

***Proposal for Doctoral colloquium***

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Subject:

Consequences of consumer sensitivity to labels<sup>1</sup> on branding strategies

Abstract:

Few empirical or theoretical works deal with consequences of consumer sensitivity to labels in the marketing literature. What are the functions of seals of approval? Are they just technical references, a means of strengthening brand quality or brand image association, a way to obtain a higher price position, a tool to differentiate from competitors, a lever to increase sales? By which mechanisms labels reinforce or deteriorate brand credibility, brand loyalty and brand commitment? We propose to develop a typology of labels and to develop a measurement scale to gauge consumer sensitivity to labels. We would like to understand better when and under what conditions labels impact on consumer purchasing behavior, brand loyalty and brand commitment. Various situations of supply and demand will be studied in several markets to determine under which circumstances a brand may benefit from conceding part of its mission to an external seal of guarantee. We will also examine the advantages and disadvantages of using such a strategy for small brands and international brands

Key words: labels, third party labeling, seals of guarantee, brand management, consumer behavior, brand loyalty, brand commitment

Framework:

Academic and managerial issues

Research question

Literature review

Theoretical framework and hypotheses

Proposed methodology

Expected theoretical and managerial implication

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<sup>1</sup> In the meaning of third party labeling, values-based labels, seals of approvals

## **Academic and managerial issues**

Seals of guarantee are growing in many markets: food, tourism, culture, internet, education....Economic issues are real. One third of European consumers are in favor of environmental labels (Rousseau, 2004). Between 30 to 40 % of products are sold under a "kosher" label in United States and this number increased by 15 % in Europe (Robert-Demontrond, 2009). The Michelin red guide plays the role selection, comparison and classification (Karpik, 2007), its total distribution is close to 145,000 copies in France and 1 million worldwide.

Strategic questions arise when using a label policy:

- Does a strong brand really need this external sign?
- Should labels be reserved for brands in which equity has been not sufficiently built?
- Under which circumstances does a brand have an interest to concede part of its mission to an external sign of quality?

Labels offer strategic opportunities for brands to:

- establish quality
- differentiate themselves from competitors

However, they can also present risks that need to be measured. Few empirical works discuss the mechanisms at play starting from exposure to labels, labels evaluation, buying decision and attitude toward the brand. A preliminary issue concerns the definition of labels, we propose: "a label is a sign, coming from a third party perceived as distinct from the brand, symbolizing one intrinsic dimension of the product".

## **Research questions**

- What are the effects of the label on consumer behavior?
- What are the variables that mediate or moderate the effects of labels?
- Under which circumstances does a brand benefit by conceding part of its mission to an external seal of guarantee?

## Literature review

Signaling of quality is one of the functions fulfilled by brands (Kapferer, 2007), raising a question regarding the role of the label. In a competitive context, we propose that labels may contribute to strengthen certain functions inadequately fulfilled by weak brands - primarily warranty and differentiation – mainly by reducing the perceived risk in contexts of credence goods or services. The labels, by offering a credible quality signal, reduce risks and asymmetry of information, as described in the economic theory of the signal (Boulding & Kirmani, 1993; Kirmani & Rao, 2000; Milgrom & Roberts, 1986; Rao, Lu, & Ruekert, 1999; San Martin & Camarero, 2005). There is controversy concerning labels in the marketing literature. Are they technical references, a means of strengthening brand quality or brand image association, a way to obtain a higher price position, a tool to differentiate from competitors, a lever to increase sales (Kapferer, 2007; Keller, 2008; Keller, Fleck, & Fontaine, 2009; Michel, 2004)? By which mechanisms do labels reinforce or deteriorate brand credibility, brand loyalty and brand commitment? Most experts agree that labels are a non-personal source of information, separated from the brand. Information provided by labels is perceived less commercial than classical advertising, and consequently more credible. We propose to study labels in the context of brand association and to compare them with “ingredient branding”. We believe specific tools are needed to understand better the mechanisms by which labels add value to the brand (Aaker & Lendrevie, 1994; Cegarra & Michel, 2001; Lewi, 2004; Michel & Cegarra, 2006). In certain aspects, using labels has similarities with brand alliance but this analogy must be examined at the theoretical level. Kapferer and Laurent (1983) developed a scale to measure brand sensitivity. We will construct a scale to measure sensitivity to labels.

They are very few specific researches in this area, most of them being specific studies dealing with a single market or product. Interesting findings can however to be extracted from published research:

- A favorable consumer attitude toward labels exists in the areas of food and e-commerce (Giraud, 2001; Grunert, Juhl, & Poulsen, 2001; Lala, Arnold, Sutton, & Guan, 2002; Tavoularis, Recours, & Hebel, 2007).
- Some labels lead to a willingness to pay more (Grunert et al. 2001; Tavoularis et al., 2007).

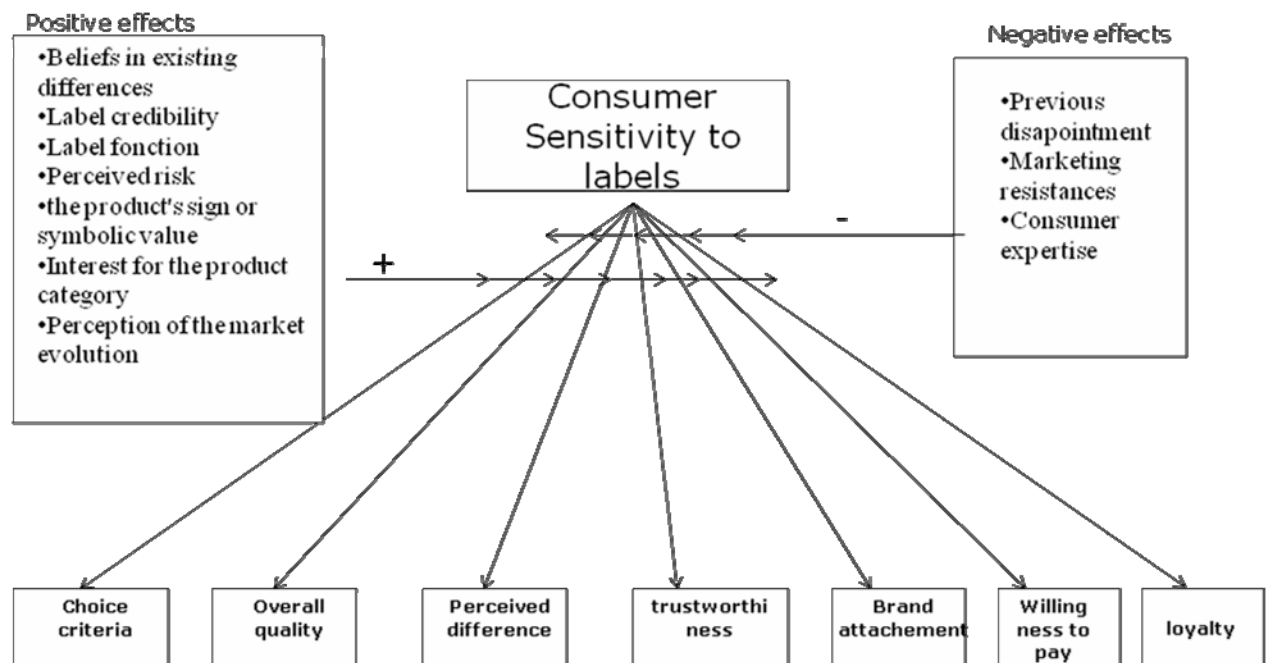
- Labels increase intention to buy (Carpenter & Larceneux, 2008; Lala et al., 2002; Larceneux, 2003).
- The impact of labels are moderated by label's reputation and labels' evocations (Mr Carpenter & Larceneux, 2008; Giraud, 2001; Grunert et al. 2001; Head & Hassanein, 2002), as well as level of guarantee (Lala et al., 2002).

The results that differ:

- Labels are not taken into account in the choice of a tourist destination phase but are in preparation for the trip. The effect of the label may depend on the type of product or service (Prim-Allaz, Ricard, Courvoisier, Dreyer, & Khadir-Poggi, 2008).
- Differences between attitude and behavior in food: a favorable attitude but not confirmed in consumer behavior (panel data) (Giraud, 2001). However these results may depend on the product category and brand type. Indeed a study measuring the behavior of consumers (Hassan & Monier-Dilhan, 2006) shows that the label is beneficial to private labels brands and secondary national brands and not to national trademarks leader. The stronger the brand is the less it benefits from the effects of the label.
- Additional results, show the label not only reduces risk but increases symbolic values "AB," "kosher"(Giraud, 2001; Robert-Demontrond, 2009).The label (compared to a simple commercial promise) positively influences purchase intention through mediating variables: quality perceived and brand uniqueness (Larceneux, 2003).
- The evaluation of a self-discerning label change with the degree of expertise of the consumer. They are positively perceived by non-experts while experts perceive them as a manipulation which results in a negative attitude towards the brand (Benoit-Moreau, Larceneux, & Parguel, 2009).

We must also point out the absence of consensus on the moderating variables.

## Theoretical framework and hypotheses



**Hypotheses : the higher the sensitivity to labels the more consumer :**

1. Use labels in their choice criteria
2. Perceive quality
3. Perceive differences Trust the brand
4. Are committed to the brand
5. Are willing to pay more for the product
6. Are loyal to the brand

**Items to construct consumer sensitivity to labels scale.**

1. the consumer perceives differences between labels
2. sensitivity to label depends on consumer interest to the product category
3. sensitivity to label is higher when label has a strong product sign or symbolic value
4. sensitivity to label is higher for non expert consumers
5. the perceived risk increases the sensitivity to label
6. the perception of the market concentration links to a higher sensitivity to label
7. the perception of the market evolution links to a higher sensitivity to label
8. previous disappointment toward a label links to a negative sensibility
9. sensibility to labels is higher when the label is credible
10. if the label causes a marketing resistance the sensitivity is lower
11. sensitivity to labels is higher when product's quality is difficult to estimate

### **Moderating variables.**

- Demographic characteristics
- Level of consumer expertise
- Involvement profile

### **Proposed methodology to develop the scale**

Following Churchill paradigm (Churchill Jr, 1979), modified by Gerbing et Anderson (Gerbing & Anderson, 1988).

|   |
|---|
| Specify domain of the construct, generate sample of items |
| 1st quantitative data, facial validity                    |
| Purify the measure, dimensionality                        |
| New collection of data                                    |
| Purify the measure, dimensionality assess validity        |
| Reliability and discriminant validity                     |
| Predictive validity                                       |

### **Expected theoretical and managerial implication**

- Managerial contributions:
  - framework of analysis for firms to help the decision and management of a labeling strategy.
- Theoretical contributions:
  - definition and typology of labels,
  - best understanding of the effects of the label on consumer behavior: purchase intention, loyalty, brand attachment,
  - labels contribution to brand management, what are “label-brand”, and under which conditions a label become a brand?

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