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## The effects of organic labels on global, local, and private brands More hype than substance?

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### ABSTRACT

With an ever-expanding market for diversified health food products, marketers can formulate a unique selling proposition by differentiating their brands using organic labels issued by an independent accredited institution for organic product testing. Using in-depth interviews, we verify four main purchasing motives for organic food in Germany: healthiness, hedonism, environmental friendliness, and food safety. Moreover, in two experiments, we show that the use of an organic label affects consumers' perceptions of global, local, and private brands with regard to their main purchasing motives. The positive effects of organic labeling are also supported for consumers' purchase intentions and their willingness to pay a price premium. Notably, private brands are more adept at profiteering from the use of organic labels than global and local brands.

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### 1. Introduction

Over the last decade, the global organic food sector has grown substantially within a fairly static total food market (Baker, Thompson, Engelken, & Huntley, 2004). Many countries show annual growth rates of the organic food industry of up to 30% (Krystallis & Chrysoschoidis, 2005). From being a niche market, the organic food sector has entered the mainstream, having rapidly gained more and more market share. Many companies are therefore trying to jump on the bandwagon, as they recognize the potential of standing out from the crowd by offering organic food. Organic food products are usually symbolized by an organic certification issued by an independent accredited institution for organic product testing (in the following, also termed as an organic label).

In spite of the growing relevance of distinguishing brands by organic labels, research efforts have yet to focus on this differentiation approach. Prior studies in the context of organic food mainly deal with identifying the 'organic consumer', analyzing the reasons why consumers fail to purchase organic food, or they investigate purchase motives (Hughner, McDonagh, Prothero, Shultz, & Stanton, 2007). These studies deal with organic products in general and do not focus on products certified by an independent accredited institution for organic product testing.

Moreover, Ngobo (2011) highlights the relevance of comparing and contrasting the use of the organic label across different brand types (p. 92): "If the consumer decides to buy an organic product, then s/he must decide which organic brand to choose." The author finds that consumers are more likely to buy organically produced private brands compared to organically produced local brands. Nevertheless, his study is only a first step in investigating the research topic of organic food and branding, as it (1) does not distinguish between food that is organically produced and organic food that is actually certified by an independent accredited institute for organic product testing; (2) only investigates the actual purchase, and therefore neglects the issue of price premium acceptance, and does not investigate whether brand perception changes when the brand is certified as organic; and (3) does not include further brand types such as global brands. To extend his findings, he calls for more research that focuses particularly on organic labeling in combination with branding.

Another literature stream investigates the relationship between other labels in addition to organic ones – such as fair-trade labels – and branding. As few studies deal with this topic, more research is also needed here. De Pelsmacker, Driesen, and Rayp (2005) investigate manufacturers' and private brands and show that, from the consumers' perspective, the brand is the most important attribute of the coffee, followed by the coffee's flavor and the fair-trade label. Thus, while both the brand and the fair-trade label are important when buying coffee, the brand is most important. In contrast to this result, De Pelsmacker, Janssens, Sterckx, and Mielants (2005), in their comparative research on manufacturers' and private brand coffees, show

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that the type of brand is of relatively minor importance. More precisely, their results highlight that ethical labels are more effective when used for manufacturers' brands than for private brands. These study results confirm the need to investigate organic labels at the level of brand-type and call for further research in this domain (De Pelsmacker, Janssens, Sterckx, & Mielants, 2005).

In sum, no studies yet exist that assess the impact of organic certification issued by an independent accredited institution of organic product testing on different brand types. The current study contributes to this nascent research gap and responds to the stated calls for more research by looking at organic labels as a brand differentiation strategy. The study discerns whether an organic labeled product generates positive consumer brand perceptions and thus influences consumers' food buying intentions. In addition, it is necessary to assess whether various types of brands benefit differently from organic labeling in the retail market. In order to achieve this, the following research objectives are outlined:

- (1) Verify the main purchasing motives for organic food in Germany.
- (2) Investigate consumers' perceptions of global, local, and private brands bearing an organic label.
- (3) Analyze whether an organic label influences the predictors of brand purchase intention regarding global, local, and private brands.

Therefore, our study fundamentally differs from the prior studies by (1) explicitly focusing on an organic label issued by an accredited institution; (2) combining branding and organic labeling and investigating whether an organic label is a successful differentiation strategy for different brand types, namely global, local, and private brands; and (3) taking the complete set of main purchasing motives of organic food in Germany as well as relevant variables of intended behavior into account.

Three studies are carried out. In order to assess consumers' perceptions of brands bearing an organic label, it is necessary to examine the relevant perception variables that reflect the key drivers of organic food consumption in Germany, where our study is conducted. This leads to the research objective of study 1, in which in-depth interviews are used to identify the main drivers for organic food purchasing decisions in a German market environment. Based on these results, an experimental study (study 2) is carried out to test how the use of an organic label affects the perceptions of global, local, and private brands concerning the key motivational drivers of organic food purchasing behavior. More precisely, we investigate whether an organic label affects the perceptions of healthiness, hedonism, environmental friendliness, and food safety for global, local, and private brands. Finally, the effect of organic labels on brand-related outcome variables (study 3), namely consumers' purchase intentions and their willingness to pay a price premium, is examined. The results yield implications for marketing practitioners and suggestions for future academic research.

## 2. Study 1: Verifying the main purchasing motives for organic food in Germany

Prior research regarding the main drivers of why consumers purchase organic food may not be applied without verification. This is due to the fact, firstly, that many different purchasing motives have been identified in prior research; and, secondly, that Germany – where we conducted our study – is one of the countries in which research dealing with organic food purchasing behavior is of utmost importance but still in its beginnings.

More precisely, prior research suggests that the perceived pleasure of organic food consumption is higher than that of conventional food (e.g., Ureña, Bernabéu, & Olmeda, 2008). Some studies identify environmental concerns as a purchase stimulus (e.g., Honkanen, Verplanken, & Olsen, 2006). Concerns about animal welfare and

human health are also important buying motives (e.g., Hill & Lynchehaun, 2002). Furthermore, doubts about the safety of food motivate consumers to buy organically produced food (e.g., Soler, Gil, & Sanchez, 2002). Other research suggests that people buy organic food, because they are convinced it supports the local economy or they have ethnocentric tendencies with regard to their food preferences (e.g., Fotopoulos & Krystallis, 2002). Finally, consumers buy organic food, because they perceive it as fashionable (e.g., Hill & Lynchehaun, 2002). In addition, prior research shows that organic food consumption differs between countries (e.g., Squires, Juric, & Cornwell, 2001). Therefore, it is necessary to determine which of the main organic-food purchasing motives identified by prior research are relevant for other countries, where research concerning organic food purchasing behavior is scarce, as in the case of Germany.

This leads to the objective of our first study to identify the main purchasing motives of organic food in Germany. With this, we investigate whether the findings of prior work – conducted in countries besides Germany – can also be observed in a German market environment and whether they need to be extended for our testing conditions. This knowledge will extend the generalizability of the findings in a cross-cultural context.

We conduct qualitative in-depth interviews with twelve German consumers using the laddering technique. Laddering interviews are frequently used in market research and are employed in investigations to analyze organic food consumption (Fotopoulos, Krystallis, & Ness, 2003; Zanolli & Naspetti, 2002). The consumers are randomly selected, being either passers-by in the street or customers in specialist health food shops as well as supermarkets (see Padel & Foster, 2005, for this approach). This ensures that a variety of consumer types are represented. Half of the interviewed consumers are female and the average age is 39.5 years. Five of the interviewed consumers purchase organic food regularly. Seven are occasional consumers. All participants have some knowledge of the concept of organic food; e.g., not processed using pesticides.

Participants were first asked to choose organic food attributes themselves and were then asked to rate the attributes on an importance scale (Reynolds & Gutmann, 1988). The general perception of organically grown and processed foods is positive in relation to the product. Based on the in-depth interviews, the main reasons for buying organic food are: (1) Organic food is considered to be more nutritious than non-organic food; (2) Organic farming is believed to be kinder to the environment; (3) There are fewer concerns about pesticide residue in food, because no chemicals are used in the farming process; (4) Organic foods are perceived as tasting better than conventional foods. These purchasing motives are positioned by all interviewed consumers within the first four ranks, although the order of priority differs within these purchasing motives. Rank five and lower were highly individual in depending on the consumer – for instance, some consumers named animal welfare and others named yearning for the past. Because the first four ranks were consistent for all consumers, we included these buying motives in our study 2.

## 3. Study 2: The impact of organic labels on brand perception

The second study tests the effects of organic labels on global, local, and private brand perceptions concerning the identified main drivers for organic food purchasing decisions. Thus, the integrated variables constitute crucial indirect sources of brand strength in the context of organic food (Aaker, 1996). Because of the hot debate on the globalization of branding (e.g., Schuiling & Kapferer, 2004), global brands are chosen for this study. Global brands are important; however, the environmental costs of shipping food great distances might impact consumer perceptions of global organic brands. Furthermore, we take the trend of consuming locally produced products into consideration by including local brands into our study. Finally, as the market share of private brands within the retail market constantly rises, we

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