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# **Does Cultural Differences in Uncertainty Avoidance Impact Private Label Brands Choice**

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## **Abstract**

The development of private label brands has been uneven across countries: important in Western countries, it remains limited in Eastern economies. This study investigates whether culture could explain this situation by influencing private labels purchase decision. In particular, we focus on one sub-dimension of culture: uncertainty avoidance. To reach this objective, we rely on the cue-utilisation theory, which studies the different types of product attributes that consumers consider in their purchase decision.

The experimental method will be used in order to isolate the effect of uncertainty avoidance on private label brands decision. Two experiments will be run, with students and non-students participants, using different manipulations for our main independent variables. Finally, the importance of the private label brands attribute will be assessed thanks to the best/worst scale method, an innovative technique based on conjoint analysis.

As past research on this topic is mostly correlational, this research would pioneer in investigating the causal effect of culture on purchase decision regarding private label brands. Managerial implications would be important. Indeed, ignoring culture's influence has led retailers to centralise operations and marketing, which resulted in declining profitability. Our results would help retailers to adapt their private labels strategies according to the different cultures.

## **Key Words:**

Private Label Brands, Uncertainty Avoidance Culture, Consume Decision Making, Cue Utilisation Theory, Experiment

**Conference Track:** Track 3: Cultural and Creative Industries

**Format:** Developmental (Discussion) Paper

## **Does Cultural Differences in Uncertainty Avoidance Impact Private Label Brands Choice**

### **Introduction**

Private label brands represent a key aspect of retailers' marketing strategy: they have been shown to influence elements such as profit margins (Sasinandini and Hansa, 2010), store loyalty (Dick *et al.*, 1996), or store image (Tifferet and Herstein, 2010). However, the development of private label brands has been very different across countries. Nielsen (2014) reports that in Western Europe markets, private label brands occupy a noticeable level of market share (Switzerland: 46%, UK: 44%, Germany: 32%), whereas in Asia it is significantly lower with Hong Kong and Singapore taking the lead with 5% and 3% respectively. Academic research confirms this cross-country difference in terms of private label brands penetration (Sebri and Zaccour 2017).

One obvious explanation for this cross-country difference lies in market factors such as the difference in the level of development of big retailer chains (Cuneo *et al.*, 2015) or the power balance between retailers and manufacturers in each country (Sethuraman and Gielens, 2014). However, some studies claim that it could also be due to consumers' characteristics (Murphy and Laczniak, 1979). More particularly, Richardson, Jain, and Dick (1996), raise the importance of investigating the role of culture in private label brands consumption, saying that research "has ignored cultural differences which might partially account for the greater success of private label products in Europe" (Richardson, Jain, and Dick 1996, p.181).

Since then, only few studies have been conducted to understand the relationship between culture and private label brands (e.g., Shannon and Mandhachitara, 2005; Tifferet and Herstein, 2010; Budhathoki *et al.*, 2018). As far as we know, all these studies are correlational in nature, meaning that they just show a correlation between cultural dimensions and private label brands consumption. None research to date has tempted to show a direct causal relationship between culture and private label brands choice. Therefore, this research aims at demonstrating through lab experiments how cultural orientations impact on purchase decisions regarding private label brands. In particular, we focus on one sub-dimension of culture: uncertainty avoidance. To reach this objective, we rely on the cue utilisation theory, which studies the different types of product attributes that consumer consider in their purchase decision.

### **Literature Review and Conceptual Framework**

According to past research, among all the culture dimensions, one of them could potentially have an important influence on private label brands choice: this is the uncertainty avoidance (UA) dimension (see e.g., Sebri and Zaccour 2017, Budhathoki *et al.*, 2018). Indeed, it has been shown that one of the most important variable that leads a consumer to buy or not a private label product is the uncertainty about private label products' quality compared to national brands' products (Keller *et al.*, 2016). Thus, the fact that Eastern cultures have a higher level of UA than Western culture (De Mooij and Hofstede, 2002) may explain the difference in terms of private label brands consumption level. In the following, we develop more precisely our conceptual model.

*Impact of UA Culture on Risk Aversion.* According to Hofstede (1984), uncertain, ambiguous, risky or unidentified situations are seen as threatening and to be avoided at all costs in high UA culture, while risk is considered a natural component of life that can often produce opportunity in a low UA culture. In another words, cultures high in UA tend to be less risk-taking because they are motivated by a fear of failure or loss (Bontempo *et al.*, 1997). Thus, it is hypothesised that individuals belonging to culture with a high uncertainty avoidance will be less willing to face uncertainty in their purchase decisions and will therefore be more risk averse in their purchase decisions (Hypothesis 1).

*Impact of Risk Aversion on Private Label Brands Choice.* Risk aversion affects consumers' decision making in various ways (Rao and Bergen 1992). For example, consumers with low risk aversion might enjoy shopping more because such an activity gives them the opportunity to find new products and brands (Bao *et al.*, 2003). On the contrary, for high risk-averse consumers, their expected losses associated with purchase of new products and brands are often higher than that of low risk-averse consumers (Peter and Ryan 1976). Accordingly, risk-averse consumers tend to stay with the well-established brands so as to avoid possible financial loss of trying unknown brands, even though this means that they pay more for the name brand (Bao *et al.*, 2003). Thus, we hypothesise that the higher the consumer's risk aversion, the less likely they will be to buy private label brands (Hypothesis 2).

*Impact of Product Category Familiarity on Cue Utilisation.* When forming behavioural intentions, buyers assess multiple product attributes and various situational cues (Alba and Hutchinson 1987). The nature of this assessment is influenced, at least in part, by a buyer's level of product category familiarity (Park and Lessig 1981). Specifically, differences in product category familiarity lead to differences in both the number of attributes assessed in a product evaluation, and the importance placed on those attributes (Shehryar and Hunt 2005).

Past research suggests that buyers who are more familiar are not only more selective in the information they examine, but also have a better understanding of the attributes that will lead to an optimal choice than buyers who are less familiar (Cowley and Mitchell 2003). This suggests that even when product attribute information is available, a buyer with no prior knowledge may not process such information efficiently (Shehryar and Hunt 2005).

Nevertheless, even consumers with no prior knowledge of intrinsic attributes require some indication of overall quality of the product before making a purchase decision (Shehryar and Hunt 2005). Past research has shown that buyers with low product category familiarity use the only available cue and place considerable weight on that cue to make a decision (Park and Lessig 1981). In such an instance, more readily available cues such as those signalling adherence to established social norms might become salient indicators of overall attitudes toward the product (Shehryar and Hunt 2005).

Prior study (e.g., Zammit and Montaguti 2007) however shows that low product category familiarity, acting upon consumers' preferences uncertainty, serves as driver for the use of the easier and more explicit cue, which is related to the pioneering status. When product category familiarity increases, the more available cue does not serve as principal preference driver, and pioneer advantage is overcome by the composition of choice set. Therefore, it is hypothesised that the higher the consumer's familiarity with the product category, the more they will use intrinsic cues in their preference judgement. Conversely, the lower the consumers' familiarity with the product category, the more they will use extrinsic cues in their preference judgement (Hypothesis 3).

*Moderator role of Cue-Utilisation on the Relationship between Risk Aversion and Private Label Brands Choice.* Previous research suggests that consumer utilise both intrinsic as well

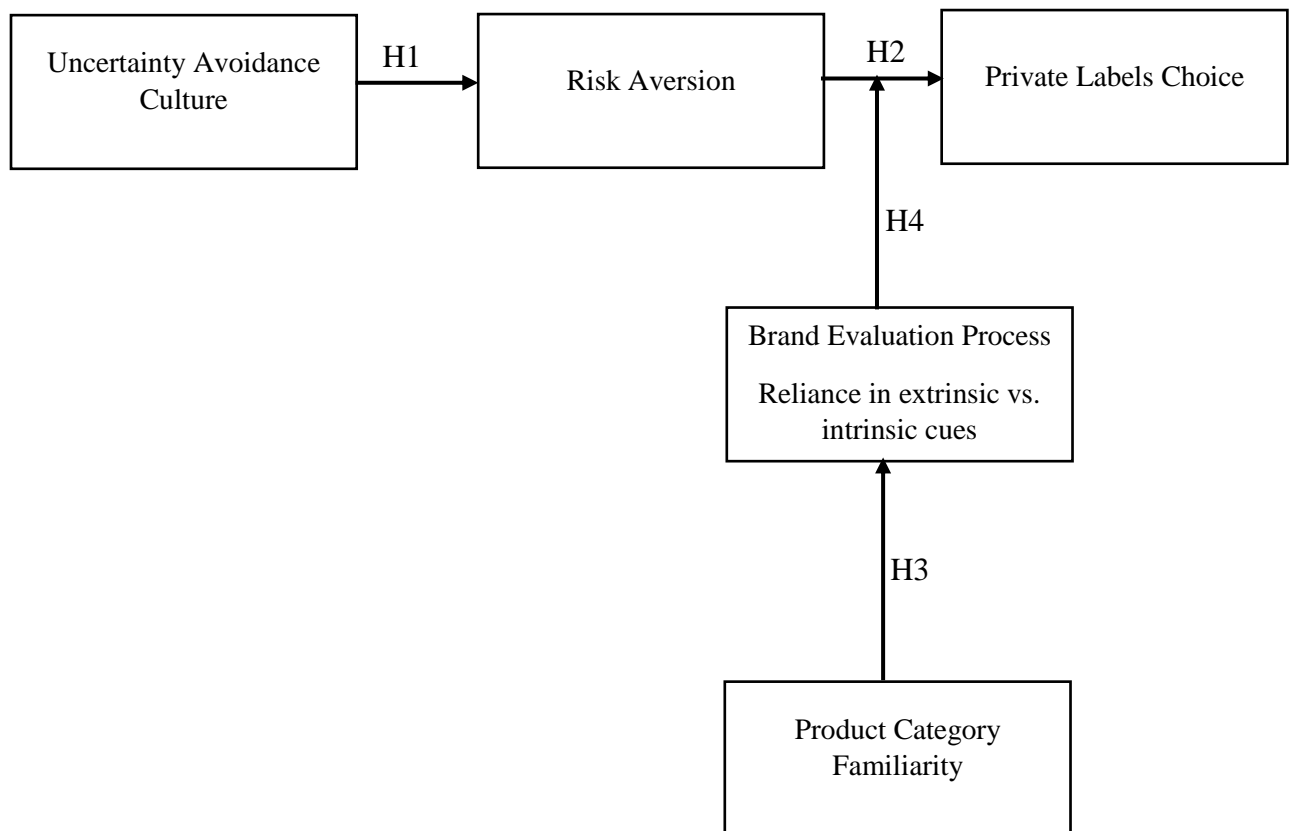
as extrinsic cues during product evaluations (Richardson *et al.*, 1994). It is often argued that extrinsic cues are more general in nature and can include brand name, price, packaging and country of origin (see for example, Lee and Lou 1996). Prior studies suggests that consumers are more aware of extrinsic cues and thus rely more heavily on them while evaluating products, compared with the intrinsic cues (Doods *et al.*, 1991).

Batra and Sinha (2000) described how consumer characteristics are likely to influence propensity to purchase private label brands. According to the authors one of the characteristics is the degree of reliance by consumers on extrinsic cues; consumers who rely on extrinsic cues prefer well-known brands to a greater extent than do consumers who do not rely on extrinsic cues.

From the above, we argue that consumers who give a higher importance to extrinsic cues will be more prone to prefer well-known national brands. However, consumers who are able to judge products through intrinsic cues (because they are more familiar with the product category) will be less influenced by extrinsic cues such as brand names. For these latter consumers, the impact of culture on private label brand purchase is therefore likely to be less important than for consumers that are not familiar with the product category. Therefore, it is hypothesise that the relationship between risk-aversion and private label brands choice will be moderated by consumers' cue utilisation: the more consumers use extrinsic cues in their preference judgment, the more the impact of culture on private label brands choice will be important (Hypothesis 4).

Figure 1 present our conceptual framework.

**Figure 1: Impact of uncertainty avoidance culture on private label brands choice**



## **Methodology/Approach**

In this research, we want to use the experimental method for two main reasons. First, this has been called by earlier research: “*further research could enrich the findings on private label brands decisions through laboratory-based choice experiments*” (Geyskens *et al.*, 2010, pp.805). Indeed, most of past studies about cross-cultural consumer research of private label brands use exploratory and descriptive research designs, rather than experimental ones. Second, and most importantly, we want to isolate the impact of culture on private label brands purchase decision. The most appropriate method to isolate such an impact is the experimental method, as it helps the researcher to understand the nature of the functional relationship between the casual factors and the effect to be predicted (Kinnear and Taylor 1996). Two experiments will be run, with students and non-students participants, using different manipulations for our main independent variables. Finally, the importance of the private label brands attribute will be assessed thanks to the best/worst scale method, an innovative technique based on conjoint analysis (see e.g., Mueller, Lockshin, and Louviere 2010).

## **Analysis and Expected Results**

In both studies, we will perform ANOVAs in order to compare the impact of both independent variables. We expect that the level of uncertainty avoidance will have a significant positive impact the level of risk aversion, and that the level of risk aversion will increase the likelihood of choosing products from manufacturer brand versus private label brands. Moreover, we expect that this impact will be higher for participants in the low product category familiarity group compared to participants in the high product category familiarity group.

## **Originality/Value/Implications**

As past research on this topic is mostly correlational, this research would pioneer in investigating the causal effect of culture on purchase decision regarding private label brands. Beside the theoretical gap, there are strong managerial implications related to a better understanding of the role of culture on private label brands adoption (Shannon and Mandhachitara, 2005). Indeed, ignoring culture’s influence has led retailers to centralise operations and marketing, which instead of increasing efficiency resulted in declining profitability (De Mooij and Hofstede, 2002). Knowing what role does culture play in this context would allow retailers to adapt their private label brands strategies according to the different cultures.

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