

# THE BRAND NAME'S ROLE IN THE PURCHASE DECISIONS AT THE BEGINNING OF THE XXI<sup>ST</sup> CENTURY. EMPIRICAL EVIDENCES FROM THE NORTH-EASTERN PART OF ROMANIA \*

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**Abstract:** *Considering the great impact of consumers' behavior on the economic activity, in the present paper we intend to identify and analyze the way in which the purchase decisions of the individuals are influenced or not by the products' brand name, taking the particular case of the Romanian consumers' behavior. The exploratory research was conducted using two methods. An analysis of the secondary data offered by the specialized literature was followed by a primary data collection through a structured survey, conducted on 335 people from the North-Eastern part of Romania. The results indicate that most of the respondents are mainly influenced, in their purchase decisions, by the quality of the products and price-quality ratio, the brand being situated only on the third or fourth place. However, the majority of the consumers are buying durable branded goods and, in the case of the non-durable products, they opt for both types (branded or with private label).*

**Keywords:** brand name, consumers' loyalty, price, quality

**JEL classification:** D12

## INTRODUCTION

The economic activities and phenomenon are largely stimulated by the consumers' options. Their preferences determine not only the emergence of new products and services, improvements of the existing ones, but also the disappearance of some goods from the market. Considering this aspect, we find important to identify what are the consumers' attitudes towards the branded and private label goods.

In the economic literature, the remarks regarding the relationship between the products' brand name and the consumption decisions can be included into a large and various opinions' framework. While some authors argue that the brand plays a more important role in the consumption decision than the price of a product, the label being strongly correlated to a higher quality, others notice that there is a positive relation between the price, the way in which the quality is perceived and the brand loyalty.

Taking in consideration all these aspects, our study tries to identify and analyze, by making reference to the specialized literature, the importance of the brand name for the consumers' purchase

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\* ACKNOWLEDGEMENT: This work was supported from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007-2013, project number POSDRU/1.5/S/59184 „Performance and excellence in postdoctoral research in Romanian economics science domain”

decisions. In order to achieve this objective, we have paid a particular attention to the way in which consumers are correlating the brand name with the quality of the products.

The paper is structured in two main parts. In the first one, we have underlined some main aspects, identified in the specialized literature, related to the way in which consumers perceive the brand name of the products and its importance for their purchase decisions. In the second part of the paper we have conducted a structured interview on a sample of 335 people from the North-Eastern urban area of Romania, between February and March 2009, in order to see what influence has the brand name, among other products' characteristics, on the purchasing behavior, what types of goods they usually buy (white labels or strong brand names) and if their decisions are correlated with the socio-demographic variables.

## **1. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

Low and Lamb (2000) consider that, in the case of the branded products, a higher price reflects a superior quality, in this way being justified the fact that some consumers are willing to pay a higher price in order to have these goods. Moreover, it was demonstrated that a superior quality of the branded products will make the clients become loyal on long term, no matter what their price is (Jiang, 2004, pp. 150-174). Ruyter, Wetzels and Bloemer (1998) also argued the existence of a positive correlation between the branded goods and the consumers' wish of buying them again, in the future.

Considering the quality offered by the branded goods, Alvarez and Casielles (2005) have analyzed the way in which the price of these goods is perceived to be fair or unfair. When consumers consider that the purchase of these products represents a loss for them, the satisfaction generated by the brand name will diminish and the probability of buying again these goods will reduce. On contrary, as Snoj, Kord and Mumel (2004) also noticed, when the prices of branded products are perceived as fair, they will have a positive impact on customers' loyalty (Snoj, Kord and Mumel, 2004, pp. 156-167). Therefore, we can say that the perception of the price plays an important role not only in generating satisfaction, after buying the goods, but also in making the clients become loyal, fact that will translate into increased sales and increased profits of those companies. As Aaker (2001) considered, the ability of a company to retain and make loyal the customers is the best way of identifying the value of a brand. The loyal customers are very important for a firm because they allow the reduction of the marketing costs. According to some

studies on this topic, attracting new customers is five times more expensive than keeping the existing ones (Rundle-Thiele and Bennett, 2001, pp. 25-37).

Consumer loyalty to a particular brand can take two forms: an attitudinal loyalty and a behavioral one (Quester and Lim, 2003, pp. 22-38). This last one is linked to the consumption behavior of an individual towards a particular brand, taking the form of an explicit desire of acquiring that good. It is significantly influenced by the attitudinal loyalty, which involves a consumers' favorable position towards a certain brand.

Rowley and Dawes (1999) argue that, in order to understand the individuals' loyalty to various brands, one should analyze three aspects of the consumption behavior (Rowley and Dawes, 1999, pp. 345-351):

- The *cognitive element*, which is associated to the rational process of decision taking, based on the existent information;
- The *affective aspect*, correlated to the feelings and emotions particular to a certain product or service;
- The *volitional element*, related to a certain mood of an individual to purchase a product or not.

In the case of the branded products, it is considered that the most important component from those mentioned above is the affective one, since "all the companies that have a strong brand seek to develop a relationship with consumers that should be so resonant with their identity that they desire or at least agree to be the slaves masters of the brands" (Klein, 2006, pp. 143-144). It was noticed that, for these big companies, the production of goods is just a secondary part of the operations. These firms are mainly concerned with the design of some strong images of their brands (Ono, 1997). Consequently, for the big companies, what it matters is the significance of their products and therefore "the most important advantage of the branding shows up when the companies offer customers not only the possibility to shop, but also to live the real significance of their brands" (Klein, 2006, pp. 143-144). Considering these aspects, the brands' inventors are convinced that "the products that will prosper in future will not be those presented as goods, but those presented as concepts" since "the brand is an experience, a lifestyle" (Schultz, 1997).

Despite all these, nowadays, the branded products face an increased competition, mainly caused by the emergence of the cheaper private label goods, marketed under the name of the seller. Indeed, several analysts show that, in the last decade, the sales have increased and, accordingly, the market share of low-cost companies that provide products with private labels, both in America and in Europe (Wulf, Odekerken-Schroder, Goedertier and Van Osswel, 2005, pp. 223-232). The trend

can be explained, on the one hand, through the increase in the share of the price-sensitive consumers (Corstjens and Lal, 2000, pp. 281-291) and, on the other hand, through the fact that it was gradually abandoned the view according to which the price is an indicator of the quality (Steiner, 2004, pp. 105-127). This change took place in the context in which the private labels surpassed the state of cheap goods, with a low quality, by gradually improving their quality and yet, having a competitive price. Thus, they aim achieving a favorable image in the consumers' mind (Veloutsou, Gioulistanis and Moutinho, 2004, pp. 228-241).

Being convinced that the big corporations are selling images and not products with particular characteristics, Klein (2006) argues that „the branding idea will end up in a saturation point”, moment when all that „have been „stamped” by brand [...] will become against not only to these logos, but also to the control that the corporatist power, as a whole, has on [...] our choices” (Klein, 2006, pp. 143-144).

Considering all these opinions mentioned above, the hypotheses for our empirical study are:

H1: The brand name is the most important element, together with the quality, in buying durable products; in the case of the non-durable goods, brand may be the third factor that influences the purchases, after quality and price-quality ratio.

H2: Most of the consumers usually buy branded durable goods; in the case of the non-durable goods they might prefer both private label and also branded products.

## **2. THE IMPORTANCE OF THE BRAND NAME IN THE ROMANIANS' PURCHASE DECISIONS**

### **2.1 Methodology and sample**

The *survey* described in the present study is based on a *questionnaire* with opened and closed questions. Before being applied on the respondents, the questionnaire was pre-tested on a sample of 25 persons. The data were analyzed with the help of SPSS program.

The initial *sample* included 350 people but, after tabulating the data, 15 questionnaires were invalid. Therefore, the sample used in the research included 335 people from urban area, living in one of the six counties of North-Eastern region of Romania: Iasi, Vaslui, Botosani, Suceava, Bacau and Neamt. Data were collected between February and March 2009.

In establishing the sample we have considered only the active population, aged between 18 and 65 years old. The percentage of the persons included in each age group respects the percentages

provided by the 2007 Statistical Yearbook for Moldova region: 31% for the age group 18-29 years, 27% for the category 30-39 years, 19% for those aged between 40 and 49 years, 18% for the category 50-59 years and 6% for those between 60 and 65 years (National Statistics Institute, 2007).

## 2.2 Results and discussions

A first analysis was focused on identifying what influence has, on the respondents, the brand name, among other products' characteristics, when buying durable and non-durable goods. We observed that, no matter what it was the level of the income, the age, the sex or the profession, the great majority of the respondents considered that the *brand* is less important compared to quality and price-quality ratio, when buying the durable goods being ranked on the third place, and in the case of the non-durable products on the fourth place. For both categories of products it was noticed that individuals consider that the quality, followed on the second place by the relationship between price and quality, is the most important factor in their buying choices. Surprisingly, although the prevalent level of the respondents' income is medium to low, the price, among all the elements that influence their purchase decision, is only on the fourth position in the case of the durable goods and on the third for the non-durable ones. For both types of goods, some of the respondents consider that, among the factors that influence their choices, on the last place can be put some elements such as design, color, reliability, packaging, warranty period or country of origin of the product. Considering these results, we can say that the first hypothesis that we have formulated is rejected: *H1. The brand name is the most important element, together with the quality, in buying durable products; in the case of the non-durable goods, brand may be the third factor that influences the purchases, after quality and price-quality ratio.*

Taking in consideration the responses regarding the importance order of the above mentioned features of the products and the fact that almost 62% of the surveyed persons have a monthly income up to 1500 RON, it is surprisingly the fact that most of the respondents (54.63%) buy mainly durable branded products, 39.7% of the individuals purchase both branded and private label goods and only 5.67% are achieving especially private label products. In the case of the non-durable goods, the situation is not very different: the majority (65.37%) usually buy private label and branded products, 19.10% only branded ones and 15.52% only private label goods. These results confirm our second hypothesis, according to which: *H2. Most of the consumers usually buy branded durable goods; in the case of the non-durable goods they might prefer both private label and also branded products.*

We notice that there is no significant correlation between the types of goods (branded or with private label) purchased by the individuals, in the case of both durable and non-durable ones, and their income, the value of the p coefficient, after applying the *chi square test*, being  $p=0.06$  in the case of durable goods and  $p=0.79$  for the non-durable ones (so greater than 0.05). These results suggest that most of the individuals, from each income category, buy durable and non-durable goods either branded or both types (branded or with white label).

We do notice the existence of some significant correlations between the importance given by consumers to the products' characteristics - brand, price, quality, price-quality ratio and other aspects - and the effective purchases of durable and non-durable goods. Most of the people (more than 50%) who consider the brand or the quality very important aspects in the case of the durable goods buy branded products. In the case of non-durable products, when quality is the main reason for choosing a product, consumers usually buy not only branded products but also private label ones; if the brand mainly influences the purchase, than the individuals are more tempted to acquire branded non-durable products. On contrary those for which the price is the most relevant indicator buy mainly private label durable and non-durable goods.

**Table 1 – Consumers' options, on age groups, for the durable goods**

Durable goods (D.G.) Prevail:		Age					Total
		18-29	30-39	40-49	50-59	60-65	
<b>Branded ones</b>	Count	57	49	37	30	10	183
	% within D.G.Prevails	31,1%	26,8%	20,2%	16,4%	5,5%	100%
	% within Age	<b>54,8%</b>	<b>53,8%</b>	<b>56,1%</b>	<b>53,6%</b>	<b>55,6%</b>	54,6%
	% of Total	17,0%	14,6%	11,0%	9,0%	3,0%	54,6%
<b>Private label ones</b>	Count	4	3	6	4	2	19
	% within D.G.Prevails	21,1%	15,8%	31,6%	21,1%	10,5%	100%
	% within Age	3,8%	3,3%	9,1%	7,1%	11,1%	5,7%
	% of Total	1,2%	,9%	1,8%	1,2%	,6%	5,7%
<b>Both types</b>	Count	43	39	23	22	6	133
	% within D.G.Prevails	32,3%	29,3%	17,3%	16,5%	4,5%	100%
	% within Age	41,3%	42,9%	34,8%	39,3%	33,3%	39,7%
	% of Total	12,8%	11,6%	6,9%	6,6%	1,8%	39,7%
<b>Total</b>	Count	104	91	66	56	18	335
	% within D.G.Prevails	31,0%	27,2%	19,7%	16,7%	5,4%	100%
	% within Age	100%	100%	100%	100%	100%	100%
	% of Total	31,0%	27,2%	19,7%	16,7%	5,4%	100%

**Table 2 – Consumers’ options, on age groups, for the non- durable goods**

Non-durable goods (N-D.G.) Prevail:		Age					Total
		18-29		18-29		18-29	
<b>Branded ones</b>	Count	20	17	13	12	2	64
	% within N-D.G. Prevails	31,3%	26,6%	20,3%	18,8%	3,1%	100%
	% within Age	19,2%	18,7%	19,7%	21,4%	11,1%	19,1%
	% of Total	6,0%	5,1%	3,9%	3,6%	,6%	19,1%
<b>Private label ones</b>	Count	15	6	16	13	2	52
	% within N-D.G. Prevails	28,8%	11,5%	30,8%	25,0%	3,8%	100%
	% within Age	14,4%	6,6%	24,2%	23,2%	11,1%	15,5%
	% of Total	4,5%	1,8%	4,8%	3,9%	,6%	15,5%
<b>Both types</b>	Count	69	68	37	31	14	219
	% within N-D.G. Prevails	31,5%	31,1%	16,9%	14,2%	6,4%	100%
	% within Age	<b>66,3%</b>	<b>74,7%</b>	<b>56,1%</b>	<b>55,4%</b>	<b>77,8%</b>	65,4%
	% of Total	20,6%	20,3%	11,0%	9,3%	4,2%	65,4%
<b>Total</b>	Count	104	91	66	56	18	335
	% within N-D.G. Prevails	31,0%	27,2%	19,7%	16,7%	5,4%	100%
	% within Age	100%	100%	100%	100%	100%	100%
	% of Total	31,0%	27,2%	19,7%	16,7%	5,4%	100%

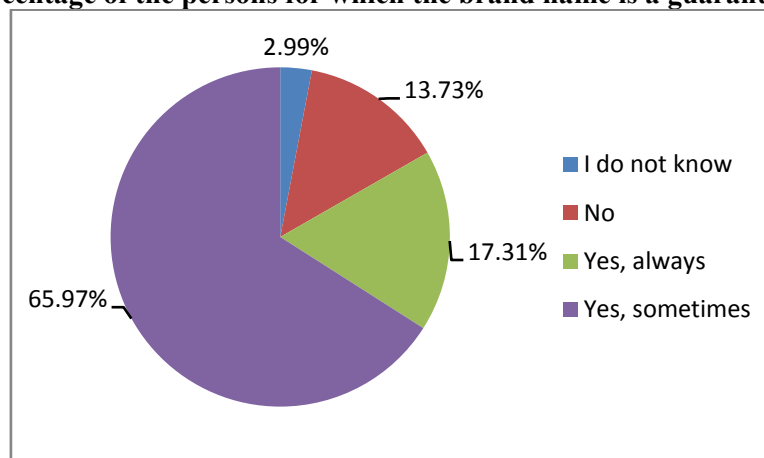
Analyzing the purchases of the durable and non-durable goods, according to the age categories of the respondents, we notice that in the case of the first ones, most of the people (over 50%) prefer, regardless of the age, the branded products (see Table 1). In the case of the non-durable goods, more than half of those included in each age group opted for both branded and white label products (see Table 2).

The analysis of the individuals’ purchase options of durable and non-durable goods, according to the gender of the consumers, shows that both men and women have a similar behavior. If in the case of the durable goods the branded products prevail for both men and women – the percentages being of 54.2% and, respectively, 54.8% -, when buying non-durable goods the consumers opt for both types (branded and white label) – 63.6% of men and 66.2% of women.

Another aspect that we were interested in was to see if the respondents usually correlate the brand name with the quality of the products. The results indicate that a relatively high percentage of the people (17.31%) proved to be confident that the brand is always a guarantee for the quality of a good. However, most of them (65.97%) were reserved, arguing that only in some cases the acquisition of the branded products proved to be a good choice in terms of their quality (see figure 1).

The correlation qui square test shows the fact that the level of the income does not influence the individuals' perception regarding the link between brand name and the quality of the products (the value of the p coefficient is greater than 0.05). An analysis conducted on incomes categories underlines the fact that, no matter what are the financial resources of the respondents, most of them (over 57% of each income category) consider that a branded product has sometimes a superior quality. However, a significant part of the individuals that disagree with this statement (67.4%) have a monthly income level under 1500 RON.

**Figure 1 – Percentage of the persons for which the brand name is a guarantee of the quality**



A final relevant analysis for our study was focused on determining if there is a correlation between the brand loyalty and the level of the income of the respondents. We found out that almost all the respondents with the income level superior to 2500 RON per month argued that, in the case of the durable goods, they are loyal to some particular brands. Moreover, we have to add that most of these individuals declared that they usually buy only durable branded goods. On contrary, it was found that, in general, those with a monthly income level under 900 RON are not loyal to any particular brand, not even in the case of the durable goods.

## CONCLUSIONS

The results obtained in the present study made us reject the first hypothesis we have formulated and accept only the second one. Thus, we may say that most of our respondents consider that brand is not among the first two elements that influence their purchase decisions, neither for durable or non-durable products, the main two characteristics that matters for them being the quality



of the goods and the price-quality ratio. The brand occupies only a third position in the case of the durable products and the fourth one, after price, for the non-durable goods.

However, most of the respondents are more tempted to buy branded durable products. In the case of the non-durable goods, the majority of the individuals usually acquire both branded and private label products. Surprisingly, it proved to be no significant correlation between the level of the monthly salary and the respondents' purchases, most of the people, from each income category, buying both branded and private label products. Yet, there is a correlation between the most important products' characteristics, mentioned by those surveyed, and their purchases: for both durable and non-durable goods, the individuals that consider the brand one of the most important factor that influence their acquisitions buy especially branded products.

The age and the gender of the individuals do not seem to have a very significant influence on their purchase decisions: most of the people from each age category are buying durable branded products and, in the case of the non-durable ones, they opt for both types of goods, branded and with private label.

The fact that most of the respondents said that only sometimes the brand is a guarantee for the quality can explain why only those with an income level superior to 2500 RON per month argued that, in the case of the durable goods, they are loyal to some particular brands.

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