DOCTORAL THESIS

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PRIVATE LABEL SUPPLIER DISCLOSURE:

IMPLICATIONS FOR MANUFACTURERS, RETAILERS AND CONSUMERS

Samanta Pérez Santamaría

VNiVERSiDAD D SALAMANCA
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Doctoral thesis approval

Ph.D. Mercedes Martos Partal and Ph.D. Álvaro Garrido Morgado, as supervisors of the thesis entitled "Private label supplier disclosure: Implications for manufacturers, retailers and consumers" carried out by Samanta Pérez Santamaría and attached to Department of Business Economics and Administration at the University of Salamanca; declare that the thesis meets the necessary conditions for its submitting and defence.

For the record and for the appropriate purposes, they sign in Salamanca on October 2th 2020.

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Abstract

PL supplier disclosure is becoming increasingly significant in recent years. Thanks to the Internet, consumers can easily know the supplier identity of their favorite PLs trough consumer forums, web pages, etc. Furthermore, some retailers use the disclosure as a strategy to differentiate from its competitors, even sometimes showing NB's logo on PL packaging. Drawing on signaling theory, the objective of this thesis is to address the implications of PL supplier disclosure, which can be divided into three minor objectives: effects on NB perceptions, effects on PL perceptions and effects on the retailer perceptions.

The results obtained from subsequent experiments using student and consumer samples on food product categories, suggest PL supplier disclosure affects consumer perceptions about NBs, PLs and retailers. And more importantly, brand and retailer image play a major role in determining the PL supplier disclosure effects. In the first place, due to supplier disclosure, the perceived quality, image and loyalty intention of a higher image NB will be affected negatively if supplies a high image PL. These effects will disappear for a lower image NB, but the NB will be perceived as more expensive. Secondly, consumers will perceive the image of the retailer as higher if it starts from a low image positioning. Moreover, if the NB has a high image, then a retailer with a lower image positioning will be perceived as more expensive. Finally, considering the PL tier, when a high image NB supplies a premium PL, the NB’s quality and image will improve, increasing the NB-premium PL differentials. In contrast, if the PL features a standard positioning, NB-PL differentials will be lower.

This thesis contributes to previous PL supplier disclosure literature in several ways. First, it sets light on the lack of consensus about the effects of supplier revelation on NB perceptions. Second, it expands PL supplier disclosure knowledge from standard PLs to premium PLs. Third, it explores the effects of disclosing a dual supplier on retailer’s perceptions, a research gap that, to the best of our knowledge, only one author has studied previously. Finally, no previous literature has studied the moderating effects of brand image positioning. Moreover, the results obtained in this thesis have important implications for all the agents involved: manufacturers, retailers and consumers.

Resumen

La revelación del fabricante de marca de distribuidor (MD) es más significativa en los últimos años. Gracias a Internet, los consumidores pueden conocer fácilmente la identidad del proveedor de sus MD favoritas a través de foros de consumidores, páginas web, etc. Además, algunos minoristas utilizan la revelación como una estrategia para diferenciarse de sus competidores, incluso a veces mostrando el logotipo de la marca de fabricante (MF) en los envases de la MD. Basándose en la teoría de señales, el objetivo de esta tesis es examinar las implicaciones de la revelación del fabricante de MD, dividiéndolo en tres objetivos menores: efectos en las percepciones de MF, efectos en las percepciones de MD y efectos en las percepciones de los minoristas.

Los resultados obtenidos en subsiguientes experimentos utilizando muestras de estudiantes y consumidores en categorías de alimentos, sugieren que la revelación del proveedor de MD afecta las percepciones de los consumidores sobre las MF, MD y minoristas. Y más importante, la imagen de marca y el minorista son muy relevantes en la determinación de los efectos de revelación del fabricante de MD. En primer lugar, la calidad percibida, la imagen y la intención de lealtad hacia una MF de alta imagen se verán afectadas negativamente si fabrica una MD de alta imagen. Estos efectos desaparecerán para una MF de menor imagen, que se percibirá como más cara. Segundo, los consumidores percibirán la imagen del minorista como más alta si parte de un posicionamiento en imagen bajo. Además, si la MF tiene una alta imagen, un minorista con un posicionamiento de imagen más bajo será percibido como más caro. Finalmente, considerando el tipo de MD, si una MF de alta imagen fabrica una MD premium, la calidad y la imagen de la MF mejorarán, aumentando los diferenciales de MF-MD premium. Por el contrario, si la MD presenta un posicionamiento estándar, los diferenciales MF-MD serán menores.

Esta tesis contribuye a la literatura previa de revelación del fabricante de MD arrojando luz a la falta de consenso sobre los efectos de la revelación de los fabricantes en las percepciones de la MF. Segundo, amplía el conocimiento de revelación de fabricantes de MD estándar a MD premium. Tercero, explora los efectos de revelar un fabricante dual en las percepciones del minorista, algo que, hasta donde sabemos, solo un autor ha estudiado previamente. Finalmente, la literatura previa no ha estudiado los efectos moderadores del posicionamiento de la imagen de marca. Además, los resultados obtenidos en esta tesis tienen importantes implicaciones para fabricantes, minoristas y consumidores.

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CHAPTER 1

Introduction

1.1. Private label market

The Private Label Manufacturers Association (PLMA) defines private label products as "all merchandise sold under a retailer's brand. That brand can be the retailer's own name or a name created exclusively by that retailer. In some cases, a retailer may belong to a wholesale group that owns the brands that are available to only the members of the group" (PLMA, 2019b). The traditional concept of private label has evolved from being follower products imitating the leading national brands, sold exclusively under one retailer, who makes all the marketing investments with a generalist focus and mainly produced by a specialized external supplier, to be seen as innovator products (with a focus in specialized lines), sold through different retailers (mainly for internationalization strategy), supported by brand-focus or category-focus marketing campaigns and whose production is starting to be subject of vertical integration by retailers (Dekimpe & Geyskens, 2019). Nowadays, we can find PL products in virtually all food and non-food categories: fresh, frozen or canned food, pet care, health care and beauty, non-prescription drugs, hardware, stationery and clothing, among others (PLMA, 2020).

Regarding the PL market, the growth of PLs continue increasing from year to year more than NBs. In 2019 PLs accounted a 34.9% value share in Western Europe and 18.5% in United States (IRI, 2019a, 2019b; Kantar, 2019; Nielsen, 2019b; PLMA, 2019a). Moreover, PL share is generally greater in more developed countries than in emerging markets (Nielsen, 2018). We can divide the PL market in four differentiated regions according to their characteristics. Europe, especially the western part, hosts most of the largest PL markets (Nielsen, 2018). In more developed European countries where the PL penetration is high, there is a deceleration in standard and economy PLs growth (Nielsen, 2019a). In North America, particularly United States, PL penetration is still relatively low, giving some room for growth (Nielsen, 2018). In this market, consumers are now more willing to pay an extra price or the same price for a PL than for a branded product, and premium PLs are growing faster than standard and premium PLs (Nielsen, 2019a). Consumers in Latin America are not very prone to buy PLs. However, due to the delicate economic situation, some Latinos can look for value in these brands. Finally, Asia-Pacific consumers are more brand loyal. Therefore, PL share is significantly low compared to the global average (Nielsen, 2018).

Focusing on PLs, in recent years these brands have managed to convince the Spanish consumer of their value for money, which has led to greater acceptance and growth at the national level. By categories, the penetration in value of PL in the Spanish market stands out in the drugstore (47.7%), followed by dry feeding (40.7%), especially in the most basic sections. In other categories such as beauty or drinks, the consumer has a more brand-based preference, and only allocates 20% of its budget to PLs (ARAL, 2019).

Loyalty to PLs in Spain has been reinforced in recent years, mainly thanks to Mercadona, the leading retailer in the distribution sector. Mercadona accounts for almost the half of the Spanish' PL share in 2018. This retailer is really committed to its PLs, and consumers have them in high regard because of the price-quality ratio (ARAL, 2019). There are also other large retail chains that lately are focusing on their PL, as Lidl or Dia. Moreover, the aforementioned retailers, along with Carrefour and Eroski, have added to their portfolios premium PLs (ARAL, 2019).

Within PLs, retailers nowadays can offer different types of brands in the price-quality spectrum. In the bottom of the spectrum we find the economy PLs. These brands are usually sold in commodity categories, where they offer a low price-quality option, so they mainly attract more price conscious consumers. Due to its low price, the retailer obtains very limited profit margins and also, economy PLs often cannibalize the sales of standard PLs (Geyskens et al., 2010; Kumar and Steenkamp, 2007; Martos-Partal et al., 2015). Standard PLs feature a good value for money alternative for consumers, since retailers promote them

Figure 1.1. Example of PL tiers

Source: prepared by the authors

as having the same quality than leading brands in the category but at lower prices. Standard PLs are the most purchased type of PL, whose profit margins are acceptable for the retailer. These brands usually follow a copycat strategy targeted on NBs. To do this, retailers use reverse engineering and technology similar to that of the brand leader (Burt, 2000; Geyskens et al., 2010; Kumar and Steenkamp, 2007; Sinapuelas and Robinson, 2009; ter Braak et al., 2013a). Finally, on the top of the spectrum we can find the premium PLs. These high-quality and high-priced brands can compete directly with leading NBs, since in some cases premium PLs' quality and price can be higher than NBs'. Therefore, these brands represent a key element in the retailer differentiation, giving them a unique badge with the highest possible profit margin among all types of PL. Thus, retailers should make great investments to achieve these premium brands (Geysken et al., 2010; Keller et al., 2016; Kumar and Steenkamp, 2007; Nenycz-Thiel and Romaniuk, 2016; ter Braak et al., 2013a, 2014).

Looking to market insights by PL type, premium PLs are undoubtedly leading the general PL growth. Consumers are now more prone to buy PLs instead of NBs. And this change of mind is led by the premiumization of retailer's own brands. For example, premium PLs now represent over 19% of sales in the US (Deloitte, 2020; Nielsen, 2019a). Standard PL is still the tier that accounts for the majority of retailer’s own labels sales, although the growth is lower than for premium PL’s (The Grocer, 2020). Finally, according to Nielsen data (2019a), economy PLs’ sales have decreased in recent years. However, these brands remain as a fightback against hard discounters (The Grocer, 2020).

1.2. Dual manufacturing strategy

According to PLMA (2019b), there are three types of PL manufacturers:

- manufacturers specialized mainly in producing PLs
- major retailers or chains of retailers that have their own factories to produce PLs for their stores, and
- manufacturers that produce their own manufacturer brands, but also supply PLs for one or more retailers

When we talk about dual manufacturers, we refer to this last case, that is, the manufacturer that produces its own NBs but also manufactures PLs. As examples of dual manufacturers, we can find Bausch & Lomb, Bird's Eye, Del Monte, Nestlé, Heinz, among others (Amaldoss and Shin, 2015).

From the manufacturer's perspective, dual manufacturing strategy can be beneficial for NB manufacturers in several ways. This strategy allows dual manufacturers to take advantage of scale and scope economies, absorbing excess capacity, as long as NB production is not compromised, which can drive to higher margins due to PL's sales. This is particularly important for secondary NB manufacturers. Supplying PLs can compensate their lower NB's sales and brand strength (Bergès and Bouamra-Mechemache, 2011; Chen et al., 2010; Dunne and Narasimhan, 1999; Hoch, 1996; Kumar and Steenkamp, 2007; Mills, 1999; Nasser et al., 2013; Quelch and Harding, 1996; Verhoef et al., 2002). Yet, manufacturers should be aware of a possible cannibalization of NB's sales led by producing PLs (Amaldoss and Shin, 2015; Kumar and Steenkamp, 2007; Quelch and Harding, 1996). Sometimes, supplying PLs might be more viable than introducing a secondary-fighter brand against PLs (Nasser et al., 2013). For example, when the quality of the NB relative to PL is too high, or too low, the retailer may find it more profitable to delist the NB (Bergès and Bouamra-Mechemache, 2011). By supplying PLs, manufactures can also improve the relationship with the retailer, which might lead to a greater shelf presence for the NBs in the retailer's stores (Dunne and Narasimhan, 1999; ter Braak et al., 2013a,b). Moreover, manufacturers can benefit from channel and promotion coordination (Dunne and Narasimhan, 1999; Kumar et al., 2010) by setting the quality and wholesale price of PLs and using it to better differentiate their NBs (Narasimhan, 1999; ter Braak et al., 2013b). This is important because a higher quality gap between PLs and NBs will lead consumers to be more willing to pay a price premium for NBs (Steenkamp et al., 2010). In addition, dual manufacturers can use premium PLs as a way to experiment with innovations at lower costs and without the risk of a failed new product introductions impacting on their NBs (Dunne and Narasimhan, 1999).

On the other hand, retailers can benefit with dual manufacturing strategy in terms of an increase of their bargaining power with respect the manufacturer, which lead to lower PL's production costs and enhanced quality for PLs and greater freedom to set PLs' and NBs' prices (Amaldoss and Shin, 2015; Bergès and Bouamra-Mechemache, 2011). However, using a dual supplier carries a PLs' wholesale prices increase, which may be transferred to the final consumer (Chen et al., 2010) and can decrease PLs' sales. This dual manufacturer-retailer relationship, in the long run, will lead to lower margins for the retailer (ter Braak et al., 2013b). Nevertheless, dual manufacturers are beneficial to retailers in terms of category and new product insights, especially appealing to use as premium PL suppliers or for retailers more focused on quality (Hoch, 1996; Kumar et al., 2010; ter Braak et al., 2013b).

The dual branding strategy used to be a well-kept secret where nearly the 50% of US NB manufacturers also made PLs for retailers (Kumar and Steenkamp, 2007; Quelch and Harding, 1996). However, nowadays, when they go shopping, consumers can know who really is the manufacturer behind the PL. For example, in Korea it is a legal requirement for retailers to disclose who is the manufacturer of their PLs in the packaging (Cho et al., 2015). And in Spain, Mercadona, the leader in the retail market, since 2012 reveals all the manufacturers of its PLs. Even in some cases the NB logo appears on the PL packaging (Mercadona, 2013, 2018). Moreover, thanks to the internet, consumers also can know who is the manufacturer a PL by reading consumer reports, comments in forums, social networks, etc.

Figure 1.2. Examples of supplier disclosure on PL packaging in Spain

Source: prepared by the authors

The disclosure of a manufacturer as a PL supplier, that is, as a dual manufacturer, has some advantages and disadvantages for manufacturers and retailers related to brand equity that complement the operational ones presented earlier. If consumers notice that a dual manufacturer is supplying PLs for a specific retailer, manufacturer NB's brand equity could be damaged. In this sense, consumers' quality perceptions and image about NB could be harmed, losing the justification for the price premium under NBs are usually sold, and even allowing cannibalization of NB´s sales (Kumar and Steenkamp, 2007; Pérez-Santamaría et al., 2019; Steenkamp et al., 2010, Quelch and Harding, 1996). On the other hand, retailers can obtain better quality and image perceptions for their PLs as a consequence of perceptions transfer and new products and innovations for their premium PLs (Cho et al., 2015; Dunne and Narasimhan, 1999; Fugate, 1986; Rahman and Soesilo, 2018; Olson, 2012; Vaidyanathan and Aggarwal, 2000).

1.3. Objectives and contribution of the thesis

As previous stated, PLs continue to experience greater growth than NBs, mainly due to demand in emerging markets, and the trend of premiumisation (Kantar, 2019; Nielsen, 2018, 2019a). On the other hand, it is becoming easier for consumers to be aware of the PL supplier (Cho et al, 2015; Mercadona, 2013, 2018). Therefore, a deeper investigation of the consequences of the dual manufacturing strategy for both manufacturers and retailers is necessary, not only in terms of cost/benefit, but also on consumer brand equity, since it influences profitability (Crass et al., 2019).

Previous literature on PL supplier disclosure is scarce, which underscores a research gap. Cho et al. (2015) and Fugate (1986) have studied the effects of revealing the PL supplier only on PLs, showing a positive effect. Regarding NBs, some authors have addressed the supplier disclosure, but found different results. Vaidyanathan and Aggarwal (2000) found a positive effect for PLs but there was a non-significant decrease in NBs perceptions. However, Olson (2012) and Rahaman and Soesilo (2018), apart from positive effects on PLs, also found negative effects of PL supplier disclosure on NBs perceptions. Therefore, there is a lack of consensus regarding the effects of PL supplier disclosure on NBs and this thesis tries to set light about the implications of disclosing that a retailer is following a dual manufacturing strategy on NB perceptions.

On the other hand, despite the great importance that PLs' perceptions have on the retailer (Ailawadi and Keller, 2004; Collins-Dodd and Lindley, 2003; Delgado-Ballester et al., 2014; Dolbec and Chebat, 2013; Grewal et al, 1998), and the influence of PL supplier disclosure on PLs perceptions (Cho et al., 2015; Fugate, 1986; Olson, 2012; Rahaman and Soesilo, 2018; Vaidyanathan and Aggarwal, 2000), only Olson (2012) studied PL supplier disclosure on retailer's perceptions. Thus, the present thesis tries to further investigate this missing gap on previous literature.

In addition, all these studies analyze standard PLs. However, it is the premium PLs that are giving a strong boost to the PL growth (IRI, 2018a, 2018b). These brands, characterized by their high quality, but also for their higher price and seeking for retailer differentiation (Kumar and Steenkamp, 2007; ter Braak et al., 2013b), have not been considered in previous research on the revelation of the PL supplier. This thesis aims to advance into this line of research, analyzing the effects of the revelation of the supplier of premium PLs both on the PL itself and on the NB.

Finally, none of the aforementioned studies concerning the PL supplier disclosure have considered the image positioning of all the agents involved, both the images of the brands (NBs and PLs) and the retailer's image. We believe that depending on whether the image positioning is high or low, the effects of the disclosure of the PL supplier may be different. It is the main objective of this thesis to analyze the possible moderating effects that may have the image of the agents involved.

Table 1.1. Objectives specified by chapters

	Chapter 2	Chapter 3	Chapter 4
PL supplier disclosure on NB	✓		✓
PL supplier disclosure on PL			✓
PL supplier disclosure on retailer		✓	
Moderating effect of NB's image	✓	✓	✓
Moderating effect of PL's image	✓		
Moderating effect of PL tier			✓
Moderating effect of retailer's image		✓	

1.4. Structure of the thesis

The present thesis is structured as follows:

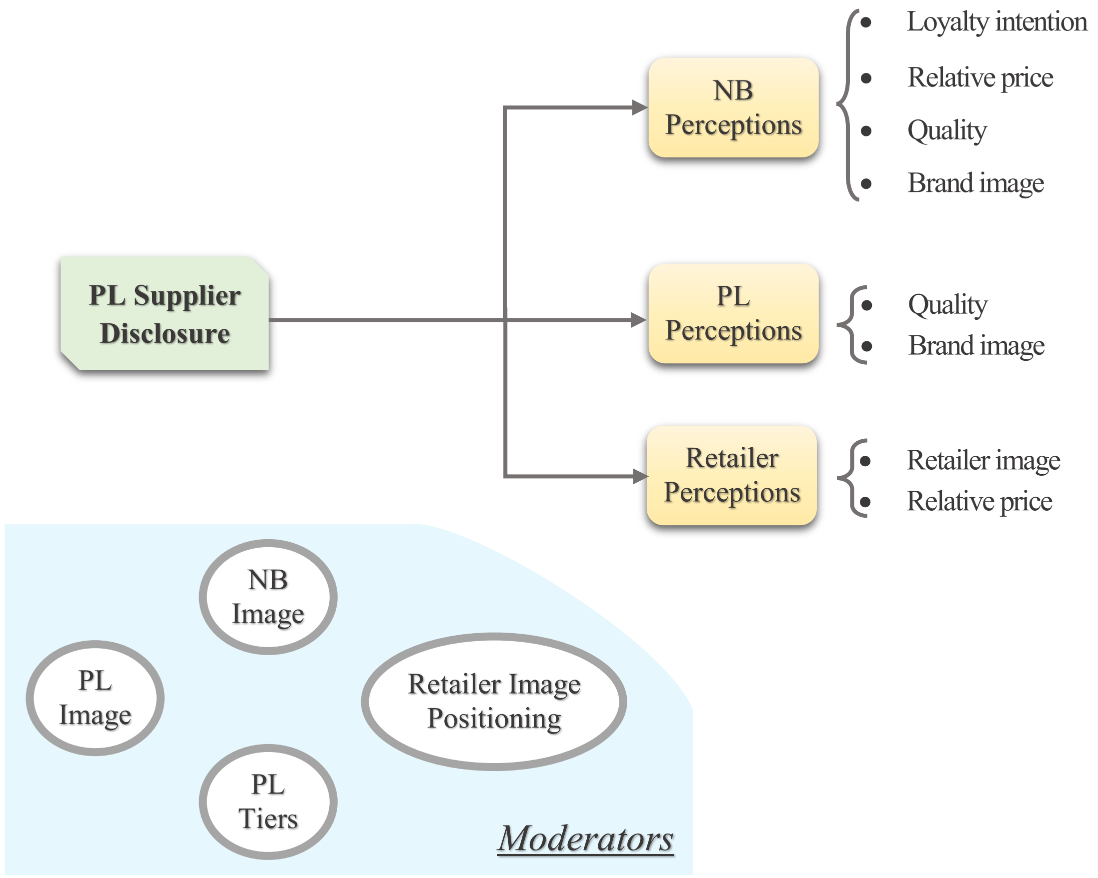
- Chapter 2 analyzes the effects of PL supplier disclosure on the perceptions of the NB owned by the dual manufacturer and the moderation of these effects by the image of both the NB and the PL.

- Chapter 3 addresses the effects of disclosing the supplier of the PL on the consumers' perceptions about the retailer. Also, the possible moderating effects of NB's image and retailer's image positioning are studied.

- Chapter 4 investigates PL supplier disclosure considering the retailer's PL portfolio, that is, standard and premium PLs. Implications for NBs' and PLs' perceptions are presented, noting the moderation of NB's image and PL tier.

- Finally, Chapter 5 discusses the conclusions and implications for theory and practice derived from the studies conducted in this thesis.

Figure 1.3. Thesis model



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CHAPTER 2

Disclosing a private label supplier on national brand

2.1. Introduction

Private labels have become central to retail strategies, with increasingly sophisticated approaches. The price and quality differentials that traditionally distinguished these store brands from NBs are diminishing (Steenkamp et al., 2010), and many retailers develop extended PL portfolios with distinct value propositions (Geyskens et al., 2010). In response, NB manufacturers must account for PLs in their strategic decisions (Gómez and Rubio-Benito, 2008; Hoch, 1996; Kumar and Steenkamp, 2007; Verhoef et al., 2002), whether by waiting, doing nothing, increasing their distinction from the PLs (e.g., improving quality, innovations), reducing price differentials, or introducing additional brands. Another option is to supply PLs, and in this development, two types of PL manufacturers have emerged: those that specialize in PLs and dual manufacturers that produce both PLs and NBs. In the United States, an estimated half of all NB manufacturers follow such a dual strategy, and this option appears particularly appealing in markets that feature strong PL penetration (Kumar and Steenkamp, 2007).

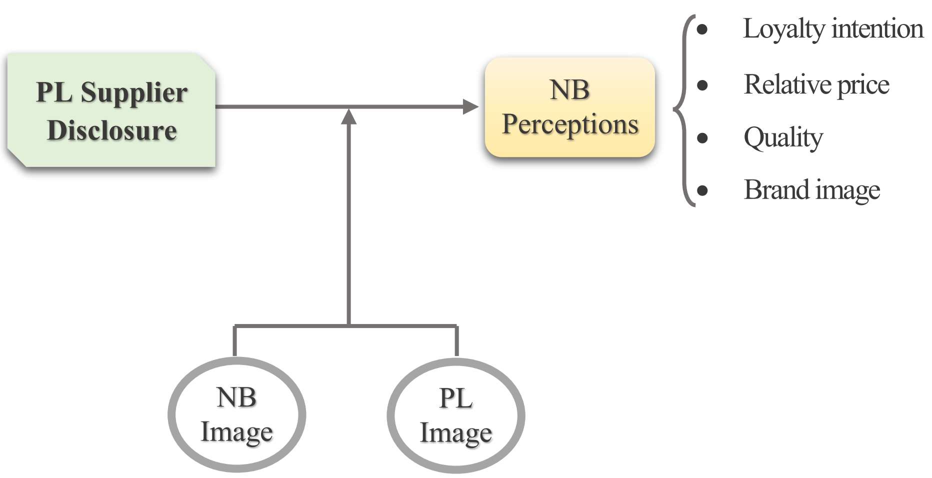
By supplying PLs, dual manufacturers can take advantage of their excess production capacity, guarantee a broader presence of their own brands on retail shelves, and pursue innovations at reduced costs by experimenting with premium PLs (ter Braak et al., 2013b). But such options also might lead to a loss of brand equity for dual manufacturers, which could harm perceptions of the quality of, and their ability to charge higher prices for their NB. In addition, a cannibalization effect might arise between the NB and PL produced by the same manufacturer (Kumar and Steenkamp, 2007).

Rather than studying the strategic decision to function as a dual manufacturer, prior academic research tends to focus on consumer (De Chernatory, 1989; Steenkamp et al., 2010; Szymanowski and Gijsbrechts, 2012) or retailer (Chung and Lee, 2017; ter Braak et al., 2013a) perspectives on PLs. The manufacturer's perspective is less widely addressed (cf. Gómez and Rubio-Benito, 2008; ter Braak et al., 2013b; Verhoef et al., 2002). Yet this perspective is pertinent, especially as more manufacturers start to supply PLs, and this practice becomes more familiar. Therefore, this study adopts a manufacturer perspective analyzing the effect on NB equity of dual manufacturer and we focus on consumer perceptual measures of brand equity because brand equity resides in the hearts and minds of consumers (Datta et al., 2017).

In the practice consumers could know the identity of PL supplier. For example, Korea legally mandates that packaging discloses the name of the PL manufacturer (Cho et al., 2015), and in Spain, Mercadona discloses all its PL manufacturers on its packaging (Mercadona, 2012). Moreover, PLs and NBs are next to each other on the retailer's shelves (Fernandez-Nogales and Gómez-Suárez, 2005) which allows brand comparison (Hoch, 1996; Steenkamp and Kumar 2007). Also, consumers carefully read the labels of the PLs and NBs (Perrigo Company Study, 1995) and buy both NBs and PLs when they go shopping (Ailawadi et al., 2008).

This study presents PL supply by a dual manufacturer, which is disclosed on the PL packaging, as a form of brand extension. Most extensions tend to be analyzed in relation to NBs, rather than PLs, but the peculiarities of these two types of brands require some separate consideration (Olson, 2012b). That is, PLs sell exclusively through a specific retailer, usually with many categories, and consumers often suffer greater uncertainty in their evaluations of PLs (Erdem et al., 2004; Richardson et al., 1994). Furthermore, even if PL associations and perceptions reside in memory proximal to those of NBs, consumers also regard PLs as a whole as a distinct subcategory (Nenycz-Thiel et al., 2010). Thus, research pertaining to NB contexts might not apply to PLs, and the image transfers between PLs and NBs have been scarcely researched (Fugate, 1986; Olson, 2012a; Vaidyanathan and Aggarwal, 2000).

Figure 2.1. Conceptual framework



This study therefore analyzes the effect of disclosing suppliers on PL packaging on the perceived quality, brand image, loyalty intention, and relative price of the NBs produced by dual manufacturers, with careful consideration of possible moderating effects of the images of both the NB and PL. Figure 2.1 contains the conceptual framework.

2.2. Theoretical framework

Fugate (1986) analyzes altered perceptions of PL attributes according to the identity of their manufacturer and finds effects of stimulus intensity and knowledge of the manufacturer. However, these results pertain to evaluations of the PL, not the NB. Vaidyanathan and Aggarwal (2000) study a NB–PL alliance to determine if it might enhance PL perceptions without damaging NB evaluations. They find that quality perceptions and attitudes toward a PL with NB ingredients improve, and the NB is not affected negatively. Olson (2012a) goes a step further to assess the impacts of consumers' awareness of the existence of a common supplier or shared product specifications. The results indicate that credible information about a NB supplier of a PL harms perceptions of the uniqueness of the product and affective and conative attitudes toward the NB. These results thus suggest the possible existence of moderating effects and the need for a deeper investigation of this conceptual context with empirical evidence. In addition, some of these contributions are relatively old, and the PL market continues to evolve, indicating the need for an update.

2.2.1. Brand equity: perceived quality, brand image, loyalty intention and relative price

Aaker (1991, p. 15) defines brand equity as "a set of brand assets and liabilities to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers." It thus should be measured as a multidimensional construct, comprising brand awareness, perceived quality, brand associations, brand loyalty, and other exclusive brand assets. Keller (2003, p. 60) refers to consumer-based brand equity as "the differential effect that brand knowledge has on consumer response to the marketing of that brand." A brand enjoys positive customer-based brand equity if consumers react more favorably to a product when the brand is evident than when it is not. Keller (1993) asserts that this brand equity stems from brand knowledge and should be measured as brand awareness and brand image. Both these definitions come from cognitive psychology; a complementary approach instead adopts an information economy perspective and explicitly considers the asymmetry and imperfection of information in markets, such that brand equity is the value the brand signal provides in the market. In this view, brand equity is associated with high quality products, but brand equity is achieved through the credibility of the quality signal, regardless of the brand's actual quality positioning. In addition, this theory specifies loyalty as a result, not an antecedent, of brand equity (Erdem and Swait, 1998; Erdem et al., 2006).

This study prioritizes the most common dimensions of brand equity: perceived quality, perceived image, and loyalty intention (Çifci et al., 2016; Yoo et al., 2000). Perceived quality reflects overall consumer evaluations of the superiority of a product (Zeithaml, 1988). Brands that evoke greater perceived quality also achieve more brand equity (Yoo et al., 2000). Brand image, as a type of brand association, refers to the associations linked to the brand that the consumer holds in memory (Keller, 1993). If consumers associate a particular brand with a high image, the brand will attain greater brand equity (Verhoef, et al., 2007; Yoo et al., 2000). That high brand image will be achieved when consumers perceive that brand as strong, attractive, unique and desirable. Whereas a brand is perceived with lower image when is less strong, less attractive, less unique and less desirable (Vogel et al., 2008). Finally, loyalty intention is a consequence of brand equity, because brands with more equity increase consumer utility and motivate them to buy the same brand repeatedly (Erdem and Swait, 1998; Yoo et al., 2000).

Brand equity also has an effect on companies' performance and thus can be measured from this perspective (Ailawadi et al., 2003; Datta et al., 2017), according to product market performance (e.g., price, market share) or financial performance (e.g., income, cash flows). That is, the benefits of strong brand equity should be reflected in brand performance, and a widely used measure of product market performance is relative price, which influences brand credibility and thus its equity (Erdem et al., 2006). A price premium indicates the brand's ability to charge a higher price for a product (Ailawadi et al., 2003). This price differential usually is measured by asking consumers how much more they would be willing to pay for a product marked by a brand, versus an unbranded option (Aaker, 1991; Ailawadi et al., 2003). However, Erdem et al. (2006) calculate prices relative to all other competitors in a category, which offers two important advantages: it facilitates comparisons, and it establishes the same comparison frame for all brands in the category (i.e., including both NB and PL and their price differentials). A simple price differential requires a comparison with an unbranded product (which are difficult to find in frequently purchased product categories) or with a single type of PL (which is difficult because modern PLs adopt varying price positioning strategies). Therefore, this study investigates price, relative to the rest of the market alternatives, to measure brand equity from a market perspective.

2.2.2. Private label image and retailer positioning

Whereas PLs traditionally offered inferior quality alternatives, offset by low prices (Richardson et al., 1994; Sethuraman and Gielens, 2014), today retailers offer PLs with quality comparable or even superior to NBs (Geyskens et al., 2010), in an expanded PL portfolio strategy. In particular, many retailers are taking a three-tiered, "good, better, best" approach, with an economy PL that seeks to attract the most price-sensitive consumers, a standard PL positioned as a good value for money, and a premium PL that provides high quality and allows the retailer to differentiate itself from competitors or improve its image (Geyskens et al., 2010; Kumar and Steenkamp, 2007; Martos-Partal et al., 2015).

Even for these three tiers though, PLs can vary in their brand equity, credibility, reputation, and price/quality positioning, similar to NBs (Erdem et al., 2004; González-Benito and Martos-Partal, 2012). In particular, the retailer's price positioning largely determines the PLs available through its stores (González-Benito and Martos-Partal, 2012; Koschate-Fischer et al., 2014), and because these PLs only sell through that retailer, their image depends on the retailer's effort to create a strong, credible, reputable brand. That is, the PL image affects the retailer image, and vice versa (Nies and Natter, 2012). Retailers that position themselves on price likely transfer a price image to their PLs, and vice versa. As they gain experience with and build a reputation for PLs, the higher PL image also should prompt stronger price associations than are available for retailers that position themselves less on price.

2.2.3. Influence of context and image transfers between NB and PL

Human judgments depend on the context. Many irrelevant factors, such as time, people's moods, or the presence of other products, thus can influence consumer evaluations (Chien et al., 2010). Two conflicting effects on product evaluations emerge from the context (Bless and Schwarz, 2010; Lee and Suk, 2010). An assimilation effect arises if the evaluation of the object is in line with the context; a contrast effect occurs if the evaluation conflicts with the context. Assimilation effects are common when the context activates concepts that can help consumers interpret the quality of a product. Accordingly, consumer decisions in context depend on the references and brands that form a comparison category (Nam and Sternthal, 2008).

However, because of their unique attributes, consumers might regard PLs as a separate category, distinct from NBs (Nenycz-Thiel et al., 2010). If a NB manufacturer decides to supply a standard PL, it likely represents a vertical (downward) extension, in price/quality terms, which affects both brands involved. Specifically, the current study seeks to determine the effect that supplying the PL has on the NB when the manufacturer is disclosed by the PL, such that the retailer encourages the comparison of the PL and the NB.

Following the principles of information theory, Palmeira and Thomas (2011) argue that a consumer who considers two brands by the same company seeks differences between (i.e., compares) them, to give meaning to their co-presence. Consumers also use various signals to infer the quality of a product and reduce perceived risk (Richardson et al., 1994). Because PLs create more evaluation uncertainty than NBs (Erdem et al., 2004; Richardson et al., 1994), signals might be even more important for them, and the disclosure of the manufacturer may provide a clear signal that affects perceptions and purchase decisions. In turn, being disclosed with the PL might carry risks for the NB manufacturer. For example, failed extensions can damage the parent brand image due to feedback effects (Riley et al., 2013), and even successful extensions can suffer negative effects due to brand dilution or cannibalization (Carter and Curry, 2013).

To reduce the failure potential of an extension, most research suggests the need for perceived fit between the original brand and new extension (Pina et al., 2013). Such fit might result from consistent brand concepts or similar product characteristics (Park et al., 1991). When a dual manufacturer engages in an extension by supplying a PL, it likely attains good fit in terms of product similarity, because it is manufacturing products in the same category, but not in terms of consistency in the brand concept, because brands and their equity are key to distinguishing PLs and NBs. Instead, supplying the PL may reduce the perceived quality gap between PLs and NBs, which could lower the price differential between them (Steenkamp et al., 2010).

Simonin and Ruth (1998) also offer evidence that NB brand images are harmed by associations with PL "twins." Heath et al. (2011) delve into potentially asymmetric effects of brand extensions and find that extensions to lower quality levels produce effects for the parent brand that range from negative to neutral. In line with this evidence, for the case of a NB manufacturer that supplies a PL, the effects on consumers evaluations of the NB should range from negative to neutral. Olson (2012a) affirms this prediction, by showing that credible information that a leading manufacturer supplies a PL decreases perceptions of the uniqueness of the product, as well as affective and conative attitudes, leading to a diminished NB image.

Regarding the effect on brand loyalty, Carter and Curry (2013) identify a negative relationship between parent brand quality and the sales of its extension when high functional fit exists. A leading NB manufacturer supplying the PL thus might cause consumers to prefer the PL, because its price–quality relationship will be better than that of the NB.

That is, a NB that evokes a higher brand image and reputation likely prompts negative contrast effects on perceptions of its quality, brand image, and loyalty intention when it supplies a PL. Such contrast effects might not arise for NBs with lower images. These brands are secondary in consumers' considerations (Nenycz-Thiel et al., 2010), with weaker associations as unique products. They also tend to feature lower prices than leading NBs. Because the fit of the extension to a PL would be better, supplying the PL may be less harmful to NB manufacturers with lower brand images.

Finally, images transfer the retailer and its PLs, so retailers that focus on prices should transfer that image of more advantageous prices to their PLs, and vice versa (Nies and Natter, 2012). These stronger price associations might prevent a sense of fit with a NB manufacturer supplying the PLs. Retailers with less experience or reputation related to PLs instead offer weak price associations, so the contrast will be less evident, with reduced negative effects on the manufacturer. In accordance with these combined arguments, the following hypotheses predict outcomes related to perceived quality, brand image, and loyalty intention.

H1: Disclosing a dual manufacturer with a high image NB as a supplier of a PL affects the NB's perceived quality more negatively if the PL has a high image on price; these effects are weaker if the NB has a lower image.

H2: Disclosing a dual manufacturer with a high image NB as a supplier of a PL affects the NB's image more negatively if the PL has a high image on price; these effects are weaker if the NB has a lower image.

H3: Disclosing a dual manufacturer with a high image NB as a supplier of a PL affects loyalty to the NB more negatively if the PL has a high image on price; these effects are weaker if the NB has a lower image.

Furthermore, a manufacturer supplying a PL may influence the market performance of the NB. The contrast effect should be greatest for dual manufacturers with lower image NBs that manufacture high image PL positioned on price. In this case, consumers can recognize the advantageous price associations of the PL with respect to the NB, such that the resulting information processing likely will create a contrast effect in perceptions of the price of the NB and the PL. The resulting contextualization of the NB identifies it as more expensive, to make sense of the extension strategy.

H4: Disclosing a dual manufacturer with a low image NB as a supplier of a PL affects the NB's relative price perception more negatively if the PL has a higher image on price; these effects are weaker if the NB has a high image.

2.3. Methodology

2.3.1. Experimental design

To gather empirical evidence to test the hypotheses, this study relies on an experiment with students from a Spanish university. A pretest confirmed the comprehensibility of the questionnaire items and scales, as well as the suitability of the data collection technique. The respondents completed the questionnaire in April 2016. The survey spanned one product category, bottled mineral water, which is well-known and accessible to university students. In a second phase, to ensure the generalizability of the results, we collect data for Spanish consumers. Respondents reported to be responsible for or actively involved in purchasing food for their households. We ensured that the data came from a wide range of ages and both genders, using a quota sampling method. The respondents completed the questionnaire between September and October 2018. The focal product category in the consumer sample is milk chocolate tablets. Therefore, we use categories which should differ in their degree of hedonism and PL penetration.

The study design used a between-subjects experiment with a 2 (high versus low PL image) × 2 (high versus low NB image) factorial design for each category. In the control condition, participants saw a picture of the brand to be evaluated. In the experimental conditions, they saw an image of the NB to evaluate, an image of the PL, and the manufacturing labels of both brands (the label are representative of a real water or chocolate label). Each participant was randomly assigned to one of the control or experimental conditions, with controls to ensure similar sample sizes across treatments. Respondents assessed only one product category, so the categories do not constitute an additional experimental condition; the use of two different categories instead served to enhance the validity of the study. The water versions feature the NBs FontVella (high brand image) and Fuensanta (low brand image) and two PLs, Hacendado (Mercadona, high image) and Guía (E. Leclerc, low image). The chocolate versions feature Nestlé (high image) and Trapa (low image) and Hacendado (high image, Mercadona) and Ifa Eliges (Gadis, low image). The PLs are presented as standard PLs; the products are fictitious. For an example treatment, see Appendix 1.1 and Appendix 1.2.

In terms of pricing strategies Mercadona uses an everyday low pricing (EDLP) strategy, with an ingrained price position for which the reputation of its PL is central task. It has sold PLs since 1996 (Mercadona, 2017). The other two retailers (E.Leclerc and Gadis) all use a high-low price strategy. These retailers also have less of a PL tradition.

2.3.2. Sample and measures

Data were collected from 540 participants, 228 who reviewed waters and 312 who considered chocolate tablets. After eliminating incomplete questionnaires, 517 valid questionnaires remained (217 for water, 300 for chocolate), as detailed in Table 2.1. Women represent 51.4% water and 71% chocolate of the total sample, and the average age of the respondents is water M = 21.13, SD = 2.04 and chocolate M = 47.10, SD = 16.47.

The measures of brand familiarity, perceived brand quality, relative price perception, brand image, and brand loyalty toward the brand all use 7-point Likert scales obtained from prior literature (see Table 2.2). For brand familiarity, the item comes from Richardson et al. (1996) and asks respondents if they know X brand. Both brand quality and relative price

Table 2.1. Sample size

Category	Control Cases		Experimental Conditions			Total
Water						217
				High Image PL	Low Image PL	
	High Image NB	28	High Image NB	27	27	
	Low Image NB	28	Low Image NB	26	26	
	High Image PL	28				
	Low Image PL	27				
Chocolate						300
				High Image PL	Low Image PL	
	High Image NB	30	High Image NB	45	45	
	Low Image NB	30	Low Image NB	45	45	
	High Image PL	30				
	Low Image PL	30				
Total		231		286		517

perceptions involve items from Erdem et al. (2006): "The quality of brand X is very high" and "Compared with other brands, brand X is more expensive." Brand image and brand loyalty intention are multi-item constructs; independent principal component analyses guarantee their content validity and the unidemensionality of the scales. In addition, all Cronbach's alpha values are greater than .7, indicating the reliability of the scales.

Mean analyses of the control conditions are presented in Table 2.3. Respondents are more familiar with the high image NBs ($p < .01$). These NBs evoke perceptions of higher quality, more loyalty intention, and higher price points than NBs with low images ($p < .01$) in water category. In chocolate category the results are consistent with water results for quality and loyalty intention ($p < .01$), but there are no differences in relative price between the two NBs.

Table 2.2. Items descriptions and principal components analysis

Factors	Items	M	SD	Factor Loadings F1	F2	F3	F4	α	COR
NB Brand Image (Adapted from Vogel *et al.*, 2008)	X brand is a strong brand	4.92 (6.20)	1.54 (1.14)	.85 (.74)				.83 (.82)	
	X brand is an attractive brand	4.64 (5.91)	1.45 (1.32)	.87 (.87)					
	X brand is a unique brand	3.36 (4.35)	1.55 (1.54)	.75 (.80)					
	X brand is a brand that I like	4.19 (5.39)	1.42 (1.53)	.79 (.81)					
NB Brand Loyalty Intention (Adapted from Johnson *et al.*, 2006)	The probability of buying the X brand's product is high	4.04 (4.89)	1.61 (1.88)		.92 (.93)			.81 (.85)	.69 (.73)
	I would recommend buying the X brand's product to other people	3.99 (5.09)	1.43 (1.83)		.92 (.93)				

Table 2.2. Items descriptions and principal components analysis (continue)

PL Brand Image (Adapted from Vogel *et al.*, 2008)	The new product has a strong brand	3.23 (4.82)	1.47 (1.61)	.91 (.85)		.86 (.83)	
	The new product has an attractive brand	3.27 (4.75)	1.53 (1.65)	.89 (.87)			
	The new product has a unique brand	2.52 (3.68)	1.40 (1.58)	.72 (.72)			
	The new product has a brand that I like	3.78 (4.88)	1.56 (1.68)	.84 (.83)			
PL Brand Loyalty Intention (Adapted from Johnson *et al.*, 2006)	The probability of buying the new product is high	4.07 (4.87)	1.76 (1.77)		.92 (.96)	.81 (.91)	.69 (.84)
	I would recommend buying the new product to other people	3.80 (4.88)	1.55 (1.77)		.92 (.96)		

Notes: M = mean, SD = standard deviation, α = Cronbach's alpha, COR = Pearson correlation with $p < .01$. Data in brackets correspond to chocolate, the rest to water.

Table 2.3. Mean tests

Between brands						
		Familiarity	**Quality**	**Image**	**Loyalty**	**RP**
NB	High Image (FontVella)	6.79	5.57	0.82	0.55	5.5
	Low Image (Fuensanta)	5.24^{***}	4.14^{***}	-0.70^{***}	-0.46^{***}	3.75^{***}
PL	High Image (Hacendado)		4.68	0.69	0.70	2.32
	Low Image (Guía)		3.48^{***}	-0.52^{***}	-0.62^{***}	2.85^{**}
		Familiarity	**Quality**	**Image**	**Loyalty**	**RP**
NB	High Image (Nestlé)	6.83	5.93	0.38	0.21	4.87
	Low Image (Trapa)	6.47^{**}	5.30^{**}	-0.71^{***}	-0.46^{***}	4.70
PL	High Image (Hacendado)		5.37	0.39	0.39	3.17
	Low Image (Ifa Eliges)		4.80^{**}	-0.18^{**}	-0.04^{**}	4.17^{***}

Between retailers		
Category		**RP**
Water	Mercadona	2.57
	E.Leclerc	3.52^{***}
Chocolate	Mercadona	2.90
	Gadis	4.10^{***}

Notes: Image and loyalty are represented by their factor means. RP = relative price.
$^{**}p < .05$, $^{***}p < .01$.

Regarding the water PLs, the high image version prompts perceptions of higher quality and a higher degree of loyalty intention than the PL with the low brand image ($p < .01$). The results confirm that the high image PL is perceived as cheaper than the low image PL ($p < .05$). For chocolate, the high image PL has a better image, quality and loyalty intention ($p < .05$) and appears significantly cheaper than the PL with low brand image ($p < .01$).

This study also includes several control measures. First, the time each respondent took to answer the questionnaire was measured in minutes; water M = 5.82, SD = 2.32; chocolate

M = 4.24, SD = 1.63. This measure indicates whether participants paid similar attention to the stimuli. Second, a separate item asked about their attention to the labels in the questionnaires, "I like to be informed by reading the labels of the products" (water M = 4.46, SD = 1.65; chocolate M = 5.51, SD = 1.96).

2.4. Analysis and results

The following linear regression models support the hypotheses tests:

$$QNB_i = \alpha + \beta \times \mathrm{ID}_\mathrm{j} + \varepsilon, \quad (1)$$

$$INB_i = \alpha + \beta \times ID_\mathrm{j} + \varepsilon, \quad (2)$$

$$LNB_i = \alpha + \beta \times ID_\mathrm{j} + \varepsilon, \text{ and} \quad (3)$$

$$RPNB_i = \alpha + \beta \times ID_\mathrm{j} + \varepsilon, \quad (4)$$

where i indicates the NBs; j represents the PLs; QNB, INB, LNB, and RPNB refer to the quality, brand image, loyalty intention, and relative price perception of the NB; α is a constant to estimate the model; β is the parameter to be estimated, namely, the effect of disclosing the NB supplier of the PL; and ID represents the supplier disclosure, such that it equals 1 if the supplier is disclosed, as in the experimental conditions, and 0 for the control condition.

Table 2.4 presents estimations of four models, one for each dependent variable for each combination of cases i (high and low image NB) and j (high and low image PL) and each category. In the water category, the effect of a dual manufacturer with a high image NB is negative and significant only if it supplies a high image PL for a retailer with a price positioning (e.g., FontVella makes Hacendado). However, if this manufacturer supplies low image PLs the effect is not significant. For chocolate, we find the same results. In support of H1, the effect on the perceived quality of the low image NB is weaker than that for the high image NB, especially when the PL has a high image on price. That is, the effects of the supplier's disclosure on the NB range from negative to neutral for high image NB and from positive to neutral for low image NB.

These results signal a contrast effect, such that the participants assign a greater perceived quality penalty to high image NBs that manufacture high image PLs positioned on price. The image inconsistency between the NB and the PL then causes more damage to the NB, because the PL generates consideration of a subcategory characterized by lower quality and

Table 2.4. Model estimations

	Quality		Image		Loyalty		Relative Price	
	β	t	β	t	β	t	β	t
	WATER							
	High Image NB							
Constant	5.57***	33.64	0.82***	6.57	0.55***	3.09	5.50***	28.16
PL high image	-0.28^{++}	-2.10	-0.29^{++}	-2.17	-0.24^{++}	-1.82	-0.10	-0.73
Constant	5.57***	32.67	0.82***	7.12	0.55***	3.05	5.50***	26.82
PL low image	0.03	0.24	-0.13	-0.97	-0.13	-0.92	-0.16	-1.20
	Low Image NB							
Constant	4.14	19.17	-0.70***	-4.61	-0.46**	-2.58	3.75***	20.36
PL high image	0.11	0.79	0.05	0.38	0.10	0.71	0.32^{++}	2.39
Constant	4.14***	18.85	-0.70***	-4.52	-0.46**	-2.53	3.750***	20.52
PL low image	0.04	0.29	0.05	0.33	0.12	0.90	0.05	0.37
	CHOCOLATE							
	High Image NB							
Constant	5.93***	30.47	0.39**	2.60	0.21	1.24	4.87***	20.77
PL high image	-0.18^{++}	-1.59	-0.19^{++}	-1.62	-0.20^{++}	-1.69	0.05	-0.44
Constant	5.93***	24.37	0.38**	2.47	0.21	0.96	4.87***	18.45
PL low image	0.41	0.35	0.02	0.15	-0.07	-0.64	0.05	0.46
	Low Image NB							
Constant	5.30***	23.22	-0.71***	-3.43	-0.46***	-2.68	4.70***	18.49
PL high image	0.19^{++}	1.62	0.23^{++}	2.05	0.32^{+++}	2.92	0.01	0.03
Constant	5.30***	22.31	-0.71***	-3.69	-0.46**	-2.59	4.70***	18.53
PL low image	0.16^{+}	1.34	0.29^{+++}	2.48	0.28^{+++}	2.48	-0.30^{+++}	-2.68

Notes: This table contains the standardized coefficients of the disclosure variable. β = coefficient, t = t-value
$^{*}p < .10$, $^{**}p < .05$, $^{***}p < .01$ (two-tailed test); $^{+}p < .10$, $^{++}p < .05$, $^{+++}p < .01$ (one-tailed test).

price, so the lower quality notions get associated with the NB. In other cases, a weaker effect occurs because no negative results appear. These results maintain in both product categories. Thus, H1 is supported.

The results are similar for brand image, in support of H2. The influence on the image of the NB with a lower image is weaker; this effect is negative when the PL has a high image on price. Disclosing the manufacturer as the supplier for a PL with a high image on price negatively affects a high image NB, with its unique associations. The resulting contrast effect causes consumers to penalize the NB, which loses its positive associations and comes to seem less unique. In other cases, the negative effects disappear. The gap between high image NBs and low image PLs cause consumers to find no similarities and perceive the products as different, even though the manufacturer is the same, so no contrast effect arises. This pattern of results again is repeated with regard to loyalty intention, disclosing the manufacturer as the supplier for a PL with a high image on price negatively affects high image NB loyalty, consumers will prefer to buy the PL because it offers the same product but with a better value for money which translates into a drop in the loyalty of the NB; then H3 is also supported.

Finally, the results for H4 show that the disclosure of a low image NB as the manufacturer of a high image PL has the most positive, significant effect on perceptions of the NB’s relative price in water category. Such that the NB is perceived as more expensive within the category due to the unique associations of the PL with an advantageous price (and comparable quality). The positive effect on low image NB’s relative price dissipates when the PL has a lower image. These results are lined to H4 for water category, however, in chocolate category we get different results. Low image NB’s relative price are perceived as cheaper when supplies low image PL. In both categories, when the NB has a higher image, no effects appear regardless of the image of the PL. Therefore, the results partially support H4. The lack of positive effect in chocolate category might be due to the no significant differences between the relative price of high and low NB, as we show in Table 2.3.

Some complementary analyses test whether the differences between the two product categories might stem from other explanations. In particular, there are no differences in the populations assigned to the control and experimental conditions in term of age or sex. With regard to attention devoted to the different categories or the control or experimental conditions, the control variables indicate in all cases that respondents paid similar attention to the labels, with significant variations across categories or control and experimental conditions.

2.5. Discussion

Dual manufacturers adopt PL manufacturing operations as a strategic alternative or to stay in the market. In a retail context in which retailers have increased power, retailers might force the manufacturer to disclose itself on PL packages, to benefit from image transfers from the NB to the PL. Therefore, it is critical to specify the effects of this disclosure on brand equity. This study’s results confirm that supplying a standard PL does not necessarily involve a negative effect on the brand equity of the NB, though the influence is moderated by NB image and PL image. Supplying a PL can have negative effects, in terms of a loss of perceived quality, image, and loyalty intention for the NB, if the dual manufacturer sells a high image NB and manufactures a standard, high image PL positioned on price. No such effect emerges when the manufacturer's NB suffers a low image. In the latter case though, manufacturing the PL could affect the relative price of the NB, which will seem more expensive, especially when the retailer's PL has a high image on price.

2.5.1. Theoretical implications

This paper contributes to brand extension literature and affirms Heath et al.'s (2011) assertion that extensions to lower quality levels in the same category produce effects on evaluations of the parent brand that go from negative to neutral. This study extends those findings to the case of a dual manufacturer, disclosed on the PL packaging. Whereas Heath et al. (2011) analyze an extension of a brand that belongs to the same company, the current study identifies these effects for an extended brand that does not represent the same company but rather is a PL, owned by a retailer and not the manufacturer. In addition, also in line with Heath et al. (2011), we find effects from neutral to positive when extensions are made towards higher quality levels. That is, when a low image NB supplies PL with a higher image than the NB. For water category the effects are neutral, but in the chocolate category positive effects appeared.

This study also contributes insights about the identity and disclosure of PL manufacturers. Olson (2012a) finds that a credible source that discloses a NB and PL as physically identical reduces perceptual gaps between them, mainly due to diminished attitudes and perceptions of the NB as unique, particularly if a leading NB supplies a PL recently introduced in the market. This study extends Olson's work by considering another aspect of the situation, such that the NB is disclosed as the PL's manufacturer on the PL package. It goes a step further by considering the moderating effects of PL and NB image. In this sense, the current study contributes to prior literature by empirically arguing and validating a moderating effect of the image of the NB and the image of the PL on the effects of disclosing suppliers on the PL packaging on the NB's brand equity. This moderation reveals that NBs will not always suffer damage to their brand equity when they supply PLs.

2.5.2. Practical implications

For dual manufacturers, if high image NBs decide to supply PL for strategic reasons, such as using up excess capacity or improving the relationship with the retailer (ter Braak et al., 2013b), they should also consider the effects on their NB equity in choosing which retailer to supply. If it will disclose the manufacturer on the PL packaging, the manufacturer should seek a retailer partner that has a low image and PL that is less positioned toward price. If it is dealing with a retailer with a high PL and price positioning, it might suffer a loss in brand equity, which also could lead to possible cannibalization between the PL and the NB and harm the sales of its NB.

We speculate that for cases in which the NB dominates the category (like cola); in terms of brand equity and sales, manufacturing the PL could not reduce the equity of such NB. In this case, the NB likely has little reason to supply the PL though, because if it already dominates the category, it should have less excess capacity and be little concerned about improving its relationship with the retailer (because consumers already demand the presence of the NB on retails shelves). Although there likely would be no detriment to NB equity, a priori there seem to be no reasons in favor of this manufacturing strategy.

For less dominant NBs, which have suffered the most from the increasing share of PLs, manufacturing the PL might be nearly their only option to remain in the market. The advisable option would be to manufacture PL for retailers because such a strategy will not harm the brand and can provide improved performance while also absorbing excess capacity. Manufacturing for retailers with high PL images positioned on price may be beneficial in terms of accounting for surplus capacity, but this strategy evokes perceptions of the NB as more expensive, which eventually might harm sales of the NB. In this case, a better strategy might be to avoid dual manufacturing and instead specialize in PLs, or else use the returns from PL manufacturing to invest more in the NB to establish a strong brand that is clearly differentiated from the PL.

Regarding retailers, they might prioritize dual manufacturers with high images to produce their PLs, to drive image transfers from the NBs to their PLs (Olson, 2012a). But a manufacturer with a high image NB likely has multiple options, so it might seek to manufacture the PL without being disclosed on the PL; if it is disclosed, it might opt for a retailer with a less inconsistent image relative to the NB. By forcing the manufacturer to disclose itself on the PL packaging, the retailer might miss an opportunity to improve its

PL, in that it discourages manufacturers with high brand images—who often have better innovation capacities and thus might supply better PLs to the retailer.

A convenient way to encourage dual manufacturers with high image NBs to produce PLs could be to offer the manufacturer an exclusive supply relationship, that is, only the dual manufacturer will make PLs in one or more categories for the retailer's shops. Moreover, offer the manufacturer the commitment to display its NBs and innovations on the retailer's shelves could be a proper move to strengthen the relationship. This strategy assures the manufacturer an important increment of its sales, but the retailer could benefit of higher quality products and innovation insights (ter Braak et al., 2013b).

Implications for consumers can also be made. Given that the disclosure of the PL manufacturer in the packaging affects the product evaluations by consumers, to include a label in the package with the supplier of the PL would be an extrinsic signal with useful information to consumers. Brands are a credible claim that enlightens product uncertainty (Erdem and Swait, 1998), so this supplier dislcosure may help consumers to infer product attributes. Moreover, the packaging is one of the elements that indirectly provides product attribute information (Erdem and Swait, 1998). Thus, that label allows consumers to compare and make inferences about NBs and PLs before to choose the brand that best suits their needs, reducing the perceived risk and speeding up their product evaluations.

2.5.3. Limitations and future research

This study is not exempt from limitations. The participants assessed two product categories and considered specific PL and NB products; analyses of other categories and brands would support greater generalization of the results. This study focuses mainly on the effects on brand equity from consumers' perspective, but additional studies might address the effects on brand equity from a market or financial point of view. In addition, the analysis reflects the influence of PL supplier disclosure in the package at a particular moment in time. PL supplier disclosure has been a kept secret (Kumar and Steenkamp 2007), however, in later years, retailers are more prone to disclose PL supplier and consumers have more tools (webpage, social networks) to know about PL manufacturers. Over time, the effects on brand equity could be accentuated, so further research should include the effects of manufacturing on brand equity over time. Moreover, this study doesn't consider other contextual variables which could affect NB equity, like the similarity/dissimilarity of NB and PL packaging. Consumers will be prone to believe than the PL is supplied by a NB when both products have similar packages. Therefore, further research could study the effect of disclosure considering copycat PL packaging strategy as another experimental condition (Kelting et al., 2017; Olson, 2012b). Also a more complex measure of loyalty could be used to capture different loyalty phase. This study measures loyalty using perceptual measures (loyalty intention), research could combine perceptual and behavioral data from panel data to analyze the effect over behavioral and loyalty intention. The PL included in this study is the tier most frequently used by retailers (i.e., standard), but it would be interesting to analyze other types of PL (e.g., economy, premium). Differences in price–quality positioning relative to the standard version could drive differential effects of manufacturer disclosure.

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CHAPTER 3

Disclosing a private label supplier on retailer image and price perception

CHAPTER 4

Disclosing a private label supplier on quality and image differentials between national brands and standard and premium private labels

CHAPTER 5

Conclusions

5.1. Leading conclusion

Manufacturing collaboration between dual manufacturers and retailers is a strategy that is becoming more and more important these days. Either for manufacturers' strategic reasons or to stay in the market, either for retailers to take advantage of image transfers or better quality for their PLs; dual manufacturing strategy will affect simultaneously all involved agents: consumers, manufacturers and retailers.

According to the results discussed throughout previous chapters, the PL supplier disclosure will affect the brand equity, and this effect will be moderated by the image of both the NB and the PL. There will be a negative effect on perceived quality, image and loyalty intention of a high image NB if supplies a standard PL with high image. Though, these effects will disappear if the NB has a lower image. In the latter case, however, the NB will be perceived as more expensive by consumers, especially if the PL has a high image.

The PL supplier might also affect the perceived image and relative price of the retailer. In this case, also moderated by the NB image and by the retailer's image positioning. In such a way the retailer's image perceived by consumers will be more positive the lower the retailer's image positioning. Moreover, if the NB has a high image, then the retailer with a low image positioning will be perceived as more expensive.

On the other hand, if we look at the PL type, the effects of the disclosure may vary depending whether it is a standard or a premium PL and the NB image. Thus, when a high image NB supplies a premium PL, the NB's quality and image will improve, and the perceived quality and brand image differentials between NB and premium PL will increase. However, if we consider a standard PL, these differentials will be lower.

In conclusion, we can affirm that disclosing the dual manufacturer strategy has implications for all the agents involved in the market. If we also consider the high PL penetration, especially in Western Europe (IRI, 2018), the vital importance of being aware about the consequences of this strategy becomes evident. In such way that manufacturers, retailers and consumers can act according to their interests.

5.2. Theoretical Implications

Private label supplier disclosure usually has focused on the effects on PL's attitudes, perceptions and purchase intention, generally showing a positive effect for a PL with a standard positioning and/or not established in the long-term in the market (Cho et al., 2015; Fugate, 1986; Olson, 2010; Rahman and Soesilo, 2018; Steenkamp et al., 2010; Vaidyanathan and Aggarwal, 2000). But some of these previous works studied the effects on NBs' overall attitudes too, finding opposing effects (Olson, 2012a; Rahman and Soesilo, 2018; Steenkamp et al., 2010; Vaidyanathan and Aggarwal, 2000).

Taking Olson's (2012a) study as a basis, the results of the subsequent experiments conducted in previous chapters have several implications for PL supplier disclosure literature. Olson (2012a) found that if a credible source identifies a NB and a PL as physically identical, reduces perceptual gaps between them, mainly due to diminished attitudes and perceptions of the NB as unique, particularly if a leading NB supplies a PL recently introduced in the market. Moreover, he also found positive effects on the overall attitudes to the retailer due to the perceived supplier disclosure.

The present research, first extends Olson's work by actually disclosing a NB as the supplier of a PL. Secondly, this study finds that the effects on brand equity of the PL supplier disclosure are moderated by both the NB and PL images. Which in turn, reveals that PL supplier disclosure has not always necessarily to harm the NB brand equity and, therefore, narrowing the differentials between NB and PL, contrasting with Olson´s findings. Thirdly, the results extend Olson´s positive effects on the retailer from a PL not familiar to consumers to a well-reputed PL and to the relative price perception of the retailer. Moreover, it was also observed a moderating effect both on the perceived retailer image and price perception by the NB image and the retailer´s image positioning. Finally, the results of this work extend the PL supplier disclosure literature by providing insights about premium PLs, which haven´t been previously addressed.

Furthermore, this thesis also contributes to brand extension literature, confirming Heath et al.'s (2011) findings. Chapter 2 results show that brand extensions to lower quality levels (PLs) in the same category produce spillover effects on parent brand (high-image NB) from negative to neutral. However, if the extension goes to higher quality levels (low-image NB--high-image PL), spillover effects go from neutral to positive. This thesis extends these findings to an extended brand owned by another company and to PL context.

5.3. Practical Implications

The results of the present research have several implications for all the agents involved in the market, that is, manufacturers, retailers and consumers.

5.3.1. Manufacturer implications

Manufacturers can embrace a dual manufacturing strategy for strategic reasons like taking advantage of their excess capacity or improving the relationship with the retailer (ter Braak et al., 2013). However, they should be aware of the consequences of following this strategy for their NB's perceptions. If a manufacturer with a high image NB decides to supply PLs for a retailer with a long-tradition, well-reputed PL brand, specially with a focus on price, the disclosure of the NB as the supplier on the PL packaging will lower the brand equity of the NB; and it can lead to a cannibalization between the NB and the PL that in the end can harm NB's sales. This negative effects on the NB brand equity will disappear if the PL has a lower image or if the PL is a premium PL rather than a standard PL. Moreover, by being disclosed as the supplier of a premium PL, the NB can benefit of a transfer of the high image of the premium PL to the NB perceptions.

In the case of lower image NBs, maybe supplying PLs can be their nearly option to remain in the market due to the push of PLs. The most beneficial decision for a lower image NB is supply a low image PL. In this way, the production of the PLs will absorb the manufacturer's excess capacity and, at the same time, NB's brand equity will not be harmed. However, if the PL has a higher image, the manufacturer still can use up the excess capacity, but the NB will be perceived as more expensive by consumers, which can lead to a loose in the NB's sales. For these low image manufacturers, maybe become a manufacturer specialized in producing PLs will be a good option. On the other hand, these manufacturers could also take advantage of their profits to make a greater investment in their NB and differentiate it from the PLs.

Therefore, manufacturers should choose wisely if they want to embrace a dual manufacturing strategy or not. In case they want, they should analyze which can be the best option available for their interests, a greater profit or a better perception for their NBs.

5.3.2. Retailer implications

Retailers may want to collaborate with dual manufacturers because of the benefits derived from that strategy. Partnering with a dual manufacturer with a leading, high image

NB, who often has more innovative capacities, can be a very positive signal about the quality of retailer's own brands and also the retailer itself. On the other hand, a well-reputed retailer with a high image positioning will not benefit so much with PL supplier disclosure in terms of its own perceptions because there will be other factors, such as PLs quality, price positioning, product assortment, service, etc., that will play a greater role in determining the retailer's perceived image by consumers. In the first case then, retailers with a lower image positioning, whose PLs often also have a lower image, can take a greater advantage of disclosing the supplier on PL packaging than high image retailers. Then, retailers with a lower image positioning will benefit of an improvement in their image perception when they disclose a high image NB as the PL supplier. However, this also can imply that consumers can perceive lower image retailers as more expensive.

Regarding the effects on PLs, if dual manufacturers supply these brands, PLs can improve their perceptions, obtain innovative products or higher quality for premium PLs (Dunne and Narasimhan, 1999; ter Braak et al., 2013). By disclosing a high image NB as the supplier on their packaging, standard PLs can achieve better quality perceptions, even well-reputed standard PLs can.

Therefore, retailers should be aware of the cost/benefit of collaborating with dual manufacturers to supply their PLs. The most interesting option for retailers can be collaborate with a manufacturer with a high image NB, because of the transfer of NB's higher perceptions to retailer's and PLs' perceptions. However, consumers can perceive the retailer as more expensive. Thus, they have to evaluate if the higher perceptions would compensate for a possible loose of the more price sensitive consumers.

5.3.3. Consumer implications

Regarding the effects on consumers, supplier disclosure on PL packaging can be an external signal with which they can make inferences about product attributes and reduce the uncertainty and perceived risk about PLs. Depending on the images of both the NB and PLs and the retailer's image, there will be image transfers of one another, leading to an actualization of consumers' current perceptions about them. Thus, this strategy will allow consumers to compare between brands when purchasing products and speeding up product evaluations. While comparing, consumers, for example, can perceive they are paying more for a NB that has embraced a dual manufacturing strategy than another NB that decided not to do so. Consumers can even change their perceptions about the retailer itself, like a dilution of advantageous price image of the retailer that has reached an agreement of collaboration with a dual manufacturer to provide the retailer's PLs.

5.4. Limitations and future research

Throughout the previous chapters, this doctoral thesis has presented the results of different empirical studies, and for each of them the respective limitations have been detailed. In this section, we sum up the common limitations and discuss possible lines for future research derived from the results obtained.

In all the studies, the PL supplier disclosure has been analyzed in different specific moments of time. Although dual manufacturing strategy has been kept as a secret in the past (Kumar and Steenkamp, 2007), in recent years retailers are more prone to disclose the supplier of their PLs, and consumers can now obtain such information on internet (e.g., consumer reports, forums, etc.). Study the disclosure effects through time can show if there is an incremental effect on brand equity. On the other hand, these studies do not consider other contextual variables like a copycat PL packaging in the supplier disclosure. Previous literature has shown that the copycat packaging strategy influence consumers' perceptions (Kelting et al., 2017; Olson, 2012b) and then, can affect the PL supplier disclosure effects. Moreover, loyalty was measured with perceptual data using the variable "loyalty intention". Using also behavioral data can add more generalization of the results by contrasting if there are differences between intentions and actual behavior. Finally, the two first studies (chapters 2 and 3) only analyzed standard PLs. Although in chapter 4 premium PLs were introduced in the analysis, the use of a student sample in that study means that caution is needed in interpreting the conclusions derived from the results obtained.

As for future lines of research, apart from taking into account the limitations mentioned above, researching the PL supplier disclosure of hard discount retailers can be very interesting. Kumar and Steenkamp (2007) define these PLs as "value innovators". These value innovators are PLs that offer the best value option to consumers, with a functional quality paring with leading NBs but using meaningless own labels to demonstrate variety (Kumar and Steenkamp, 2007; Steenkamp and Sloot, 2019), thus consumers can have confusion to distinguish PLs from NBs.

Another interesting line for future research can be analyzing the effects of the dissolution of PL supplying collaboration between dual manufacturers and retailers. In this thesis, we have showed that brand equity of both NBs and PLs can be affected by disclosing a dual manufacturing strategy on PL's packaging. In some cases, one or more brands benefited from disclosing the PL supplier. Nevertheless, we can wonder what would happen if, at some point, dual manufacturer and retailer decide to stop collaborating. In this scenario, the brand most benefited in terms of brand equity could experiment a drop in its perceptions by breaking the link with the brand that supported such strong associations. On the other hand, if the manufacturer had to make a huge investment in infrastructure for providing the retailer with PLs, now he should look for other ways to absorb the excess capacity or maybe sell that infrastructure that do not need anymore.

5.5. References

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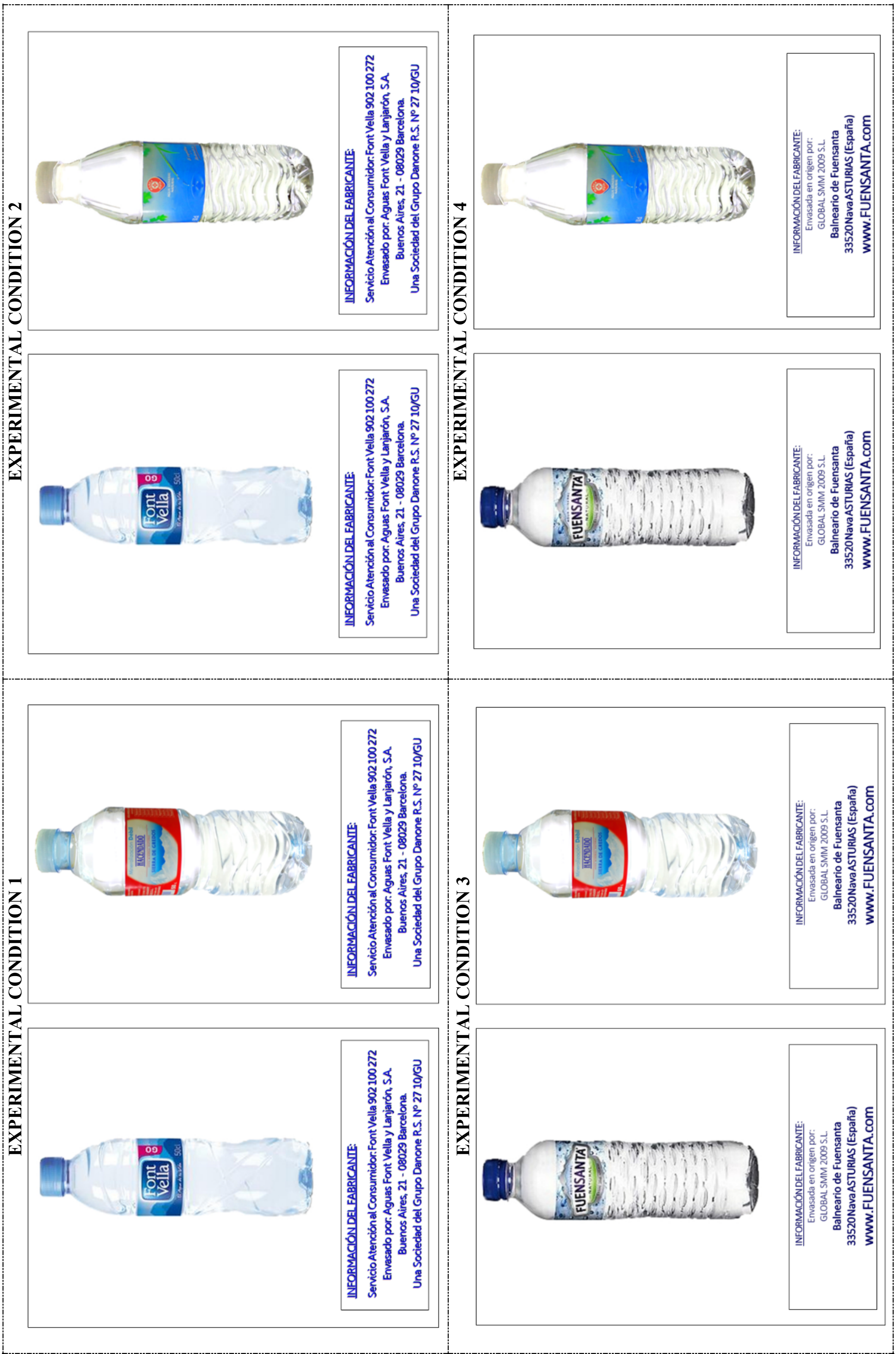
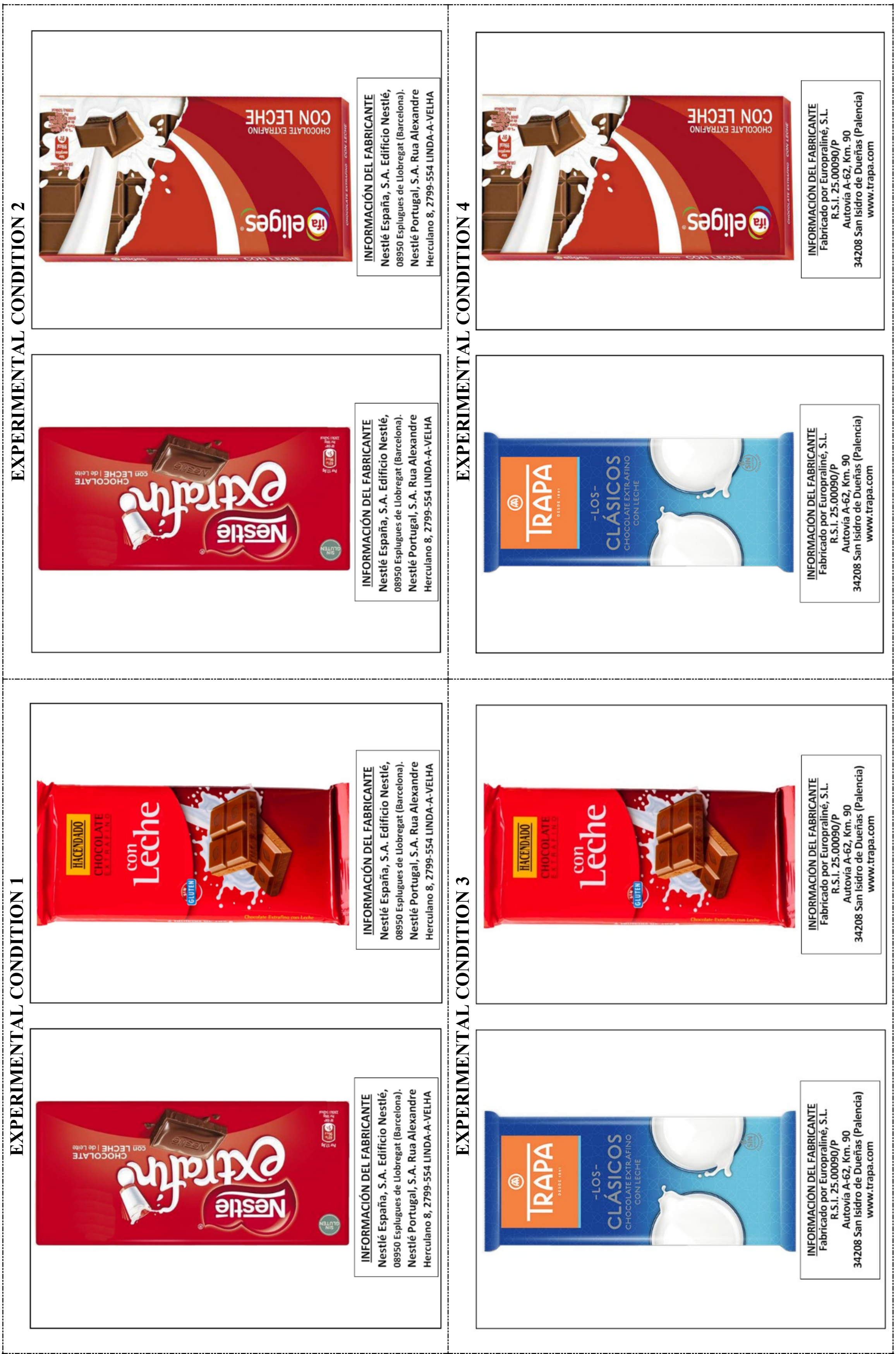
APPENDICES

Appendix 1.1. Questionnaire 1 on mineral water category. EXPERIMENTAL CONDITIONS



Appendix 1.2. Questionnaire 2 on milk chocolate tablets category.

EXPERIMENTAL CONDITIONS



Appendix 1.3. Questionnaire 1 on mineral water category. SURVEY ITEMS (example on experimental condition 1)

Part A	Strongly disagree ←						→ Strongly agree
I know Font Vella brand	1	2	3	4	5	6	7
The quality of Font Vella is very high	1	2	3	4	5	6	7
Compared to other brands, Font Vella is more expensive	1	2	3	4	5	6	7
Font Vella is a strong brand	1	2	3	4	5	6	7
Font Vella is an attractive brand	1	2	3	4	5	6	7
Font Vella is a unique brand	1	2	3	4	5	6	7
Font Vella is a brand that I like	1	2	3	4	5	6	7
The probability of buying Font Vella's mineral bottled water is high	1	2	3	4	5	6	7
I would recommend buying Font Vella's mineral bottled water to other people	1	2	3	4	5	6	7

Part B	Strongly disagree ←						→ Strongly agree
The quality of Hacendado is very high	1	2	3	4	5	6	7
Compared to other brands, Hacendado is more expensive	1	2	3	4	5	6	7
Hacendado is a strong brand	1	2	3	4	5	6	7
Hacendado is an attractive brand	1	2	3	4	5	6	7
Hacendado is a unique brand	1	2	3	4	5	6	7
Hacendado is a brand that I like	1	2	3	4	5	6	7
The probability of buying Hacendado's mineral bottled water is high	1	2	3	4	5	6	7
I would recommend buying Hacendado's mineral bottled water to other people	1	2	3	4	5	6	7

Part C	Strongly disagree ←						→ Strongly agree
I know Mercadona stores	1	2	3	4	5	6	7
Compared with other stores, Mercadona is more expensive	1	2	3	4	5	6	7
Mercadona is a pleasant place to shop	1	2	3	4	5	6	7
Mercadona creates an attractive shopping experience	1	2	3	4	5	6	7
Mercadona has a good image	1	2	3	4	5	6	7
Mercadona offers a good overall service	1	2	3	4	5	6	7
The quality of the products in Mercadona is good	1	2	3	4	5	6	7
I would recommend Mercadona to other people	1	2	3	4	5	6	7

Part D	Strongly disagree ←						→ Strongly agree
I like to be informed by reading product labels	1	2	3	4	5	6	7
I buy mineral bottled water	1	2	3	4	5	6	7

Part E. Check the appropriate box in the case of "Sex", indicate your Age and the approximate time it took to answer.		
Sex	Male ☐	Female ☐
Age	☐	
Time to answer the questionnaire in minutes	☐	

Appendix 1.4. Questionnaire 1 on milk chocolate tablets category. SURVEY ITEMS (example on experimental condition 1)

Part A	Strongly disagree						Strongly agree
I know Nestlé brand	1	2	3	4	5	6	7
The quality of Nestlé is very high	1	2	3	4	5	6	7
Compared to other brands, Nestlé is more expensive	1	2	3	4	5	6	7
Nestlé is a strong brand	1	2	3	4	5	6	7
Nestlé is an attractive brand	1	2	3	4	5	6	7
Nestlé is a unique brand	1	2	3	4	5	6	7
Nestlé is brand that I like	1	2	3	4	5	6	7
The probability of buying Nestlé's chocolate is high	1	2	3	4	5	6	7
I would recommend buying Nestlé's chocolate to other people	1	2	3	4	5	6	7

Part B	Strongly disagree						Strongly agree
The quality of Hacendado is very high	1	2	3	4	5	6	7
Compared to other brands, Hacendado is more expensive	1	2	3	4	5	6	7
Hacendado is a strong brand	1	2	3	4	5	6	7
Hacendado is an attractive brand	1	2	3	4	5	6	7
Hacendado is a unique brand	1	2	3	4	5	6	7
Hacendado is a brand that I like	1	2	3	4	5	6	7
The probability of buying Hacendado's chocolate is high	1	2	3	4	5	6	7
I would recommend buying Hacendado's chocolate to other people	1	2	3	4	5	6	7

Part C	Strongly disagree						Strongly agree
Compared with other stores, Mercadona is more expensive	1	2	3	4	5	6	7
Mercadona is a pleasant place to shop	1	2	3	4	5	6	7
Mercadona creates an attractive shopping experience	1	2	3	4	5	6	7
Mercadona has a good image	1	2	3	4	5	6	7
Mercadona offers a good overall service	1	2	3	4	5	6	7
The quality of the products in Mercadona is good	1	2	3	4	5	6	7
I consider myself a loyal customer at Mercadona	1	2	3	4	5	6	7

Part D	Strongly disagree						Strongly agree
I like to be informed by reading product labels	1	2	3	4	5	6	7
I buy milk chocolate tablets	1	2	3	4	5	6	7

Part E. Check the appropriate box in the case of "Sex", indicate your Age and the approximate time it took to answer.	
Sex	Male ☐ Female ☐
Age	☐
Time to answer the questionnaire in minutes	☐

Appendix 2.1. Questionnaire 3 on crisps category. EXPERIMENTAL CONDITIONS

Appendix 2.2. Questionnaire 3 on crisps category. SURVEY ITEMS (example on experimental condition 1)

Part A	Strongly disagree						Strongly agree
I know Lay's brand	1	2	3	4	5	6	7
The quality of Lay's is very high	1	2	3	4	5	6	7
Compared to other brands, Lay's is more expensive	1	2	3	4	5	6	7
Lay's is a strong brand	1	2	3	4	5	6	7
Lay's is an attractive brand	1	2	3	4	5	6	7
Lay's is a unique brand	1	2	3	4	5	6	7
Lay's is a brand that I like	1	2	3	4	5	6	7
The probability of buying Lay's crisps is high	1	2	3	4	5	6	7
I would recommend buying Lay's crisps to other people	1	2	3	4	5	6	7

Part B	Strongly disagree						Strongly agree
The quality of Hacendado is very high	1	2	3	4	5	6	7
Compared to other brands, Hacendado is more expensive	1	2	3	4	5	6	7
Hacendado is a strong brand	1	2	3	4	5	6	7
Hacendado is an attractive brand	1	2	3	4	5	6	7
Hacendado is a unique brand	1	2	3	4	5	6	7
Hacendado is a brand that I like	1	2	3	4	5	6	7
The probability of buying Hacendado's crisps is high	1	2	3	4	5	6	7
I would recommend buying Hacendado's crisps to other people	1	2	3	4	5	6	7

Part C	Strongly disagree						Strongly agree
I know Mercadona stores	1	2	3	4	5	6	7
Compared with other stores, Mercadona is more expensive	1	2	3	4	5	6	7
Mercadona is a pleasant place to shop	1	2	3	4	5	6	7
Mercadona creates an attractive shopping experience	1	2	3	4	5	6	7
Mercadona has a good image	1	2	3	4	5	6	7
Mercadona offers a good overall service	1	2	3	4	5	6	7
The quality of the products in Mercadona is good	1	2	3	4	5	6	7
I consider myself a loyal customer at Mercadona	1	2	3	4	5	6	7
I would recommend Mercadona to other people	1	2	3	4	5	6	7

Part D	Strongly disagree						Strongly agree
I like to be informed by reading product labels	1	2	3	4	5	6	7
I buy crisps	1	2	3	4	5	6	7
I buy private labels	1	2	3	4	5	6	7

Part E. Check the appropriate box in the case of "Sex", indicate your Age and the approximate time it took to answer.	
Sex	Male ☐ Female ☐
Age	☐
Time to answer the questionnaire in minutes	☐

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