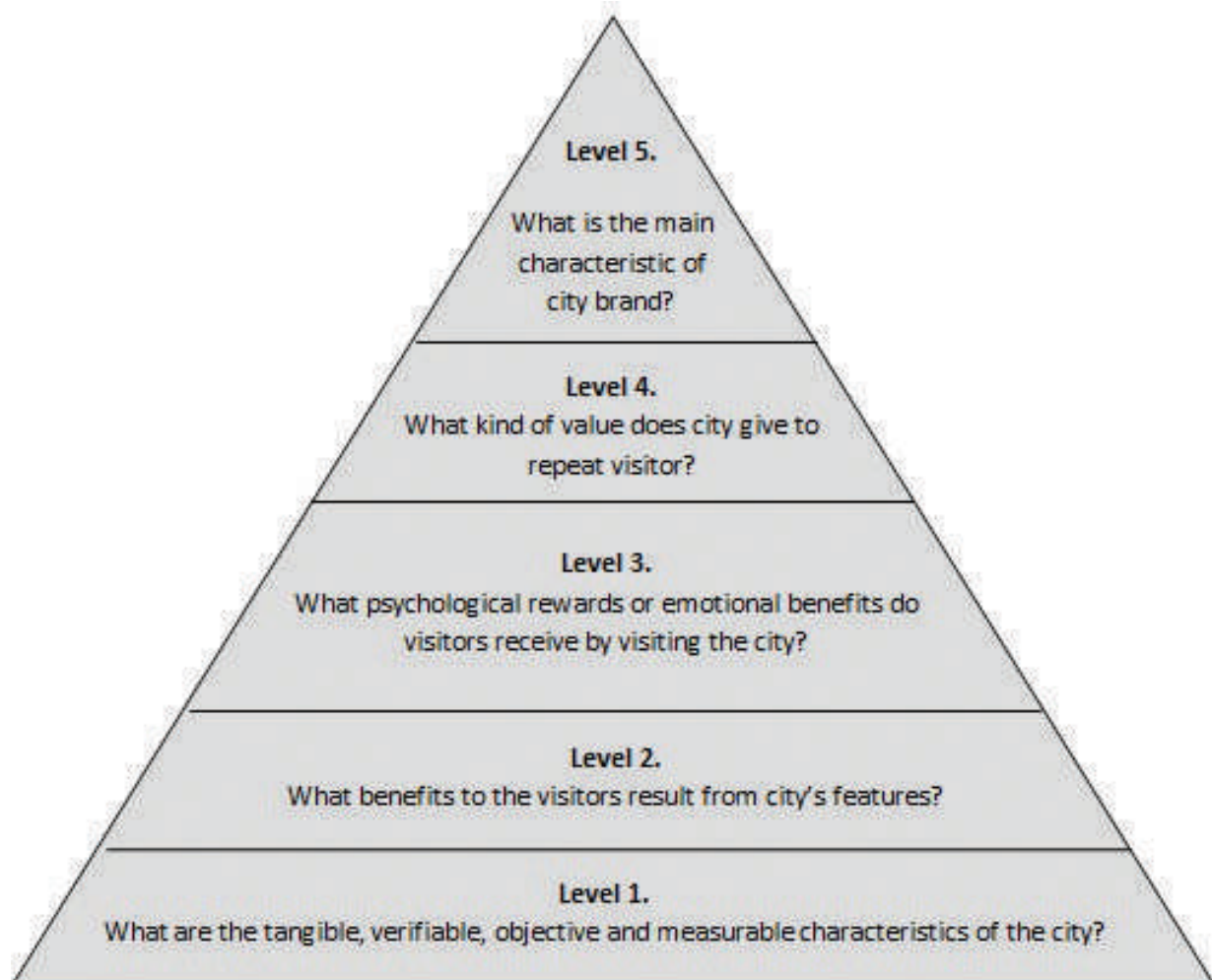


Figure 1. City brand benefit pyramid.

to know how visitors decide a city to visit among the other alternatives. City marketers must order the factors and benefits, which the targeted visitors look for while they are making their minds concerning city choice [42]. Besides, the factors affecting that decision vary according to the purpose of visit [5]. The reason is that there may be many brand attributes presented by the city to visitors who expect diverse benefits and value from their visits. For example, elder visitors may give importance to safety of the city, whereas young visitors may want to enjoy a vibrant nightlife [42]. And business visitors may look for potential of conference hotels and nonbusiness visitors decide by a variety of leisure time activities in the city. The cities that have high attractiveness in terms of touristic visits are examined, it is seen that some of them are preferred by its historical sites, some are visited due to its natural beauties, and some are chosen by the artifacts in the city [38].

2.1.3. *Entrepreneurs*

The cities that recognize with each other as a rival and adopt a competition based on a knowledge-based economy want to attract capable and qualified workforce, new investments, and lucrative businesses to the city as well as visitors and residents [43]. In this sense, within city branding, entrepreneurs and business owners constitute another stakeholder group that must be analyzed in terms of their needs and wants [3, 5, 31, 44].

Cities develop some strategies in order to preserve their economic structures concerning the business people and entrepreneurs in the city. The purposes in developing these strategies are to keep existing businesses in the city, to produce plans and services for the contribution to the expansion of businesses, to encourage entrepreneurs in the city for creating new businesses and to attract new entrepreneurs to the city [16]. In this way, cities may achieve “entrepreneurial look.” Thus, they gain entrepreneurship culture that gives them a sustainable competitive advantage over other cities [43]. If a city has an entrepreneurial culture, it can offer a lucrative business environment for both national and international businesses [16]. Indeed, these kinds of cities are remembered by successful enterprises within its scope: Munich is remembered with BMW and Atlanta is called with Coca Cola. Such kinds of successful entrepreneurships serve for attracting foreign investors and visitors, and generating income to the city, taking pride in city, and developing local businesses. This situation paves the way for new enterprises and attracts the itinerant work power from national and international markets [45].

The businesses and enterprises in the city assist cities to gain and sustain competitive advantage [43]. Therefore, one of the branding strategies concerning places is to build a city brand as “a place to do business” [46]. In that case, as residents put city’s attributes ahead in terms “living,” so entrepreneurs evaluate the city from the view of “running business.” In other words, entrepreneurs expect to find a business environment that gives the chance of success from the city they do business. The attractiveness of a city in terms of businesses depends on its being “entrepreneur friendly.” Such environment includes tax incentives, qualified labor force, economic development, succeeding enterprises, availability of procurements, easy access to markets, and high living standards [47].

Garcia et al. [3] state that entrepreneur stakeholders are ignored in the city branding literature in comparison to the others, especially when compared to visitors. Furthermore, within the city branding context, the studies that focus on entrepreneur stakeholders only handle the entrepreneurs in the tourism industry [44]. However, the competition among cities of today requires not only to limit entrepreneurs in the tourism industry but also to enhance the scope of stakeholders and to include entrepreneurs from other industries. Ritchie and Crouch [48] indicate that entrepreneurship in modern cities contribute to the development and competitiveness of places by strengthening competition, specialization, innovation, investments, growth, willingness to take risk, and production in the city.

Cities, which promise economic development for individuals and institutions, are at the forefront with their cheap land opportunities, easy accessibility, qualified work force, stable, and secure environment. Silicon Valley, Detroit, or cities in which techno parks are found call for entrepreneurs from all around the world. In Turkey, Bursa, and İzmit in the automobile industry, Denizli and Adana in textile and chemical industries, Eskişehir, Konya, Gaziantep in the food industry, İzmir-İzmir and İzmit in the petroleum chemicals industry, and Manisa in electronic and white appliance industries have power to attract entrepreneurs [49].

3. Methodology

Even if the competition among cities dates back to old times, adaptation of planned and scientific branding strategies has been developing for most cities in the world. Within city branding, seen as an effort to increase visits at first, a comprehensive examination regarding various stakeholders who interact with the city is demanded over time. Besides, because of the three basic functions of a city as “to live, to visit and to do business,” the main stakeholder groups are found as residents, visitors, and entrepreneurs within city branding. In this context, the present study aims at examining the attitudes of resident, visitor, and entrepreneur groups toward Muğla city, which is located in southwest of Turkey and known by its touristic destinations like Bodrum, Marmaris Fethiye and so on.

According to the aim of the study, universe is composed of residents (866,665), entrepreneurs (14,025), and visitors (3,222,315) in Muğla. When considering the universe, with 95% confidence interval, the statistically targeted sample size is 384. For three stakeholder groups, totally 481 residents, 342 entrepreneurs, and 322 visitors responded to the face-to-face questionnaire. Questionnaire used for data collection is composed of two parts: demographics concerning related stakeholder group in the first and second, attitudinal items toward city brand elements take part. The items concerning city brand elements are identical in survey forms for all types of stakeholder groups and taken from the related literature [4, 32, 36, 50–52].

A research model of the study designed for each stakeholder group separately is illustrated in **Figure 2**. City brand elements constitute independent variables, whereas stakeholders' attitudes stand for dependent variable of research model.

Hypothesis of the study is presented below:

H₁: The attitudes of stakeholder groups to city brand elements vary.

For data analysis, structural equation modeling (SEM) was employed. The reason of choosing SEM, in comparison to common statistical methods like variance analysis, MANOVA, factor analysis, regression analysis, etc., lies behind its strength of modeling the relation among multivariabiles [53]. Moreover, SEM can be analyzed through various softwares such as AMOS, EQS, LISREL, and Mplus [54]. Nevertheless, AMOS differs from other software with its user-friendly structure and powerful solution offers [55]. Therefore, AMOS 20.0 was employed for structural equation analysis in the research.

To test the validity of city brand element scale and stakeholders’ attitude scale, confirmatory factor analysis (CFA) was conducted. The results of CFA for both scales fit with commonly used fit indices in SEM research. Fit indices for city brand elements scale are $\chi^2/df = 3.241$ (acceptable fit), RMSEA = 0.044 (good fit), SRMR = 0.051 (acceptable fit), GFI = 0.904 (good fit), and AGFI = 0.887 (acceptable fit). Indices for stakeholders’ attitude scale show all good fit as $\chi^2/df = 2.857$, RMSEA = 0.040, SRMR = 0.009, GFI = 0.997, and AGFI = 0.985 see Ref. [55].

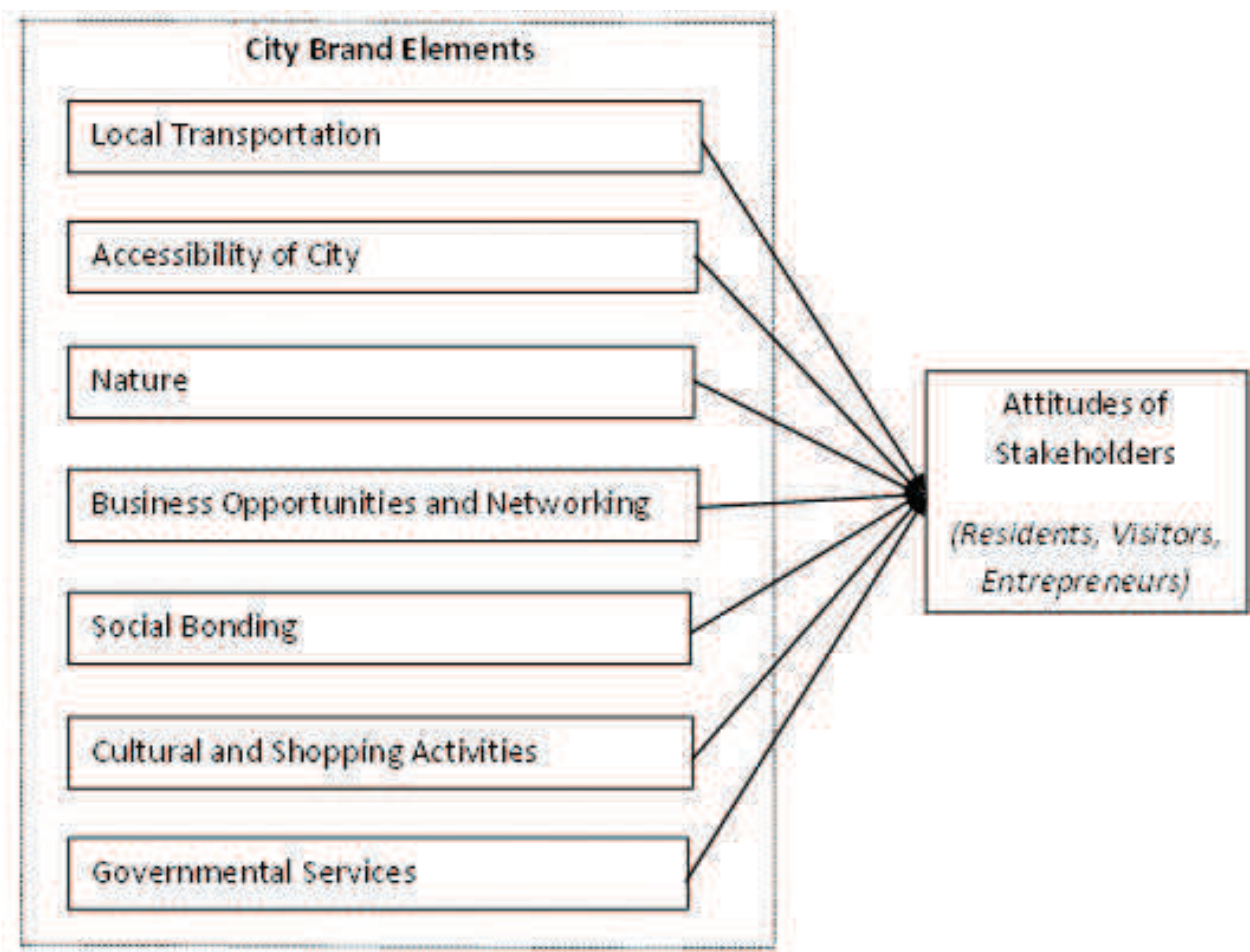


Figure 2. Research model.

4. Findings

According to the findings of study and **Figure 3**, nature, social bonding, cultural, and shopping activities are the elements that affect positively residents' attitudes toward Muğla city ($p < 0.01^1$ and $p < 0.05^2$).

General environmental cleaning, parks, and outdoor recreational areas of city affect the attitudes of residents toward city as well as livableness of it. The positive effect of social bonding on residents' attitudes can be commented with social relation between residents—even with other stakeholders see Refs. [4, 22, 56]—in the city from where people utilize more than just living. This is because cities satisfy socialization need of people. The positive effect of cultural and shopping activities on attitudes of residents can be explained by the orientation of people to leisure activities. According to Braun [5], the existence and accessibility of spare time activities have influence on liveability of a city. In this meaning, if city has shopping alternatives, various cultural activities and festivals, or ambulatories, residents are tend to have positive attitudes toward a city brand.

As shown in **Figure 4**, concerning the findings about entrepreneurs, nature, business opportunities, and networking, governmental services influence the attitudes of these stakeholders positively ($p < 0.01^1$ and $p < 0.05^2$).

The positive effect of business opportunities and networking on attitudes is an expected result. In this direction, business opportunities like easy access to resources while doing business, sufficient commercial support, and services concerning business and networking possibilities that make cooperation easier between entrepreneurs have an impact on the attitudes within business opportunities and networking. Another effective city brand element on the attitudes of entrepreneurs is nature. It may be difficult to reasonably correlate between this element and attitudes at first, but natural wonders in the city, many touristic districts such as Fethiye, Bodrum, Marmaris, and Datça, known by their nature and majority of tourism sector in the sample, clarify the relation. Moreover, the city has huge marble reserve capacity

| Structural Path (Hypothesis) | | Beta | t | p value |
|---------------------------------------|-------------|--------|--------|--------------------|
| Local Transportation | => Attitude | 0,024 | 0,431 | 0,666 |
| Accessibility of City | => Attitude | 0,070 | 1,327 | 0,185 |
| Nature | => Attitude | 0,293 | 2,882 | 0,004 ¹ |
| Business Opportunities and Networking | => Attitude | -0,012 | -0,164 | 0,870 |
| Social Bonding | => Attitude | 0,302 | 4,651 | 0,000 ¹ |
| Cultural and Shopping Activities | => Attitude | 0,217 | 4,473 | 0,000 ¹ |
| Governmental Services | => Attitude | 0,132 | 1,518 | 0,129 |

Figure 3. Findings of SEM concerning resident stakeholders.

¹Statistically significant at p -value of 0.01.

²Statistically significant at p -value of 0.05.

| Structural Path (Hypothesis) | | Beta | t | p value |
|---------------------------------------|-------------|--------|--------|--------------------|
| Local Transportation | => Attitude | -0,096 | 0,072 | 0,184 |
| Accessibility of City | => Attitude | 0,062 | 0,075 | 0,409 |
| Nature | => Attitude | 0,382 | 2,492 | 0,013 ² |
| Business Opportunities and Networking | => Attitude | 0,454 | 5,139 | 0,000 ¹ |
| Social Bonding | => Attitude | -0,032 | -0,383 | 0,702 |
| Cultural and Shopping Activities | => Attitude | 0,075 | 1,310 | 0,190 |
| Governmental Services | => Attitude | 0,227 | 2,147 | 0,032 ² |

Figure 4. Findings of SEM concerning entrepreneur stakeholders.

that is nature-related source for entrepreneurs. It is assumed that nature's being effective city brand element is just because of the reason above. The last effective element on the attitudes of entrepreneurs is governmental services. According to İlgüner and Asplund [57], services provided by the government interest residents more than other stakeholders. Furthermore, entrepreneurs in the city are residents at the same time, so governmental services' effect on the attitudes of these stakeholders is very reasonable. In addition, governmental services include items as energy supply and security of the city that may be assumed necessary elements while doing business.

The attitudes of visitors, last stakeholder group, are affected by accessibility of city, nature, business opportunities, and networking, social bonding, cultural and shopping activities, governmental services significantly ($p < 0.01^1$ and $p < 0.05^2$).

As shown in **Figure 5**, only local transportation does not have any significant effect on visitors' attitudes. Nature has the major effect on these stakeholders. It is so reasonable because Muğla, especially destinations such as Fethiye, Marmaris, Bodrum, and Datça, is an attraction center for visitors condensed on sea-sun-sand besides natural beauties that enable nature tourism and alternative tourism opportunities as agro-tourism. Accessibility of city, meaning how visitors reach the city and how easy it is to come, has positive effect on the attitudes. This is because the city has two national and international airports, nine harbors, and advanced highways. Although business opportunities and networking affect the attitudes of visitors significantly, this effect is negative. This negative effect highlights the need for improvement

| Structural Path (Hypothesis) | | Beta | t | p value |
|---------------------------------------|-------------|--------|--------|--------------------|
| Local Transportation | => Attitude | -0,051 | -0,932 | 0,351 |
| Accessibility of City | => Attitude | 0,131 | 2,813 | 0,005 ¹ |
| Nature | => Attitude | 0,521 | 5,829 | 0,000 ¹ |
| Business Opportunities and Networking | => Attitude | -0,268 | -3,929 | 0,000 ¹ |
| Social Bonding | => Attitude | 0,154 | 2,249 | 0,025 ² |
| Cultural and Shopping Activities | => Attitude | 0,213 | 5,102 | 0,000 ¹ |
| Governmental Services | => Attitude | 0,370 | 4,289 | 0,000 ¹ |

Figure 5. Findings of SEM concerning visitor stakeholders.

works in the city in terms of business opportunities and networking. In order to convert these negative attitudes to positive, convention centers and business centers may be built and some promotional efforts in national and international scales must be done to announce them. Social bonding has a positive effect on visitors' attitudes as so residents. Social bonding's effect on both visitors and residents clears the relation between these two stakeholder groups. Many studies justify that residents play a key role on visitors' satisfaction [4, 5, 26, 56]. Therefore, social conditions like helpful and friendly people in the city, relations with others, tolerance to different cultures, and ways of living affect positively the attitudes of visitors toward Muğla city brand. Another city brand element effective on visitors' attitudes is cultural and shopping activities. National and international organizations as cultural events, fairs, and festivals lead positive attitudes of visitors. International Gümüşlük Classical Music Festival, Yörük Culture and Art Festival, Traditional Bull Fighting and Camel Wrestling, Film and Culture Festival are just some of those. Moreover, when the findings of "Cluster Analysis in Tourism Industry in Muğla and Macro Level Strategic Planning" are considered, strong position in demand concerning shopping tourism in the city draws the attention [58]. The final element effective on visitors' attitudes is governmental services. Especially, issues as accessibility of those services and general safety of city affect opinions of visitors toward governmental services. So, it is possible to conclude that Muğla city brand meets the visitors' expectations from governmental services.

5. Conclusion and implications

Competitiveness does not pertain to just products and services; it has also become efficient in city scale. Competition between places makes the application of brand management to cities possible. Furthermore, nowadays, brand equity of cities can be calculated. Accordingly, city branding has become one of the popular fields of present time.

When departed from three functions of a city like empowering the position of city as a destination, offering a place to set up a business and to continue one's life, it is easily seen that three main stakeholder groups consist of residents, visitors, and entrepreneurs. In addition, these groups "consume" the same city attributes with different expectations and aims. The reason is that every stakeholder group uses its own lens and develops an attitude toward city brand.

Findings of the present study clarify that different city brand elements are effective on the attitudes of various stakeholders examined in study. Hereunder, every stakeholder group interprets the city brand in terms of own purpose of existence in the city and develops an attitude accordingly. The most salient point of the study is nature's being the only effective city brand element on all stakeholder groups. On this basis, recommended city brand element is nature in order to attract all stakeholder groups within city brand management of Muğla. While designing slogan and logo that play significant role on city management and on brand awareness of city, natural wonders of Muğla must be highlighted. Moreover, when the contribution of products special to city is considered, it is suggested that products like honeydew honey and marble, due to city's nature, must be promoted with videos and so on. Besides, in

order to attract new residents or to increase existing residents' quality of life, social bonding, and cultural and shopping activities must be enhanced. If the target is new entrepreneurs, city brand elements like nature, business opportunities, and networking, governmental services need to be improved. New visitors—as a stakeholder group—is in focus, city managers can make arrangements about accessibility of city, business opportunities and networking, social bonding, cultural and shopping activities.

This study has some limitations that provide opportunities for future research. The prominent limitation of the study is exclusion of some significant target groups in a city. Forthcoming research can include groups as students, nongovernmental organizations, and local administrations and confirm the findings with more empirical studies in different cities which have unique structure with the dominance of different stakeholders.

Additional information

This chapter was produced from the doctoral thesis named “Analysis of attitude and behavior of stakeholders towards city brand: The case of Muğla province” (2014).

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Celebrity Endorsement: Developing A Brand Image in Housing Ads

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Abstract

This article aims to analyze the celebrity endorsement strategy used to communicate brand image messages in housing advertisements. Even though there is a lot of literature about celebrity endorsement, no research has been made up to now about how this method is used in the housing market. Within the scope of the study, first housing advertisements published from 2001 to 2016 have been scanned. Hurriyet newspaper was selected as the source as it is the newspaper with the highest circulation. After all the advertisements published on Hurriyet newspaper have been scanned, advertisement where a celebrity was the spokesperson was determined. This research, which tries to explain celebrity endorsement widely used for marketing of housings with the “meaning transfer model” of McCracken, showed that in transferring cultural meaning of the celebrity to the product or housing, traits of attractiveness or credibility is exploited in general. However, it was seen that other meanings of the celebrity—modern, traditional, etc.—along with his/her credibility and attractiveness are effective in determining the image of the housing project marketed.

Keywords: housing adds, brand image, celebrity endorsement, meaning transfer model

1. Introduction

Many products or services launched for sale in today’s market conditions are similar to one another in terms of their functional properties and thus it becomes harder to determine the properties that set a brand apart from the others. Under these circumstances, it is possible to say that when consumers are purchasing a product, they are charmed up by the image of the brand rather than its functional benefits.

The brand image plays a crucial role in creating a brand in terms of the privileged position of the brand in the minds of consumers, the ability to easily distinguish it from the other brands in the market and eventually in terms of influencing the purchasing decision of consumers. In this sense, the process of building a brand image is considered as one of the basic steps of the marketing communication.

In our day, from sponsorships to social responsibility projects various methods are used to deliver the messages that build the brand image in the minds of consumers. However, one of the most common and oldest methods is to deliver the messages building the brand image through advertisements.

Advertisements use striking mottos to communicate messages regarding the image of the brand, intriguing visuals, interesting scenarios or scripts, and they play an active role in making the publicized brand stand out among its peers in the market and turn it into a brand that is on demand. Apart from these, communicating messages regarding the brand image via advertising spokesperson is a very common method. Advertising spokesperson can either be anonymous people or celebrities that consumers can identify themselves with much easily. In literature, communicating advertising messages through celebrities is referred to as celebrity endorsement. Researches made show that a celebrity endorser is more effective in convincing consumers and communicating the symbolic meanings associated with a brand to the target audience [1].

During the recent years, there is a common practice of using this concept in advertisements of housing projects in Istanbul. Celebrity endorsement strategy is being applied in housing project advertisings to build a brand image and attract attention of potential consumer groups. Whether being constructed in or around the city, all these projects are “gated communities” and are being marketed with the “promise of a privileged accommodation.” This “privilege” promised is being described over the lives of celebrities, which seems attractive and unreachable by most people [2].

This exclusive accommodation opportunity is defined in many different ways: a privileged station, prestigious social identity, the chance to live together with elites, etc. Living in gated communities means having a privileged lifestyle rather than just owning a new house.

The gated community concept marketed with the promise of a privileged lifestyle is based on spatial boundaries that separate the inhabitants from the rest of the city. A border is drawn around the housings with walls, gates, doors and similar structures and social reinforcement areas like sport centers, shopping areas, entertainment, and similar services and facilities are constructed within these borders that only the residents can benefit from. This setup gives the residents opportunity to meet most of their daily needs without even getting outside these borders, but at the same time this causes them to shut themselves off from the rest of the society [3]. This shows that gated community concept builds a limited world both in spatial and social terms and creates a “privileged living environment” for a specific segment of society [2].

Privileges offered to specific segments of society by gated communities are highly criticized on the ground that they cause spatial and social segregation within the urban texture [4, 5]. Whereas the producers of gated communities develop their marketing strategies based precisely on these critics and they market these communities with the promise of a “privileged

life." Such that, in the advertisements of these communities, instead of referring to the qualities of these housings, striking slogans are used like "people who have a different perspective," "people who want to make a difference," "life choice of elites," "opportunity to be neighbors of the elite," and "reserve your spot at first class."

It is possible to give more examples to the way these privileges promised by gated communities are defined during the marketing process. However, for the purpose of this study, it would be better to rather emphasize two matters. First, it is observed that these housings, which in fact are not very different from one another in terms of the accommodation opportunities they offer, are assigned different symbolic meanings during the marketing process, which would set them apart from others. In other words, we can say that the purpose is to create brand images that consumers can distinguish. Another important point is that almost one-third of these housing projects deliver their brand image message to potential consumer through celebrities.

Even though there is a lot of literature about celebrity endorsement, no research has been made up to now about how this method is used in the housing market. In this regard, the objective of this article is to examine the celebrity endorsement strategy used to communicate brand image messages in housing advertisements.

McCracken's meaning transfer model is used as the research method as it is one of the most explanatory models regarding "celebrity endorsement." In the meaning transfer model, celebrity endorsement is defined as the process where cultural meanings that a celebrity represents are transferred to first the product/brand and from the product/brand to the consumer. So it is possible to say that this research tries to answer the following questions: First question for which an answer is sought was what properties caused the celebrity to be selected for endorsement. In other words, to begin with, the cultural meanings that celebrity possesses are examined. In the second stage, we tried to examine the meaning transferred from celebrity to the product and the type of connection established between the housing projects and the celebrity. In the third and last stage what was promised to the consumer with the meaning transferred from celebrity to the product and the brand image that will be created in the minds of consumers was questioned.

Section 1 of the article is the introduction section. In Section 2, brand image and the role of advertisement in communicating brand image messages are discussed. In Section 3, celebrity endorsement strategy that is widely used in communicating brand image message and different product endorsement models are examined. In Section 4, information is given about research model and sampling. Sections 5–7 discuss the findings, discuss their evaluation, and conclude the paper, respectively.

2. Developing brand images in ads

Emotions and ideas evoked about the brand in the minds of consumers as the result of marketing communication activities is defined as the brand image. In this respect, even though brand image is designed by producers and marketing teams, it is still a subjective phenomenon shaped in the mind of the consumer.

Subjectivity of brand image is also highlighted in definitions provided in literatures. Dobni and Zinkhan [6] define brand image as impressions of a brand in consumer's mind whereas Pickton and Broderick [7] define it as the brand perception created in the minds of the consumer as the result of marketing activities. Similarly, Kavas [8] defined the brand image as the emotion and ideas of a consumer about a brand and the meaning that the consumer recalls when he thinks of that brand.

In this respect, it is possible to say that subjective conditions play an important role in development of the brand image and that brand image may vary from one individual to another. Marketing activities are the efforts made to create a positive brand image in the mind of the consumer. However, this is not easy to accomplish and it requires effectively identifying the target audience and analyzing the expectations of this audience.

Because a brand is not just a name or logo it is in fact the promise, the commitment made. This promise may make sense to the consumer thanks to a well-designed and effective brand image.

Kotler [9] stated that an efficient brand image has three basic functions:

- The brand should have a single message that well defines the promise and properties of the brand in the minds of consumers.
- This message should not be confused with messages of competitors in the market.
- At the same time, this message should evoke emotions of consumers as well as their minds.

It takes time and intense effort to create these messages regarding the brand image. Having a strong brand image brings many advantages with it in the long term. First and foremost, it facilitates communication with consumers and helps the brand become the choice of preference of the consumer. Accordingly, the brand becomes popular in the market and gains competitive advantage. On the other side, a positive brand image gives advantages in terms of satisfaction of the consumer and brand loyalty.

In our day, from sponsorships to social responsibility projects various methods are used to deliver the messages that build the brand image in the minds of consumers. However, one of the most common and oldest methods is to deliver the messages building the brand image through advertisements. Ogilvy, one of the most experienced experts in the advertising sector, expressed that the primary objective of advertisements is to develop the image of the brand [10].

In conclusion, the primary objective of advertising is to create a brand image in the minds of consumers that will motivate them in purchasing the product. According to Williamson [11], in order for advertising to achieve its purpose depends on their capacity to make and communicate a meaning. So the role of advertisements in delivering the messages that constitute the brand image is not just about promoting the inherent qualities of the brand they market. Advertisements feature the symbolic values attributed to the brand in order to create a positive brand image and aim to make sure that the brand means something for the potential consumers.

Ascribing symbolic values to the brand, in other words providing that a brand means something for the consumer is achieved through highlighting the identity and status that consumer will gain by preferring this brand. Because in today's world, individuals or social strata differentiate based on what and how individuals consume. The brands they use turn into indicators that determine their position in social hierarchy. This is one of the most important things described by the brand image in our day.

In this context, it is possible to say that advertisements do not highlight just the need for a specific consumer good; they also highlight the symbolic meaning of that consumer good. And all needs that this symbolic meaning indicates makes a reference to a wide range of desires and values and enables this meaning to be understood not only by its target audience but also by all segments of society. In that case, advertisements are not just about impressive visuals or words; they are also important marketing communication tools where the meaning attributed to the brand is embedded in a cultural coding system with a scenario that the society understands [12].

Based on their skills of creating a meaning, advertisers try to create an image for the brands they market and try to make sure that the brand is distinguished from other brands in the market that caters for similar requirements. In other words, the purpose is to convince the consumer by creating a consistent brand image.

Williamson [11] explains that when communicating the meaning, the product or brand is associated with an object, person or an image that does not potentially exist. One of the most effective methods applied in the process of creating a meaning and communicating this meaning to the society, that is to say the process of building a brand image, is to associate the brand with a "celebrity," in other words to market the brand using the image of the celebrity [13]. In this respect, in order to communicate the advertising messages, advertisements take advantage of the popular culture and characters that are part of this popular culture. Especially in our day when it gets harder to distinguish products and services in terms of the qualities they possess, *"celebrities play an increasingly important role in advertising as a tool for creating and enhancing brand image..."* [14, p. 639]. Celebrities used in advertisements are usually widely known and respected celebrities in cinema, music, sports and business world, and similar fields.

3. Celebrity endorsement

Celebrity endorsement is a very old marketing communication strategy whereby popular culture and celebrities that are part of this popular culture are used to create a brand image and to deliver the messages regarding the brand image. Roy [15] explains that this is a centuries old marketing method, which is being widely used today. Such that celebrity endorsement is used to deliver advertisement messages in 30% of the advertisements published in Western countries [16], 60% of the advertisements published in Asian countries [17], and around 25% of the ads published on TVs in the United States [18].

Schlecht [19] mentioned that one of the most common methods used to deliver the advertising messages and to convince the consumers to buy their brands is taking advantage of a spokesperson. Spokesperson can be anonymous; however, the most common method is to use celebrities as spokesperson of brands, and in literature this is referred to as “*celebrity endorsement*.”

Zamudio [20] defines celebrity endorsement as brand alliance between a corporate brand and a human brand, which is the celebrity and expressed that celebrity endorsement is important to enhance value of the corporate brand or its products and turn it into a brand that is preferred by consumers.

The main motivation behind turning to celebrities in advertisements is to transfer public's perceived positive meaning of a celebrity to the product. This way, an advertisement to attain its goal, in other words ensuring that a product has a meaning for the potential consumers, becomes much easier.

Generally, celebrities are recognized as “role models” by a major part of the society and they turn into objects of desire that many people take as an example in regards to their eating and drinking habits and the way they dress. It is becoming more and more important to look and live like celebrities and have the things they have. For this reason, identifying a product with a celebrity to make a product more popular helps the product to become popular in a very short time and turns the celebrity into an essential marketing communication tool.

According to Choi and Rifon [14], consumers prefer specific products and brands in order to shape themselves and their world. Products used in advertisements turn into inspiring figures that may be a role model for the consumer in the process of shaping and building themselves and their world. The reason for this is that celebrities possess different cultural meanings that may contribute to the self-realization process of the consumer. Consumers that buy a product, which has been endorsed by a celebrity, try to take credit for the meaning that such celebrity possesses. To put it differently it can be said that consumers try to create their personal images being inspired by the image of the celebrity in the light of information they obtain through advertisements or other communication tools of the popular culture and they use these products to reflect their new images.

McCracken ([1], p. 310) defined celebrity endorser as “*any individual who enjoys public recognition and who uses this recognition on behalf of a consumer good by appearing with it in an advertisement,*” because when celebrities are used as spokesperson of a brand they convey to the marketing communication process both their roles in the advertisement and the cultural meanings they possess [21]. In this respect, it is possible to say that celebrity endorsement is in fact a meaning transfer process.

According to Ohanian [22], theoretical researches and practice demonstrated that using celebrities in advertisements manages to attract attention and interest of the society. The impact of the person endorsing the brand depends on the meaning such person conveys to the process of endorsement. Celebrities are associated with various and diversified meanings. As McCracken [1] said “*even the celebrity that is stereotyped for his specific quality represents not just a single meaning but instead a series of interdependent meanings... and this makes them a very valuable communication tool.*”

Status, class, gender and age differences, personality, and lifestyle types that celebrities in the current celebrity pool represent offers an extensive range in terms of variety during the phase where marketing communication is established.

Different models have been developed to analyze how the meaning that a celebrity possess is transferred to the product and consumer, in other words to explain in detail the celebrity endorsement which is a very complex process. The following section explains these models that are referred to in literatures.

4. Models on celebrity endorsement

Even though people who make researches about celebrity endorsement criticize this by stating the inadequacies of the studies in this respect, celebrity endorsement is explained very extensively in literatures. Especially the definition of celebrity endorsement features four models that have guided the subsequent works—the source credibility model, the source attractiveness model, the product match-up hypothesis and the meaning transfer model [15].

The source credibility model and the source attractiveness model are categorized under the title source models. McCracken [1] explained that these two source models are designed for communication works but later adapted to the endorsement process. Both source models claim that specific qualities of spokesperson as a communication source may positively affect the potential consumers and convince them to buy the product in advertisements.

4.1. The source credibility model

This model claims that messages from a credible source are more successful in convincing the target audience. In other words according to this model, advertising messages communicated by an endorser who is highly credible makes a positive impact on purchasing behavior.

Many studies that have been carried out using the source credibility model reveals that celebrity endorsers have more influence on the purchasing behavior of the consumer than the spokespersons that are not celebrities [21, 22]. According to Choi and Rifon [14], popularity of celebrities and recognition of celebrities by consumers are the reasons why celebrity endorsers are perceived as a credible source.

When defining the source credibility model, Erdogan [21] points out two basic features that a credible source should have: The source credibility model argues, “that the effectiveness of a message depends on perceived level of *expertise* and *trustworthiness* in an endorser.”

Trustworthiness signifies the qualities of the endorser like honesty and integrity [21]. At this point, the identity of the endorser, the person who delivers the advertising message and how his identity is perceived by the society plays a role. According to Smith [23], consumers respect endorsers who they consider as honest and credible and ignore the endorsers that they see as unreliable.

Expertise represents the knowledge, experience, or skills of the endorsers. Knowledge here does not mean the knowledge about the product or brand that the person endorses; it is the perception of expertise that is created in the minds of the target group. Even though the endorser may have nothing to do with the product he is endorsing, his accomplishments in his career, and the quality of communication he builds during the marketing phase may cause the endorser to be perceived as an expert [24].

4.2. The source attractiveness model

This model claims that messages communicated by an attractive source positively guide the consumer behavior [25]. According to this model, the attractiveness of the endorser plays a crucial role on the effectiveness of the message he delivers. However, attractiveness should not be interpreted only as physical qualities, it also arises from the significant meanings that the consumer finds attractive and useful [1, 21].

Qualities like “familiarity,” “likability,” and/or “similarity” are the features that describe the attractiveness of the product used during the endorsement process. “Familiarity is defined as knowledge of the source through exposure, likability as affection for the source as a result of the source's physical appearance and behavior, and similarity as a supposed resemblance between the source and the receiver of the message” [1].

4.3. The celebrity-brand congruence model

In literatures, the congruence model or the model called match-up hypothesis claims that the success of a spokesperson does not come only from that person's physical qualities or fame [26] and that there must be congruence between the endorsed brand and the endorser in order to execute a successful endorsement phase [27]. In other words, it is claimed that if there is a congruency between the image of the celebrity used in the endorsement process and the image of the brand being marketed, this positively affects the consumers [28].

Also Choi and Rifon [14] claim that studies regarding congruence neglect a very important matter while focusing on product/celebrity congruence and one has to pay attention to the congruence of celebrity endorser and consumer in order to carry out a successful endorsement process. In other words, writers explain that if the “right” celebrity endorser is selected, the image of the endorser will play an inspiring role in building the identity of consumers and this will positively influence the purchasing behavior of the consumers.

Source models, congruence or match-up models are being criticized, as they are unable to or inadequate in explaining some matters about the celebrity endorsement. One of the most important criticisms made about source models is that such models perceive celebrities only as a group made of attractive and credible individuals and cannot fully define the world of celebrities that involves complex and various meanings. From this point of view, source models fall short of discovering the meanings that celebrity represents and how these meanings serve to the purpose of endorsement process [1].

Another critique is the ambiguity of the factors that constitute credibility of the source and which factors are more important than the others [21]. Finally, source models cannot explain

why some celebrities are convincing for some brands whereas not for others, and they remain incapable of defining the congruence or incongruence of the celebrity and the brand [15]. One of the main reasons for this is that source models focus only on some qualities of the celebrity and disregard the product/brand [1].

McCracken in article *"Who is the celebrity endorser? Cultural foundations of the Endorsement Process"* explains in detail the inadequacy of source and congruence models and holds forth the new celebrity endorsement model called *"the meaning transfer model"* [1].

4.4. The meaning transfer model

McCracken [1] stated that cultural meanings that a celebrity possesses are what make celebrities useful in the endorsement process widely used in marketing communication. According to him, the success of the endorsement process depends on establishing a connection between the cultural meanings that a celebrity possesses and the product endorsed. In this respect, he defined celebrity endorsement as the process where cultural meanings of a celebrity is first transferred to the product and then from the product to the consumer and this definition describes intellectual infrastructure of *"the meaning transfer model"* he developed to explain his version of celebrity endorsement.

In the celebrity endorsement model of McCracken, meaning transfer is realized at three stages:

First stage is the phase where cultural meanings associated with the celebrities are created in the minds of the society. A celebrity's stage performance, acting in movies, accomplishments in sports, and other personality traits he/she unfolds before public determine the cultural meaning of the celebrity. Meanings that a celebrity has do not depend on the persons' personality traits; they are symbolic meanings that arise from their accomplishments in their career.

In this sense, in the endorsement process, the way celebrities are perceived is quite different from the way anonymous people are perceived. As celebrities are well known by the society, the meanings they have are displayed in a very clear and precise way and this enables easier communication with the consumers.

In the *second stage* symbolic meaning of the celebrity is transferred to the products. At this point, it is necessary to be wary about congruence of product and celebrity. Advertising agencies first determine the symbolic properties of the product and then choose the celebrity that best suits to that symbolic value. In other words, advertising is designed to imply the main similarity between the celebrity and the product. Developing the advertisement in a way that will serve best to the congruency of the product and celebrity, and to create a content that supports this idea facilitates transferring to the product the symbolic meaning of the celebrity in the minds of consumers.

Third stage is the time when meanings of the celebrity created in time as the result of all performances of the celebrity before public meets with the consumer via the product. The better the images of celebrities on screen are built, the stronger symbolic meanings these images involve and the better the product-celebrity match-up is, the easier it will be for the consumer to embrace the product.

These meanings transferred from the celebrity to the product and from product to the consumer are used by consumers in building their own images. In other words through products they purchase, consumers try to identify themselves with the celebrity endorsement of that product. As a result the celebrity endorser is the representative of the new identity that the consumer can use. In this regard consumer goods are not objects that meet the needs of consumers and serve to specific functions, they are tools used to form the social identities of consumers.

5. Methodology

This article aims to analyze the celebrity endorsement strategy used to communicate brand image messages in housing advertisements. Housing advertisements that are used as the research sample are prepared for marketing large-scale housing projects constructed in Istanbul as of 2000. Brand image is very important in marketing of these projects because almost all the projects are launched for sale based on small models and project visuals even before construction works have been started.

Within the scope of the study, first housing advertisements published from 2001 to 2016 have been scanned. Hurriyet newspaper was selected as the source, as it is the newspaper with highest circulation. After all advertisements published on Hurriyet newspaper have been scanned, advertisement where a celebrity was the spokesperson was determined. It was determined that in almost 30% of housing advertisements, messages were communicated through celebrities.

It was determined that 40% of 85 advertisements selected were commercial films and these have been accessed from web pages of the companies that produce houses marketed in these commercial films or from web sites where news on property are published.

McCracken's meaning transfer model is used as the research method as it is one of the most explanatory models regarding "celebrity endorsement" [1]. Meaning transfer model was explained in detail in the previous section; however, it is necessary to add a few comments in this section as well about the way these are used in the analysis process.

According to the meaning transfer model, celebrity endorsement is defined as a three stage process where cultural meanings that a celebrity represents are transferred to first the product/brand and from the product/brand to the consumer. Accordingly analysis is configured as a three-stage process. First question for which an answer is sought was what properties caused the celebrity to be selected for endorsement. In other words, to begin with, the cultural meanings that celebrity possesses are examined. In the second stage, we tried to examine the meaning transferred from celebrity to the product and the type of connection established between the housing projects and the celebrity. In the third and last stage what was promised to the consumer with the meaning transferred from celebrity to the product and the brand image that will be created in the minds of consumers was questioned.

6. Results

Celebrity endorsement strategy has been widely used in housing advertisements. In 30% of the advertisements examined within the scope of the research, celebrity endorsement was used and in recent years, a serious increase is observed in the number of advertisements where celebrity endorsement is used.

We can say that in general advertisements that use celebrity endorsement exploit *attractiveness* of the celebrities and their *credibility* based on their trait of trustworthiness and expertise.

Most of the celebrities used in housing advertisements due to their quality of attractiveness are mostly actors-actresses, models, or vocal artists. Some of them are celebrities that are locally recognized and some are worldwide famous. Also celebrities used in advertisements due to their attractiveness are 80% women.

Generally celebrities used in housing advertisements based on their credibility trait like trustworthiness and expertise have very different professions but remarkably, most are known by their careers in football. Probably it is believed that in marketing communications, celebrities of the football arena are more effective and credible compared to other celebrities. This is not very surprising considering the fact that football has an important place in cultural structure of the society and that these people appear somehow on mass media or printed media almost every day. Also it is seen that only a small part of the celebrities used in housing advertisements due to their credibility are experts in the fields that are partly or directly related with the construction sector—like architects, engineers, finance experts, etc.

6.1. Attractiveness of celebrity endorsers in housing ads

Spokesperson for the housing project “Metropol-İstanbul” was the worldwide known singer Jennifer Lopez. She has a distinctive image in the minds of consumers by her concerts, videos she shoots or magazine programs that she attended. One of the most important elements of this image is related with, without any doubt, the attractiveness of the singer. Also, it is not that easy to reach that level of attractiveness because not only women but also men aspire the beauty, youth, and dynamism of this worldwide star, Jennifer Lopez.

Jennifer Lopez has personally attended the launching event of “Metropol-İstanbul” housing project and she posed with a key in her hand and announced that she bought a house at this residence (**Figures 1 and 2**). Also in the commercial film, she explains the reasons for her choice as follows: “...*When it comes to investment, I just try to be smart about it. I try to pick places, first of all that I love. That I want to come back to.*” Without a doubt the fact that Jennifer Lopez bought a house in this residence, makes the potential consumer dream about being her neighbor and this privilege increases the attractiveness of the residence. As Williamson says advertisements associate unreachable things with reachable ones and make consumers believe that they can reach the unreachable [11].

In housing advertisements where attractiveness trait of celebrity endorsement is exploited, not only worldwide popular people are preferred. For example in the project “İstanbul Sarayları”



Figure 1. The image of a gated community in İstanbul named Metropol-Istanbul. Source: Varyap Construction Company, Developer of Metropol-Istanbul Project.

(*Palaces of Istanbul*) instead of a worldwide star like Jennifer Lopez, one of the unforgettable actress of Turkish cinema, Nebahat Çehre appeared. Even though Nebahat Çehre appeared in national movies and series that highlight our traditional values, she has the image of a modern woman in the eye of the public. She became famous after the beauty pageant she entered and then she continued her career as an actress. Even though she is in her seventies, she is still a popular figure on screens with her beauty and attractiveness.



Figure 2. Launching event of the Metropol-Istanbul Project where the spokesperson was Jennifer Lopez. Source: <http://www.varyap.com/bizden-haberler/bizden-size/detay/j-lo-metropol-istanbulda-15>.

At the time of the advertisement for the housing project “İstanbul Sarayları” (*Palaces of Istanbul*), Nebahat Çehre was appearing in the series named “Muhteşem Yüzyıl” (*Magnificent Century*) broadcasted on a national TV channel and had a quiet high rating. The topic of the series was about the life and success of “Suleyman the Magnificent” that ruled during Rise of the Ottoman Empire. In this series, Nebahat Çehre played the role of the mother of the sultan who was highly influential in the management of the palace and country.

Advertisers promoted housing project called “İstanbul Sarayları” (*Palaces of Istanbul*) using the popularity of the series and introduced the project with “magnificent project” slogan and used the following text in the advertisement: “if you want to live like sultans we invite you to the modern palaces of Istanbul.” Also advertisers wanted to emphasize both the beauty and attractiveness of Nebahat Çehre and the gorgeousness of the project with the “magnificent” word used in the slogan (**Figures 3 and 4**).

6.2. Credibility of celebrity endorsers in housing ads

In housing advertisement where the credibility trait of the celebrity endorser is emphasized, it is possible to run across examples where celebrities have expertise in fields that are directly or indirectly related with construction sector like engineers, architects, and investment specialists.



Figure 3. The image of a gated community in İstanbul named “İstanbul Sarayları” (palaces of Istanbul). Source: www.sinpasgyo.com.tr.

For example during one of the greatest earthquakes in our country, 1999 Marmara Earthquake, geophysics engineer Professor Ahmet Mete Işıkara was the manager of Kandilli Observatory, the National Earthquake Observation Center. Işıkara appeared on TV frequently following Marmara earthquake and tried to raise awareness of the public. He persistently explained the severity of earthquakes and measures that should be taken, and the way he spoke and his efforts to calm down the society caused him to quickly become a figure that the public likes very much and takes seriously and respects his knowledge and experience. This love and respect lead everyone to call him “grandpa earthquake.”



Figure 4. Advertisement visual of “İstanbul Sarayları” (palaces of Istanbul). Source: From April 10, 2011 dated supplement of newspaper “Hürriyet,” pp. 24–25.

To sum up, we can say that Ahmet Mete Işıkara is a celebrity that has credibility, expertise, and the public trusts. In this respect, it was not surprising that he was chosen to appear in the advertisements for the housing project “İstanbul Evleri” (Houses of Istanbul). In advertising visuals the fact that the project was executed by consulting to Ahmet Mete Işıkara was highlighted. We can say that the earthquake, which was on the top of the agenda during those days when the project was being promoted, was the determinant in selection of celebrity endorser. Advertisers thought that a housing project led under consultancy of Ahmet Mete Işıkara will cause the consumers to consider this as a durable, earthquake-resistant, and reliable project and that this perception will have positive effect on their purchasing behavior. The phrase “leaving behind permanent works instead of creating temporary solutions” used in the advertising text explains this well.

In housing advertisements where the credibility trait of the source is emphasized, it is possible to run across examples where celebrities are used who, profession-wise, do not have any connection with this sector. Even though celebrities used in advertisements do not have any expertise about the product they endorse, their accomplishments in their professional career causes the society to trust them and supports their credibility. As mentioned above, it is possible to say that most of the celebrities under this category are people famous on account of their accomplishments in football.

Turkey's one of the most famous football player Rıdvan Dilmen appears on TV as sports commentator for many years and is considered to be very successful in this profession as he was when he was a football player. In this respect Dilmen has gained public's trust both as a football player and sports commentator and he is highly credible. From this viewpoint, advertisers chose Rıdvan Dilmen to be the spokesperson of the advertisement for “Solarkent Evleri” (Solarkent Residence). The slogan was “I will sign my name under this project” and a photo of Rıdvan Dilmen signing the papers was used in the visuals (Figures 5 and 6). Two points mattered when selecting the slogan. The first was the fact that who the players make an agreement with, which team

they sign a contract with is on the top of agenda in our country most of the time. So it was not a coincidence here that the word “sign” was used. On the other hand, it was thought that it would be easier for an endorser who had been successful in the team he signed contract with or in another business he has done to persuade consumers and that consumer groups would take Ridvan Dilmen’s word and would be interested in a housing project that he prefers.

Another example to that is “*Avrupa Bahçekent*” housing project where the spokesperson was Mustafa Denizli, popular, respected and experienced football coach of one of the biggest team of the country. The football coach appears on the advertisement while scouting a boy playing football on field and he says that “*Stars are not that far, they are right before us waiting to be discovered. And this is what I do. To discover them and envision their future.*” In the later part of the advertisement, the narrator says that “*Avrupark Bahçekent*” residence is a place like this with its infrastructure, social facilities, and location and will be the star of Istanbul in a very near future. So here, advertisers aimed to exploit credibility of a football coach who is very successful in his profession and who built a reputation of discovering talents in a different area of expertise. Advertisers showed that Mustafa Denizli, who discovers young and successful talents, endorses this residence and aimed to positively affect the consumers.

Worldwide known soccer coach José Mourinho also appeared on housing project advertisements. Even though he did not coach a team in Turkey before, a real estate company worked with José Mourinho in its advertisements, as he was a very popular figure in the country. The advertisement slogan was “*First rule of success is to be happy at home*” and we hear Mourinho’s words: “*... If I coach a Turkish team one day, I know where my house will be: Sinpaş GYO.*”

Even though attractiveness and credibility of the celebrity is exploited in housing advertisements, we see that other meanings that the celebrity possesses are important in terms of



Figure 5. The image of a gated community in İstanbul named “Solarkent Evleri” —Solarkent Residence. Source: Aydinli Construction Company, Developer of Solarkent Project.

Bu projeye imzama atarım...

"Hem 500 TL taksitle ev sahibi oluyorum, hem de evim güneşten elektrik üreliyor, ödediğim para geri dönüyor. Bu yatırımı hiç kaçırır mıyım?"

Rıdvan

Peşinatsız 500 TL taksitle süper yatırım!

Türkiye'nin geri dönüşümü tek konut projesi Solar Kent, şimdi kaçırılmayacak avantajlarla... Solar Kent satış ofisine gelin, imza atmadan çıkmayacaksınız.

| PEŞİNATSIZ ÖDEME TAKTİĞİ | |
|--------------------------------------|---------------|
| İlk 12 ay | 500 TL |
| 13. aydan itibaren sabit taksitlerle | 60 AY %0 FAİZ |
| Teslimatta (Ocak 2011) | %30 ara ödeme |

DİĞER AVANTAJI: Ödeme planlarınıza göre emlak vergisi için satış ofisimize başvurunuz.

- Bu plan tahminlerdir, emlak vergisi tahmini olarak belirtilmiştir.
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Figure 6. Launching event of the Solar Kent Project where the spokesperson was Rıdvan Dilmen Source: From January 31, 2010 dated supplement of newspaper "Hürriyet," p. 18.

product-celebrity congruence and effective in creating the brand image. This matches with the theory of McCracken [1] that source models are useful but inadequate in defining the complex world of celebrities that involve various meanings as it sees the celebrities as a group of attractive and credible people. This point will be discussed further in the next section.

7. Discussion

This research that tries to explain celebrity endorsement widely used for marketing of housings with the "meaning transfer model" of McCracken showed that in transferring cultural meaning of the celebrity to the product or housing, traits of attractiveness or credibility is

exploited in general. However it was seen that other meanings of the celebrity along with his/her credibility and attractiveness are effective in determining the image of the housing project marketed.

This resembles to other examples from different sectors and does not describe a structure that is exclusive to the housing sector. However based on the results of the research it can be said that specific for the housing sector, there are few different points in transfer of cultural meaning of the celebrity to the product. First, the conclusion that attractiveness trait of celebrities cannot be handled under a single category and that attractiveness trait of each celebrity has different perspectives and this difference is the determinant in emphasizing the modern or conventional features of the housing project. Attractiveness trait of celebrities who appear in advertisements of housing projects developed with a modern design language and/or designed for a modern target audience is much different than the attractiveness of the celebrities that appear on housing projects designed with a conventional design language and/or for a target audience who has a conventional lifestyle.

In the advertisement of the housing project called Metropol-İstanbul, where the emphasis is made on the word modern as can be understood from its title, attractiveness trait of the worldwide famous singer Jenifer Lopez was exploited. Jennifer Lopez gives the impression of both an attractive and modern women in this advertisement.

However in another advertisement that exploited the same trait of attractiveness in transferring meaning from celebrity to product, Nebahat Çehre, one of the unforgettable actresses of Turkish Cinema, is chosen instead of a worldwide singer like Jennifer Lopez. Even though Nebahat Çehre appeared in national movies that highlights our traditional values, she has the image of a modern woman in the eye of the public. In this sense, it is not surprising that she was chosen as the face of the project called “İstanbul Sarayları” (Palaces of Istanbul), which claims to rebuild the conventional texture of Istanbul with a modern concept.

Housing residence called “İstanbul Sarayları” is one of the most interesting examples of regenerating traditional values. The word “palace” used in the name of the residence makes a reference to almost the unreachable, glorious, and deluxe lifestyle that past rulers enjoyed and it implies that this lifestyle is regenerated and modernized. However, the word “palace” used in İstanbul Sarayları project does not appear just as a marketing image. In İstanbul Sarayları residence project, Bosphorus with its historical palaces, waterside mansions, summerhouses, and avenues is reconstructed at the outskirts of the city. In this project, we see that not only some type of structures but also traditional avenues of the city and ports are regenerated with indoor and outdoor facilities [29].

In both advertisements, the transfer of meaning is built on the theme attractiveness; however, there are different categories of attractiveness. In the first advertisement, the attractiveness of a western woman was used whereas in the second one there is an image of a woman who is modern but who respects our traditional values and reflects our culture and all elements of our heritage with grace. Both of these different attractiveness category fits with the image or design language of the brand they represent. In this respect, it is possible to say that images of these brands are configured on the promise of a modern or modernized traditional lifestyle.

This also explains the importance of one element that McCracken emphasized while explaining the meaning transfer model distinct from other celebrity endorsement models. "Meaning of celebrity is shaped within the cultural structure of the society" [1].

The conclusion that attractiveness traits of celebrities are different from one another and that this difference is determinant in emphasizing the modern or conventional qualities of the housing residence arises from the cultural fabric of the society we are part of. As we are located between the "western" and "eastern" world, we have always been stuck between the value judgment of the west and east [29]. This dilemma is implicated directly or indirectly in advertisement of housing projects and expressed such as "modern residence," "the residence where traditional living spaces are modernized."

Specific to the housing sector but may be more specific to the cultural structure of the society, the second most important difference is the preference of celebrities popular in the football arena in advertisements that exploit the credibility trait. In advertisements where football celebrity endorsement is preferred, it is emphasized that buying a house from these project shall be a "good investment." When compared with many other products, property is a long-term investment both in terms of its use and rather high price. So it is not surprising that "investment" value is emphasized in advertisement of housing projects. However the interesting thing is the choice of celebrities in football field to emphasize the "investment value" of a house, except a few examples. These people try to highlight the value of the investment with words like *"I never missed an opportunity investment in my life," "too bad if you miss it."* In some examples, it is seen that investment value is expressed with very widely used sentence patterns. *"I will sign my name under it," "too bad to miss it,"* etc.

Also it is believed that in housing advertisements that takes advantage of the credibility attribute of the celebrity, the quality highlighted in the running text plays an indicative role in selection of the celebrity. For example in the running text of *"İstanbul Evleri" Project*, there are expressions like *"Premium life safety with a sound infrastructure"* and *"supporting formwork used globally in residential constructions"* and these expressions highlight the fact that construction techniques used in this residence is advanced and the residence is earthquake-resistant and this is explained to the consumers by a spokesperson, an earthquake expert that almost the whole society knows very well.

On the other hand in the advertisement for the Solarkent Project, the following expressions are used: *"I can own a house by installments of just TL 500 and my house converts solar energy to electricity energy and I can save as much as I pay. Who would miss that chance?"* and the project is introduced as *"first recycling housing Project of Turkey."* These expressions used in the advertisement emphasize the technological infrastructure of the residence and relatively superior qualities in technical terms. We can say that in this example, marketing experts chose an expert of football techniques as a spokesperson instead of an expert on the subject, in order to better highlight the technical superiorities of the residence.

In this respect in housing advertisements where credibility trait is exploited, it is possible to say that endorsement by people who the public is interested in is preferred depending on the cultural fabric of the society. It is thought that the opinions of a celebrity who gained the trust and love of the society due to his/her success in his/her own field would be convincing.

Finally, even though housings are not very different from one another in terms of architectural aspect, specific qualities of housings are highlighted in advertisements or specific qualities are attributed to them in order to create a brand image. It is determined that when the architectural setup of the housing, social venues provided, modern or modernized conventional living conditions promised are being highlighted in the advertisement, generally attractiveness of the celebrity is used in endorsement process. However if more technical features like technological infrastructure of the housing—smart home technologies, green buildings, energy-saving buildings, etc.—construction techniques, and investment opportunities are being highlighted in the advertisement, it is determined that credibility attribute of the celebrity is exploited during the endorsement process.

8. Conclusion

The main objective of this research is to examine the celebrity endorsement strategy that is widely used in housing advertisements. Based on the result of the research, it is possible to say that this strategy is not used to describe the qualities of the house and in fact that there is not even a single clue in such advertisements about the utilization value of these houses. On the contrary, it is seen that celebrity endorsement in housing projects is used to give a meaning to the product and to promise a new identity to potential consumers through this meaning. This matches up with the theories generated to describe the consumer society.

It is known that today more importance is attached to the “identity value” of consumption goods rather than their “value of use” [30]. Warde [31] defined identity value as the value that enables social communication and that determines whether a consumer will be accepted to a social environment or not. Baudrillard [32] named it as an indicator value and interpreted as a coded difference obtained by the individual within the social hierarchy. In this respect, it is possible that marketing experts try to add identity value to the housing through celebrity endorsement and build their messages defining the image of the brand in a way to emphasize this value.

All projects are launched for sale based on their models and project visuals even before construction phase starts, so the messages that define the image of the brand are designed together with the product. Arvidsson [33] interprets this process as developing the product and consumer identity together and attributing material and symbolic values to the product so that the product is identified with the consumer. Accordingly, it is seen that consumption phase is preplanned and organized in housing projects just like any product that is produced in masses, in other words that production and consumption process are configured at the same time. This explains the market dynamics where the messages about the brand image are created together with the design of the house and that the marketing experts are involved in the housing production process right from the start.

With the impact of changing market dynamics, celebrity endorsement has become one of the most frequently used communication strategy in marketing of housings; however, this strategy that is being widely used in marketing of housings has not been investigated yet at a scientific level. In this respect, this study accomplishes a first, but at the same time it

has specific limitations. First, this study examined the celebrity endorsement issues mostly over the newspaper advertisements, which is one of the traditional marketing communication tools. However today, it is known that, just like it is true for other sectors, digital marketing communication tools (facebook, twitter, instagram and similar social networks, web sites, etc.) are being used in this sector along with traditional marketing communication tools [34]. For this reason, it seems important to include digital marketing communication tools alongside the traditional marketing communication tools in the future researches that will examine the celebrity endorsement. This way it will become possible to examine the issue on a more extensive set of samples and it may even be possible to compare the celebrity endorsement strategies used in traditional marketing communication tools (newspaper, journals, TV, radio, etc.) with the ones used in digital marketing communication tools.

A similar suggestion is mentioned in the study of Bergkvist and Zhou [35], which is one of the most recent studies carried out regarding celebrity endorsement. Writers have examined 10 marketing journal and 5 advertising journal and reviewed the literature in celebrity endorsement fields over 126 articles published after 2013. The most significant finding determined as the result of this literature review was that all publications they reviewed still used the “celebrity endorsement” definition made by McCracken [1] in 1989. Writers claim that this definition is outdated. Because celebrity endorsement strategy today is being used in other social media platforms besides advertisements. Also celebrities no longer endorse just consumption goods but they also endorse business to business products and service, consumer services, noncommercial entities like political parties, etc. In the light of changing conditions, Bergkvist and Zhou [35], p. 644] makes a new definition of celebrity endorsement: “*A celebrity endorsement is an agreement between an individual who enjoys public recognition (a celebrity) and an entity (e.g., a brand) to use the celebrity for the purpose of promoting the entity.*” It will make sense to discuss in future researches, the celebrity endorsement strategy as part of the changing conditions specifically in the housing market.

Second, this study reviews a qualitative research carried out about celebrity endorsement. Future researches may be built on evaluating the impact of celebrity endorsement strategy used in housing market, on consumers via methods like surveys, etc. Accordingly the contribution of celebrity endorsement to the perception of brand image and its impact on purchasing behavior of consumers may be interpreted in more detail.

And third, it is anticipated that actors like investors, designers, marketing experts, etc., who play a role in housing production process are included within the scope of the research in order to discuss the issue more extensively. Actors that take a part in production and marketing of housings may be interviewed and positive and negative results arising from use of these strategies may be discussed and even compared with other sectors. The issue of popularization in the housing production is very different from other sectors. And the main reason for this is that the housing is a location-dependent product and is redesigned every time according to the quality of the land it is built on. In this context, it is believed that the results are much different than the results obtained in cosmetics industry, automotive industry and similar industries where celebrity endorsement is studied profoundly.

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