# PERCEIVED PRIVATE LABEL AUTHENTICITY: A TWO-STUDY ANALYSIS

# ANALIZA DVIJU STUDIJA O PERCIPIRANOJ AUTENTIČNOSTI PRIVATNIH MARAKA

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## Abstract

**Purpose** – The purpose of this paper is to explore further the dimensions of perceived private label authenticity. The aims are threefold. Firstly, to examine how consumers associate the concept of authenticity with manufacturer brands and private labels, comparing their perspectives on the perceived authenticity of manufacturer brands and private labels. secondly, to determine and verify the dimensions that would be appropriate for and specific to measuring private label authenticity. Finally, to offer a model for measuring private label authenticity and test the model empirically.

**Design/Methodology/Approach** – Both qualitative and quantitative research methods were used. Qualitative research was conducted through six focus group interviews. A survey on a convenience sample of 415 respondents from Croatia was applied in the quantitative research phase. Confirmatory factor analysis was used to empirically test the proposed dimensions of the perceived private label authenticity model.

**Findings and implications** – The results of qualitative research demonstrate that consumers have different views of private label authenticity compared to manufacturer brands. Consumers have positive perceptions of private labels, describing them as "a smart choice"

## Sažetak

**Svrha** - Svrha je rada istražiti dimenzije percipirane autentičnosti privatne marke. Tri su cilja. Prvo, istražiti kako potrošači povezuju koncept autentičnosti s proizvođačkim i privatnim markama te usporediti njihove perspektive o percipiranoj autentičnosti proizvođačkih i privatnih maraka. Drugo, odrediti i provjeriti prikladnost dimenzija specifičnih za mjerenje autentičnosti privatnih maraka. Naposljetku, ponuditi model za mjerenje autentičnosti privatnih maraka i empirijski ga testirati.

**Metodološki pristup** - Korištene su kvalitativna i kvantitativna metoda istraživanja. Kvalitativno istraživanje provedeno je u šest fokus grupa. U kvantitativnom dijelu istraživanja provedeno je anketno istraživanje na prigodnom uzorku od 415 ispitanika iz Hrvatske. Korištena je konfirmatorna faktorska analiza za testiranje predloženih dimenzija modela percipirane autentičnosti privatnih marki.

**Rezultati i implikacije** - Rezultati kvalitativnog istraživanja pokazuju drugačiji pogled potrošača na autentičnost privatnih u odnosu na proizvođačke marke. Potrošači pozitivno percipiraju privatne marke opisujući ih kao „pametan izbor" i „dobra kvaliteta po povoljnim cijenama". No oni ne povezuju autentičnost s privatnim markama kako je prikazano u postojećim modelima.

and "good-quality products at lower prices". Still, they do not associate them with the notion of authenticity as presented in the existing models. Therefore, a new perceived private label authenticity model is proposed. The quantitative study empirically confirmed its five dimensions: credibility, originality, brand commercialization, trust in the chain, and employee passion. The new proposed model allows retailers to assess private label authenticity using dimensions that are important for private labels as a specific brand type. Additionally, it highlights the importance of trust in the retailer and employee passion as important dimensions of private label authenticity.

**Limitations** – Limitations are related to the methods used in the studies. Participants in all six focus groups were graduate students in economics and business. The survey was done on a convenience sample of respondents.

**Originality** – This paper sheds additional light on extant studies of the perceived brand authenticity construct in the context of private labels and manufacturer brands. Based on qualitative and quantitative research, it proposes a new model of perceived private label authenticity, comprising five dimensions: (1) credibility, (2) originality, (3) brand commercialization, (4) trust in the chain, and (5) employee passion.

**Keywords** – private labels, perceived authenticity, focus groups, survey, CFA, Croatia

Stoga je predložen novi model percipirane autentičnosti privatnih maraka. Kvantitativnim istraživanjem empirijski je potvrđeno postojanje pet dimenzija: kredibilitet, originalnost, komercijalizacija marke, povjerenje u lanac te strast zaposlenika. Predloženi novi model omogućuje maloprodavačima procjenu autentičnosti privatnih maraka kao specifičnih vrsta maraka kroz dimenzije bitne za privatne marke. Dodatno, naglašava se važnost povjerenja u maloprodavača i strast zaposlenika kao važne dimenzije percipirane autentičnosti privatne marke.

**Ograničenja** - Ograničenja su vezana uz metode korištene u istraživanju. Sudionici svih šest fokus grupa bili su studenti ekonomije i poslovne ekonomije. Anketno istraživanje provedeno je na prigodnom uzorku ispitanika.

**Doprinos** - Rad pruža novi pogled na postojeća istraživanja percipirane autentičnosti marke u kontekstu privatnih i proizvođačkih maraka. Na temelju kvalitativnog i kvantitativnog istraživanja predložen je novi model percipirane autentičnosti privatnih maraka koji se sastoji od pet dimenzija: (1) kredibiliteta, (2) originalnosti, (3) komercijalizacije marke, (4) povjerenja u lanac i (5) strasti zaposlenika.

**Ključne riječi** - privatne marke, percipirana autentičnost, fokus grupe, anketiranje, CFA, Hrvatska

# 1. INTRODUCTION

A brand is an intangible but crucial component of a company's value that enables it to develop consumer relationships by delivering and fulfilling a set of promises (Davis, 2002). Consumers nowadays increasingly look for authentic brands and experiences, even when it comes to ordinary consumption objects. Studied through different contexts in marketing and many other disciplines, such as philosophy, sociology, anthropology, and psychology (Fritz, Schoenmueller & Bruhn, 2017), authenticity is always linked to something original, honest, sincere, or genuine (Guèvremont, 2018). In that sense, it can broadly be defined as "a process of verifying whether (or the extent to which) entities are what they are purported to be" (Newman & Smith, 2016, p. 610). Consumers prefer authentic brands because they help them achieve a sense of meaning and their own identity (Guèvremont, 2018). Therefore, for brand managers, authenticity is an increasingly important element they need to focus on.

Private labels are generally owned by retailers who manage and sell them exclusively in their stores (Sethuraman & Cole, 1999). Being responsible not only for the production, promotion, and pricing of private labels, retailers also define the very nature of the product, which includes determining the taste and quality specification as well as the appearance of the packaging, i.e., its size, shape, colors, and the lettering it will contain (Scott Morton & Zettelmeyer, 2004). Retailers have traditionally imitated leading manufacturer brands when developing private labels because of a lack of the means, and sometimes even the knowledge, necessary for radical innovation. Savings on marketing activities and investments in research and development were necessary for retailers to be able, in the short term, to launch a product that is almost identical to the leading brand at a price that is 30% lower (Kapferer, 2010). However, this low-cost and low-quality private label strategy has proven to be dangerous for the retailers' image, causing them to shift their focus on improving private labels (Chaniotakis, Lymperopoulos & Soureli, 2009). In that vein, offering authenticity becomes a necessity for retailers struggling to develop successful private labels in an increasingly competitive market.

To create an authentic private label, retailers need to know: a) whether and to what extent consumers distinguish the perceived brand authenticity of manufacturer brands and private labels, b) the dimensions and their importance for the perceived authenticity of private labels.

The existing literature indicates that any brand authenticity models available were developed for measuring manufacturer brand authenticity. As such, those models might be of questionable appropriateness for measuring private label authenticity. There are two possible reasons for this. Firstly, consumers associate private labels with a retailer because they can usually be bought solely in the stores of their owner (Veloutsou, Gioulistanis & Moutinho, 2004). According to Porter and Claycomb (1997), there is an inseparable link between brand image and retailer image. Secondly, existing brand authenticity models are strongly reliant on the brands' historical continuity, which private labels usually lack. Their more substantial market presence in developed countries is evident in the last 30 years (Bao, Bao & Sheng, 2011). In the transitional markets, private labels evolve along with the development of the modern retail sector (Martínez & Montaner, 2008), so they embarked on their market penetration fairly recently (Gómez, 2007). All of this points to an existing research gap. To reduce it, the goals of this research are:

(1) to examine how consumers associate the concept of authenticity with private labels and compare consumer perspectives on the perceived authenticity of manufacturer brands and the perceived authenticity of private labels;

(2) to determine and verify the dimensions that would be appropriate for measuring private label authenticity;

(3) to offer a model for measuring private label authenticity and test the model empirically.

The theoretical overview of brand authenticity and private label authenticity concepts is followed by the methodological approach used in the research. Qualitative and quantitative studies are described in detail with regard to the respective methods used, research results, elaboration of findings, and research limitations. A discussion of the overall findings is presented. In conclusion, theoretical contribution, managerial implications, research limitations, and future research streams are defined.

## 2. THEORETICAL BACKGROUND

### 2.1. Authenticity in branding

Demand for authenticity has existed for hundreds of years (Grayson & Martinec, 2004). However, only recently have companies recognized the high potential of creating, communicating, and delivering authentic market offerings. At the onset, they introduced brands and brand extensions containing the word "authentic" in the brand name, the name(s) of the brands' extension(s), and/or marketing communication. For example, Nike and Adidas, as global competitors and rivals in the sports apparel industry, both used references to authenticity in their communication – Nike with the slogan "*authentic athletic performance*" and Adidas with "*once innovative, now classic, always authentic*" (Schallehn, Burmann & Riley, 2014). This has sparked increased academic interest in authenticity from various research perspectives. In the branding literature, it has been studied in relation to manufacturer brands (Morhart, Malär, Guèvremont, Girardin & Grohmann, 2015; Fritz et al., 2017), a gap between national brands and private labels (Kadirov, 2015), private labels (Carsana & Jolibert, 2018; Fritz et al., 2017), luxury brands (Morhart & Malär, 2020), country of origin (COO) (Newman & Dhar, 2014), brand extensions (Spiggle, Nguyen & Caravella, 2012), and young brands (Guèvremont, 2018).

The construct of authenticity can be defined as "the perceived consistency of a brand's behav-

ior that reflects its core values and norms, according to which it is perceived as being true to itself, not undermining its brand essence or substantive nature, whereby the perceptual process includes two types of authenticity (i.e., indexical and iconic authenticity)" (Fritz et al., 2017, p. 327). Indexical authenticity is related to the physical attributes of the product (Grayson & Martinec, 2004), so the object is considered to be "the original" or "the real thing" (Cinelli & LeBoeuf, 2019). On the other hand, iconic authenticity is "authenticity which can be conferred by an icon (something that is understood to be aspirational to customers)" (Akbar & Wymer, 2017, p. 17). In that sense, an object can have iconic authenticity when it accurately represents the original or an indexically authentic product (Cinelli & LeBoeuf, 2019). According to Choi, Ko, Kim, and Mattila (2015), indexical factors are more important for building affective brand attachment in general, while iconic authenticity factors can be used to develop long-lasting relationships with a brand.

Consequently, the Entity-Referent Correspondence (ERC) Framework of Authenticity was introduced by Guidry Moulard, Raggio, and Garretson Folse (2021). These authors propose a new definition that aims to resolve a previous lack of clarity when defining authenticity. According to them, authenticity is "a consumer's perception of the degree to which a supposed authentic entity corresponds with or is 'true to' something else, which we label a referent" (Guidry Moulard et al., 2021, p. 96).

Freathy and Thomas (2015, p. 178) emphasize that authenticity can be used to legitimize actions and also reinforce beliefs because authenticity "can provide a representation of what is, what has been or even what should have been". Consumers use authenticity cues as evidence of quality and differentiation and are unwilling to accept inconsistent and insincere brand behavior (Fritz et al., 2017, p. 178). On the other hand, companies benefit because a higher level of brand authenticity positively affects emotional attachment to the brand and leads to positive

word-of-mouth (Morhart et al., 2015). This notion could be crucial for private labels that, due to low advertising investments, depend on in-store communication (Sprott & Shimp, 2004) and positive word-of-mouth (Mishra, 2014).

All the aforementioned benefits of brand authenticity corroborate the notion that authenticity is expected to become the cornerstone of marketing practice in the future (Beverland, 2009 in Kadirov, 2015) and therefore requires additional scientific focus.

## 2.2. Brand authenticity dimensions

In addition to different conceptualizations, current branding literature offers different measurement scales of brand authenticity. After an extensive analysis of available brand authenticity operationalization, Akbar and Wymer (2017) presented nine clusters into which all brand authenticity dimensions could be classified: (1) glorious heritage, (2) honesty, (3) admirability, (4) brands' commitment to quality or excellence, (5) originality, (6) dimensions related to likely outcomes of having or using an authentic brand, (7) naturalness, (8) consistency, and (9) being the category pioneer. This classification clearly shows no consensus on what brand authenticity is and how it should be measured.

Most authors propose that brand authenticity is a multidimensional construct, but some view it as a unidimensional construct. One such approach is found in a paper by Schallehn et al. (2014) that examines brand authenticity from the socio-psychological perspective as a unidimensional construct that depends on (1) brand individuality, (2) brand consistency, and (3) brand continuity.

Bruhn, Schoenmüller, Schäfer, and Heinrich (2012) identified brand authenticity as a construct consisting of four dimensions: (1) continuity, (2) originality, (3) reliability, and (4) naturalness. The most frequently used scale of perceived brand authenticity (PBA) was developed by Morhart et al. (2015). The authors also proposed four dimensions of PBA: (1) continuity,

(2) credibility, (3) integrity, and (4) symbolism. Fritz et al. (2017) offer a more comprehensive measure of brand authenticity consisting of variables connected to the brand's past (i.e., brand heritage, brand nostalgia), its virtuousness (i.e., brand commercialization, brand clarity, social commitment), employees representing the brand (i.e., employee's passion), and the consumer self-identification with the brand (i.e., brand legitimacy, actual self-congruence).

## 2.3. Proposed private label authenticity dimensions

Currently, no specific models have been developed to operationalize perceived private label authenticity. A study conducted by Carsana and Jolibert (2018) tested private label authenticity dimensions (proposed by Morhart et al., 2015) in the context of private labels. However, this was done without any modification to the original model developed for manufacturer brands. It can be argued that perceived private label authenticity could not be measured precisely with scales developed to measure the authenticity of manufacturer brands due to different factors influencing their perception. Namely, consumer perception of private labels is not formed using only brand features as in the case of manufacturer's brands; it is also influenced by the overall purchasing experience offered by the retailer as their owner (Fritz et al., 2017). The conceptualization proposed in this paper starts with the most used model in brand authenticity research proposed by Morhart et al. (2015), which is modified by adding a variable connected to the retailer as a brand owner. The model developed by Morhart et al. (2015) is straightforward and encompasses four dimensions: continuity, credibility, integrity, and symbolism, all of which could be important for the perception of private label authenticity, as elaborated in the following paragraphs.

**Continuity** refers to the brand's stability, endurance, and consistency over time (Bruhn et al., 2012). Consumers will perceive a brand as having a high level of continuity if past brand be-

havior is reflected in the present brand promise and that brand promise is based on the brand's internal nucleus, making it more authentic (Schallehn et al., 2014). It is often additionally strengthened through marketing communication highlighting the brand's virtues and heritage (Hakula, Lätti & Sandberg, 2011) or consistency of marketing messages over time (Erdem & Swait, 1998). Research done by Schallehn et al. (2014) has verified a strong relationship between brand continuity and brand authenticity. During the evident extensive growth of private labels in the last few decades, most of them proved to have stability in terms of their brand promise because retailers increasingly behave like "their national brand competitors in terms [of] how they value and manage these brands" (Girard, Trapp, Pinar, Gulsoy & Boyt, 2017, p. 39). Furthermore, despite the changes in the level of quality, they are continually positioned as cheaper alternatives to leading manufacturer brands (Wang, Kalwani & Akçura, 2007), indicating a certain level of brand continuity.

**Credibility** "reflects a brand's transparency and honesty toward the consumer, as well as its willingness and ability to fulfil its claims" (Morhart et al., 2015, p. 202). When evaluating a brand, especially when there is incomplete information, it is expected that consumers will rely on the credibility of the brand as a determining factor in the increase of the perceived quality and value of the brand (Lassoured & Hobbs, 2015). According to Erdem and Swait (1998), consumers believe that companies capable of fulfilling their promises will have no problem communicating those promises clearly. Increased investments in private label quality and an active retailer role in product development (Ossiansson, 2004), as well as increased communication and higher value delivered through increased quality at prices lower than leading manufacturer brands, all add to private label credibility and turn it into a driver of private label growth.

**Integrity** is a concept focused on a brand's perceived commitment towards stakeholders, honesty, reliability, and reputation that can be perceived through alignment between words and actions (Cambier & Poncin, 2020). In their conceptualization, Morhart et al. (2015) focus on intrinsic motivation, the degree of morality and dedication to consumers. According to Portal, Abratt, and Bendixen (2019, p. 716), "integrity reflects virtuous intentions of the brand and signifies its moral purity". When it comes to private labels, their positioning focused on offering consumers higher value through good-quality products at lower prices can be seen both as dedication to consumers and alignment between words and actions.

**Symbolism** "stands for the potential of the brand to serve as a resource for identity construction by providing self-referential cues representing values, roles and relationships" (Morhart et al., 2015, p. 203). According to Carsana and Jolibert (2018), the symbolism dimension is the one that is focused on symbolic brand qualities. Retailers are increasingly focusing on the emotional and imaginative components of branding when managing private labels, thus moving away from a primarily functional orientation in the past (Maikštėnienė & Auruškevičienė, 2008).

The essential elements for the perceived authenticity of private labels, specifically relating to the retailer's crucial role in the private label context, may be covered by an additional variable called **trust in the retailer**. It is defined as "the expectation held by the consumer that the service provider is dependable and can be relied on to deliver its promise" (Sirdeshmukh, Singh & Sabol, 2002 in Rubio, Villaseñor & Yagüe, 2017, p. 359). Sirdeshmukh et al. (2002) distinguish between the two main components to build trust on: (1) trust in the practices and policies of the retailer and (2) trust in the employees who deliver the service. Since a retailer is responsible for private labels, it is expected that trust in the retailer could evolve into confidence in private labels and increase their authenticity.

The retailer's importance in private label perception is evident even from the definition of

the concept itself. De Chernatony and McWilliam (1988, according to Ossiansson, 2004, p. 118) define private labels as "value-added entities, manufactured by or on behalf of distributors according to defined specifications." They point to such brands being targeted at a specific group of consumers and characterised by "an important and unique personality that is clearly associated with the retailer". If consumers are dissatisfied with a retailer, they will switch to another retail outlet, where they will buy the same manufacturer brand. However, that possibility does not exist in the case of private labels because they are sold exclusively in the stores of their owners. According to Wu, Yeh, and Hsiao (2011), service quality directly affects private label image and can positively influence private label purchase intention. Due to the retailer's close association with private labels, their positioning will be based on the retailer's image (Kapferer, 2010). Collins-Dood and Lindley (2003) empirically validated the assumption that private labels are seen as extensions of store image, so authenticity is assumed to follow the same pattern.

# 3. RESEARCH

Based on the theoretical background, this research poses the following fundamental question: How is the authenticity of private labels operationalized, i.e., to what extent (with which dimensions) is it necessary to adjust the model for measuring perceived brand authenticity to the specifics of private labels?

The research consists of two studies and has three objectives that involve: exploring and understanding how consumers view and describe private label authenticity; determining distinctive and appropriate dimensions for private label authenticity measurement; and finally, the design and testing of the private label's authenticity model.

A mixed-method approach was applied to gain an in-depth understanding of the research problem and to corroborate the research findings.

Both qualitative research (focus groups) and quantitative research (survey) were conducted.

## 3.1. Study 1 – Qualitative Research

Five primary dimensions that can constitute private label authenticity were defined based on the literature review. Qualitative research was conducted to verify the assumptions, refine the proposed theoretical model, and get a clear insight into how consumers perceive authenticity as a concept and associate it with private labels. In the first of the two studies, two research questions were posed:

RQ1: *How do consumers perceive authenticity, and can they distinguish between different brand authenticity dimensions?*

RQ2: *Do consumers associate the authenticity concept with private labels, and which authenticity dimensions are important for private labels?*

### 3.1.1. Methodology

Qualitative research was carried out using six focus groups. The chosen focus-group approach was exploratory because it is "based on the underlying assumption that people can explain their attitudes and behavior when asked to do so" (Catterall & Maclaran, 2006, p. 261). Furthermore, such an approach is justified and is usually used before conducting survey research to "check understanding of questionnaire items and to identify or select ideas or hypotheses for later testing in survey work" (Catterall & Maclaran, 2006, p. 261).

Based on the theoretical insights, a semi-structured focus group guide was prepared. In the first part of the focus group session, participants were asked a series of questions related to brand authenticity. In the second part of the session, participants were asked questions about private label authenticity and its dimensions. Perceived brand authenticity dimensions proposed by Morhart et al. (2015) were used as a starting point. Additionally, trust in the retailer was added.

Two researchers conducted focus group sessions independently, acting as focus group

moderators. All focus group sessions were audiotaped and transcribed manually. The data was collected in 2019 and early 2020 before the lockdown caused by the COVID-19 pandemic. The sessions, taking place in the same location in the afternoon, lasted approximately one hour.

They involved 55 voluntary participants, who were divided into focus groups of a similar size. All participants were graduate students in economics and business; 38 of them were female and 17 were male.

### 3.1.2. Results of the qualitative study

#### 3.1.2.1. Results related to the first research question

At the start, when asked to describe the meaning that they associate with authenticity, participants of focus groups most often used words such as original, unique, distinctive, consistent, and associated that concept to a certain degree of dignity. Furthermore, respondents gave different examples of authentic brands from various industries, including skincare, games, IT, hospitality, automobile, and tourism. According to the results, it is possible to observe certain characteristics of authentic brands, such as their distinctiveness, uniqueness, long tradition, storytelling, and experiential dimension.

When asked directly about the importance of **continuity** for brand authenticity, the participants expressed different views. The majority agreed that a long tradition is a prerequisite for an authentic brand, explaining it as follows:

> "*I think that authenticity strengthens with tradition. The brand is more authentic if it is older, more successful on the market, has a long tradition. This makes it more authentic than in the beginning.*"

> "*If a brand is 'older', it is more authentic because it had an opportunity to demonstrate its authenticity.*"

Two participants expressed the belief that the brand does not have to have a long tradition to be authentic. Indeed, several participants outlined the examples of new brands, such as the cosmetic brands Skintegra and Fenty, launched into the market as recently as 2017.

Other differing views were expressed too, e.g.:

> "*I think that all companies are initially authentic because they solve certain problems, so tradition is not essential. Rarely will companies be able to maintain their authenticity.*"

Regarding **credibility,** participants believe that it is related to the trust consumers have in the brand, truthful advertising (no lies or deception), observing quality standards, and generally satisfied customers. Also, participants said hold that credibility is essential for authenticity. Interestingly, some pointed out a negative example of brands with low credibility (in the Croatian transportation industry). These brands are authentic as well, but in delivering low quality because they are monopolistic companies.

When it comes to **integrity**, participants had some difficulties in defining this dimension. They associated it to the company's overall culture (comprehensive and present on all levels), product quality dimensions, and sincerity towards consumers. It can be concluded that integrity is closely related to consistency with respect to company communication, products, and culture. All the participants agreed that integrity is vital for authentic brands.

Participants expressed different views about **symbolism**. Interestingly, the most prominent discussion in the focus groups occurred when they talked about this particular dimension. Symbolism is pronounced when buying clothes, mobile phones, automobiles, and products that reflect lifestyle. By contrast, this dimension was not outlined as important when buying food because participants said that they search for quality when buying food products.

It can be concluded that respondents are aware of brand authenticity and that their comprehension is in line with the theoretical concept. They also apprised the four dimensions that, according to Morhart et al. (2015), constitute brand authenticity.

### 3.1.2.2. Results related to the second research question

When it comes to private labels, respondents expressed mostly positive perceptions saying that private labels are *"a smart choice"* and that they offer *"good quality at lower prices"*. All the respondents buy private label products at least in some product categories and they believe that private labels will become increasingly important in the future. While being aware of three private label tiers regarding quality and price, they mostly associate private labels with the medium tier (copycat private labels) dominant on the market.

Although the perception of private labels is positive and respondents have accepted them as a viable brand alternative, they do not associate private labels with the notion of authenticity, e.g.:

*"Private labels could be authentic, but they choose not to be because retailers want to increase sales and are therefore introducing cheaper versions of brands that are selling well."*

*"Private labels are trying to reach economies of scale and focus on the price-conscious market segment, and this is why they are not authentic."*

Most respondents highlighted that they do not associate authenticity with private labels due to their focus on functional benefits and lack of promotional support that makes it difficult to form expectations. One of the respondents also said that private labels are produced by the same manufacturers that produce well-known brands, so they cannot be authentic. Interestingly, respondents indicated that they can easily distinguish private labels from manufacturer brands and consider them to be original brands. The first aspect of originality is the result of their long-standing lower price perception and a higher level of perceived risk associated by consumers with private labels that they are not familiar with. This aspect is a dominant influence on the perception of private labels and their distinction from manufacturer brands. The

second aspect is more favorable for retailers because respondents perceive some private labels as original brands because they offer products in specific product categories such as, e.g., the vegan product range.

*"I prefer private labels in specialty categories because they tell a story of health and I believe these products will be good for me and my health. Also, I do not know what else to buy as an alternative because there is a limited offer and that is why I consider them to be authentic."*

Qualitative research also revealed that consumers do not associate the **continuity** dimension with private labels given that, until this past decade, their market presence was limited to only a small number of private labels and product categories. However, it is important to note that all respondents recall private labels that were among the first introduced on the market and trust them more than newer brands.

Regarding the **credibility** dimension, respondents exhibited mixed opinions. They had difficulty associating private labels with credibility due to the lack of communication that would help consumers form expectations. As opposed to private labels, manufacturer brands often use marketing communication, so their positioning is clear. This is why respondents noted that the *"credibility of private labels can be determined only after the product is used"*. However, consumers have lower expectations when it comes to private labels and are not so disappointed if the private label does not meet their standards. One respondent said: *"I think private labels can be trusted, but I did not pay much, so in principle, it won't be a big disappointment."* Respondents think that private labels can reach a high level of credibility in the functional product categories where consumers are predominantly searching for products that offer good value for money. Additionally, consistent quality was outlined for its potential to reinforce the credibility dimension of private labels and establish closer ties with the retailer as a brand owner. One respondent said:

*"The credibility of private labels is conditioned on the retailer's credibility and trust. For example, Konzum (Croatian retailer, authors' remark) offers a money-back guarantee if we are not satisfied with their private label. Even without a receipt. And this is how they show their trust and commitment to the private label."*

Answers regarding the **integrity** dimension were similar to those regarding credibility, indicating that consumers cannot easily differentiate between the two dimensions when it comes to private labels. When asked about integrity in the context of private labels, one of the respondents answered that it is an *"integration of private label into the retail chain that owns it"*. The majority of respondents stressed that they cannot assess the integrity of private labels because they do not explicitly communicate their brand promise.

*"Private labels have integrity if all products under the private label have the same level of quality or at least a similar level."*

One respondent had a strong opinion on the matter, saying that *"private labels are created just for profit, so they do not have integrity"*. After that statement, a few more respondents agreed that the primary goal of private labels is profit generation and increased sales. However, they also indicated that, besides profit, retailers use private labels to improve their own image, expand their product range, fulfil unmet consumer needs and attract consumers to their stores. Similarly, most respondents agreed that private labels adapt to market trends, at least as market followers. Interestingly, respondents could recall examples where private labels were pioneers in specific areas, such as Alverde (dm) in natural cosmetics or when it comes to the introduction of the private label *Okusi zavičaja* (The Taste of Homeland) by Lidl to market authentic Croatian products.

When it comes to the **symbolism** dimension, the personality of private labels is based on functionality, so they do not provide respondents with self-referential cues, undermining the symbolism dimension. In their view, private labels include good-quality products, which are cheap, however, so they would not buy them as a present for a friend.

*"Private labels are all focused on providing a lower price, there is no story related to them. People buy them to satisfy functional needs and do not associate with them."*

Interestingly, respondents are more inclined to connect the symbolism dimension with private labels offering more distinctive or innovative products as some of those mentioned above, the Alverde natural cosmetics line or the *Okusi zavičaja* specialty private label range.

*"The products promoted by* Okusi zavičaja *are products of small local farmers and are authentic."*

Another important finding of the qualitative research is that private label authenticity is directly linked to the retailer as a brand owner, which was evident in the answers to previous questions. Most respondents agreed that they could not separate the private label from the retailer stating:

*"The positioning of the retailer is crucial for private label perception, and I think that retailers will place more emphasis on private labels because they do not want to disappoint their customers."*

*"When I am not familiar with a private label, I will base my perception on the perception of the retailer that is selling the brand."*

*"If I cannot trust the retailer, how I am supposed to trust the brand it is responsible for?"*

*"If I trust a retailer like Konzum, I know that it will not try to sell me a product that is not good; or if I feel good in a certain store like dm, I know that a private label of that chain will not be of bad quality."*

Alongside the **retailer's trust and image**, respondents indicated that **employees** are also important in developing private label authenticity because they are the ones in direct contact with consumers. Respondents predominantly think that employees influence them when it

comes to product selection by offering advice on available alternatives. However, they also said that employees are the face of the company, so they directly influence their purchase experience and indirectly private label perception:

*"If a retailer is devoted to its employees, which can be seen in their level of satisfaction, then I believe it will also be devoted to providing good products to its customers."*

### 3.1.2.3. Modification of the private label perceived authenticity model based on qualitative research results

The results of qualitative research have shown that respondents can clearly differentiate between private labels and manufacturer brands. Respondents also have different views when it comes to the authenticity of both brand types. Respondents understand the notion of authenticity and can distinguish between different dimensions, such as continuity, credibility, integrity, and symbolism, but they associate those dimensions with manufacturer brands across product categories. However, when it comes to private labels, they do not consider those dimensions to be very relevant for measuring private label authenticity.

These findings prompted a re-evaluation of the initial assumptions and an additional evaluation of the literature to find more suitable variables. Credibility is the variable from the original model whose importance was validated by qualitative research, and the following variables were added to the model based on the findings from the qualitative research:

- **Originality** reflects how different the brand is from all the other brands and expresses the brand uniqueness (Bruhn et al., 2012). As outlined above, private labels frequently copy leading manufacturer brands, undermining private label authenticity. However, a shift in private label management leads to more innovation, increasing brand originality among the respondents included in the qualitative research. Additiona-

lly, respondents stated that they can clearly differentiate private labels from a national brand and consider them to be original.

- **Brand commercialization** reflects how brands subordinate their values and norms to the interest of profit maximization (Fritz et al., 2017). With the focus on low prices compared to manufacturer brands, the perception of brand commercialization could be an essential element of private label authenticity. This assumption was supported by the research findings, with respondents outlining profit maximization and increased sales as dominant motives for private label introduction. As such, brand commercialization can be a distinguishing feature in developing private label authenticity.

- According to Sirdeshmukh et al. (2002), an **employee's passion** is an unavoidable factor that builds trust in the retailer (and whose importance has already been determined, based on the theoretical review, as one of the private label's specific dimensions of perceived authenticity). It can be defined as an indicator of the employee's perceived enthusiasm and eagerness in the retail chain (Fritz et al., 2017) owns the private label. Employees are critical elements in developing a retailer's image because they are constantly in direct interaction with consumers. This is why employees are in a position to provide authenticity cues to consumers (Matthews, Eilert, Carlson & Gentry, 2020), which was corroborated by the finding of the qualitative research conducted for the purpose of this paper.

Based on the theoretical background and findings of the first study, the following hypothesis is derived:

*H: Perceived private label authenticity is a second-order construct consisting of credibility, originality, brand commercialization, trust in the chain, and employee's passion.*

Figure 1 presents the proposed model of private label authenticity.

FIGURE 1: Proposed model of private label authenticity
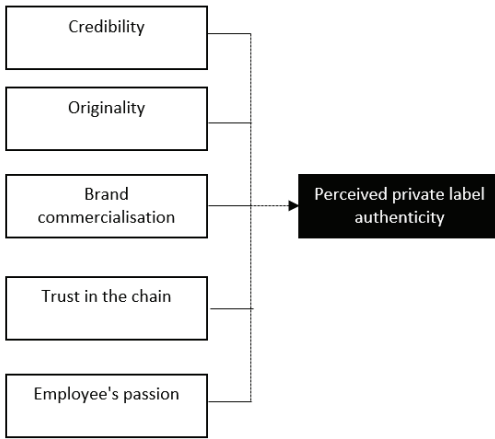


Source: Authors' research.

## 3.2. Study 2 – Quantitative Research

### 3.2.1. Methodology

A survey was conducted to empirically test the proposed model of private label authenticity and the defined hypothesis. All the scales used in the questionnaire were taken from the existing literature. The questionnaire had eighteen closed-ended questions. The scale used for testing credibility was a five-point Likert scale with three items from Morhart et al. (2015). A five-point Likert scale, with four items from Fritz et al. (2017), was used to measure originality, brand commercialization, and employee's passion, respectively. Trust in the chain was measured on a five-point Likert scale with three items from Rubio et al. (2017). All scales were tested for internal validity, and their respective Cronbach's alpha

values exceeded 0.7 (see Appendix 1). Additionally, demographic information about the respondents, including gender, age, occupation, and monthly household income was collected.

The research was conducted in 2020. Due to the restrictions related to the COVID-19 pandemic, the online survey method was employed on a convenience sample of 415 respondents. The self-administered questionnaire was used, which focused on two leading mid-tier private labels in Croatia (Spar and K Plus). It took an average of 10 minutes for the respondents to complete the questionnaire.

First, the questionnaire was pre-tested on a sample of five graduate students of economics and business. As recommended by Tabachnick and Fidell (2007), a sample size of 300 cases is needed for factor analysis. Before conducting confirmatory factor analysis (using IBM SPSS AMOS), exploratory factor analysis was performed (in IBM SPPS).

### 3.2.2. Results of the quantitative study

The final sample of 415 respondents consisted of 73.7% female and 26.3% male respondents. Regarding their age, 52.8% of respondents were between 18 and 24, 20% between 25 and 34, 4.1% between 35 and 45, 9.9% between 45 and 54, 8.4% between 55 and 64, while 4.8% were 65 years old or older. As for their occupation, the majority of respondents were students (58.3%), followed by employed (30.1%), retired (8.9%) and, finally, unemployed persons (2.7%). Additional information about the respondents' household monthly income was collected. The sample profile is shown in Table 1.

TABLE 1: Sample profile

| Variables | Categories | Respondents' proportion | Respondents (n=415) |
|---|---|---|---|
| Gender | Male | 26.3% | 106 |
| | Female | 73.7% | 309 |
| Age | 18-24 | 52.8% | 219 |
| | 25-34 | 20.0% | 83 |
| | 35-44 | 4.1% | 17 |
| | 45-54 | 9.9% | 41 |
| | 55-64 | 8.4% | 35 |
| | 65 and more | 4.8% | 20 |
| Occupation | Student | 58.3% | 242 |
| | Employed | 30.1% | 125 |
| | Unemployed | 2.7% | 11 |
| | Retired | 8.9% | 37 |
| Household Monthly Income | up to EUR 332 | 6.3% | 26 |
| | EUR 333–666 | 12.5% | 52 |
| | EUR 667–999 | 13.0% | 54 |
| | EUR 1000–1332 | 14.7% | 61 |
| | EUR 1333–2000 | 12.3% | 51 |
| | more than EUR 2001 | 22.2% | 92 |
| | does not wish to answer | 19.0% | 79 |

Source: Authors' research.

When asked about the product category in which they bought private label products, the respondents indicated the following categories: 1) food products – 82.4% of all respondents, 2) household products – 46% of all respondents, 3) personal hygiene products – 41.7% of all respondents, and 4) clothing and footwear products – 9.6% of all respondents.

They were also asked about the frequency of buying private label products. The majority of respondents (54.5%) buys private labels sometimes, followed by those who buy them often (30.8%), seldom (9.6%), and never (1.4%).

Furthermore, information about the retailer stores at which consumers shop was collected. Consumers usually shop in Konzum (43.1%) and Interspar (41.7%), but also in Lidl (33%), Kaufland (28%), Plodine (8.4%), Tommy (1%), and some other retailers (1.7%).

A factor analysis of 18 items, grouped into five variables, was conducted. The factor analysis ex-traction method was maximum likelihood, with Promax applied as the rotation method. The Kaiser-Meyer-Olkin measure of sampling ade-quacy was used for measuring the appropriate-ness of applying factor analysis. The KMO index of .891 and p-value of .000 of Bartlett's test of sphericity demonstrate the appropriateness of using factor analysis on collected data (Table 2).

TABLE 2: KMO and Bartlett's test

| KMO and Bartlett's test | | |
|---|---|---|
| Kaiser-Meyer-Olkin measure of sampling adequacy. | | .891 |
| Bartlett's test of sphericity | approx. chi-square | 3841.371 |
| | Df | 153 |
| | Sig. | .000 |

Source: Authors' research (IBM SPSS, version 21).

Exploratory factor analysis (EFA) confirmed the existence of five factors (credibility, originality,

Sandra Horvat, Tanja Komarac, Đurđana Ozretić Došen

brand commercialization, trust in the chain, and employee's passion). EFA was used as a foundation for confirmatory factor analysis.

The results of the model testing in AMOS showed that the overall model with five variables showed a good fit (n=415, df=120, CFI=0.95, TLI=0.937, RMSEA=0.062, PClose 0.12, SRMR 0.061).

Standardized estimates of the model are shown in Figure 2.

The results support the hypothesis that *perceived private label authenticity is a second-order construct consisting of credibility, originality, brand*

*commercialization, trust in the chain, and employee's passion.*

# 4. DISCUSSION

The results of qualitative research demonstrate that consumers have different views of private label authenticity compared to manufacturer brands. All four dimensions proposed by Morhart et al. (2015), namely continuity, credibility, integrity, and symbolism, were confirmed to be important for manufacturer brands. In contrast, when it comes to private labels, these four dimensions are not equally important. More

FIGURE 2: Dimensions of perceived private label authenticity
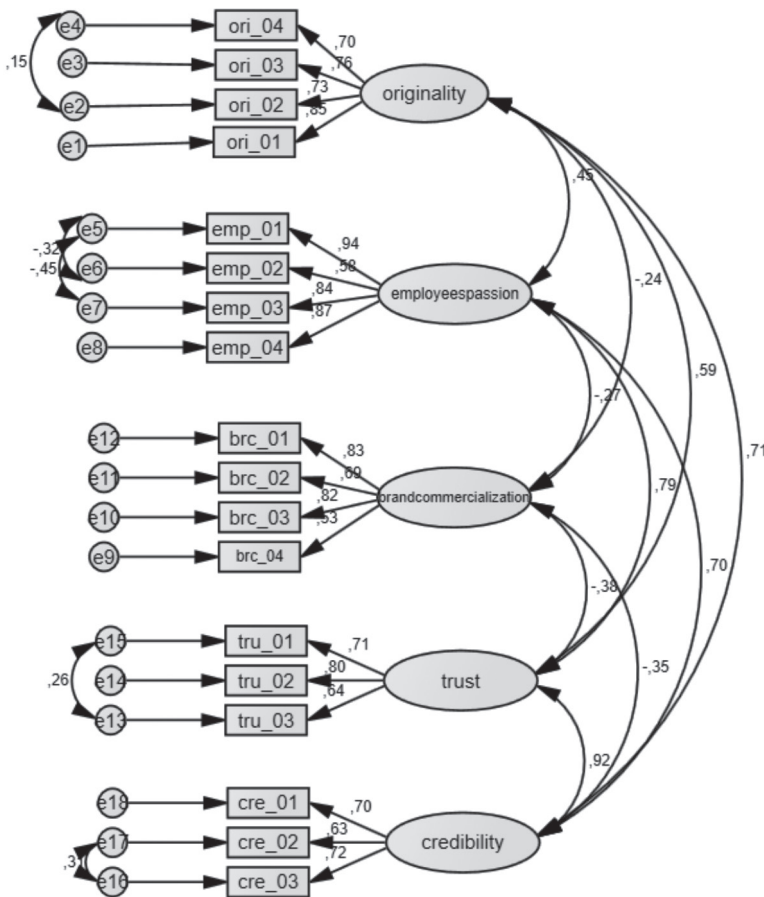


Source: Authors' research (IBM AMOS, version 21).

precisely, out of the four dimensions only credibility was recognized as an essential dimension for private label authenticity. Interestingly, two dimensions, credibility and integrity, were found to be related to private label authenticity – through the retailer as their owner, which indicates their indirect association with private label authenticity. This finding further suggested the need to include the retailer in the measurement of consumer perceptions of private label authenticity. Based on the theoretical background, the retailer is represented through two variables, namely trust in the retailer and employee's passion (Sirdeshmukh et al., 2002), which need to be considered when measuring perceived private label authenticity. In contrast to previous research (Carsana & Jolibert, 2018), continuity and symbolism are not dimensions associated with the notion of private label authenticity.

Despite the fact that private labels are often positioned as copycat brands that imitate leading manufacturer brands (van Horen & Pieters, 2012), respondents were still able to clearly differentiate between private labels and manufacturer brands. Surprisingly, private labels were also considered to be "original" due to their clear positioning based on lower price. The originality dimension was seen as even greater when it came to the introduction of private labels in specific categories like vegan or premium products. These findings indicate the need to consider originality as a dimension of perceived private label authenticity.

Finally, the qualitative study results suggest brand commercialization as a possible dimension of perceived private label authenticity, as previously studied by Fritz et al. (2017). Although these authors proved a negative effect of brand commercialization on brand authenticity, they did not check for possible differences between manufacturer brands and private labels with respect to brand commercialization.

Furthermore, the quantitative research results demonstrated empirically that credibility, originality, brand commercialization, trust in the

chain, and employee's passion are dimensions of private label authenticity. These findings indicate the need to modify the measurement of perceived private label authenticity by carefully choosing the selected dimensions for measuring brand authenticity and adding dimensions related to the retailer as the owner of these brands.

## 5. CONTRIBUTION, IMPLICATIONS, LIMITATIONS, AND FUTURE RESEARCH

This paper contributes to the body of knowledge on brand authenticity, more specifically on the authenticity of private labels as specific brands. The conducted literature review pointed to a limited number of studies devoted to the private label authenticity construct. Furthermore, a specific research gap was identified, indicating that the existing research does not focus on private labels as specific brands, but instead considers private label authenticity alongside the authenticity of manufacturer brands. Thus, researchers equate private labels and manufacturer brands, although empirical research has shown that consumers perceive them differently for two main reasons – lower price positioning and an inseparable link to the retailer as their owner. Therefore, this paper aimed to compare the perception of the brand authenticity concept in the context of private labels and manufacturer brands and propose a new model of private label authenticity based on qualitative and quantitative research.

Qualitative research has shown that consumers have positive perceptions of private labels, describing them as a "smart choice" and "good-quality products at lower prices", but they do not associate them with the notion of authenticity as presented in the existing models. On the other hand, they had no difficulties in explaining the authenticity of manufacturer brands in terms of the four dimensions of brand authenticity (credibility, integrity, continuity,

and symbolism). Additionally, the research has revealed that consumers differentiate between private labels and manufacturer brands based on the close association of private labels with the retailer and focus on the good value that they offer. This is why some of the proposed dimensions of private label authenticity from the original model were replaced with the dimensions more closely associated with private labels. Based on the literature review and exploratory quantitative research, a hypothesis that the perceived authenticity of private labels is a construct consisting of five dimensions, namely (1) credibility, (2) originality, (3) brand commercialization, (4) trust in the retailer, and (5) employee's passion is proposed. Empirical research conducted on 415 respondents and two private labels confirmed this hypothesis.

The present research has several theoretical implications. It has empirically validated the proposition that consumers perceive the difference between private labels and manufacturer brands in the context of authenticity, leading to the conclusion that the model of manufacturer brand authenticity should not be used for measuring private label authenticity. Using the same models, private labels will be perceived as inferior, which can be misleading since consumers do not evaluate them in the same way as manufacturer brands. As a second implication, this paper proposes a conceptualization of private label authenticity and statistically validates the proposed model on two different private labels.

The proposed model can also be significant for the practitioners because it allows them to assess private label authenticity in their own right without drawing comparisons or using models created for manufacturer brands. By applying the proposed model, they can gain a valuable insight into the level of authenticity associated with different private label tiers managed in their product range. A significant finding of this research for the retailers is that trust in the retail chain as well as employee's passion form an integral part of private label authenticity. This points to the conclusion that it is not enough to

invest in private labels to make them more authentic. Rather, retailers have to invest equally in private label management and their employees while also maintaining trust in the chain.

Although empirical research confirmed our theoretical model, additional research should be undertaken using the proposed private label authenticity model. More private labels should be included in the research to increase the generalizability of the results. Also, the private labels used in this research are both mid-tier private labels and use the same private label name in all their product categories (KPlus and Spar). It would be interesting to test if this model can also be applied to premium or generic private labels.

The limitations of the research are related to the methods used. The main limitations of the first study are related to the method used in collecting data (focus groups). One of these is related to the fact that opinions expressed can depend on a social situation, so some socially acceptable opinions can emerge (Smithson, 2000). In addition, all focus group participants were graduate students in economics and business. Although they are probably more familiar with the research topic than the average respondent, respondents with specificities in age range and lifestyle might bias results; therefore, findings need to be corroborated with non-student participants (Bello, Leung, Radebaugh, Tung & van Witteloostuijn, 2009).

Furthermore, limitations are also related to the survey's type and sample size, encompassing a convenience sample of 415 respondents from Croatia. The research itself focused on two typical retailers with similar business strategies. It would be interesting to include hard discounters whose market presence is growing all over the world. This would be particularly significant in the context of the new dimensions (trust in the chain and employee's passion) due to differences in their approach to the market.

Given the increased importance of private labels as well as increased interest in the concept

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of brand authenticity, we believe that our findings provide a good starting point for additional research on the antecedents and consequences of perceived private label authenticity.

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**Appendix 1. Study constructs**

| Constructs | Items | Cronbach's α |
|---|---|---|
| Credibility scale modified from Morhart et al., 2018 | emp_01 I have a feeling that employees like working for *brand*.<br>emp_02 The employees identify themselves with the *brand* brand.<br>emp_03 I perceive the employees of *brand* as being motivated.<br>emp_04 Employees enjoy working for *brand*. | 0.768 |
| Originality scale modified from Fritz et al. 2017 | emp_01 I have a feeling that employees like working for *brand*.<br>emp_02 The employees identify themselves with the *brand* brand.<br>emp_03 I perceive the employees of *brand* as being motivated.<br>emp_04 Employees enjoy working for *brand*. | 0.849 |
| Brand commercialization scale modified from Fritz et al. 2017 | emp_01 I have a feeling that employees like working for *brand*.<br>emp_02 The employees identify themselves with the *brand* brand.<br>emp_03 I perceive the employees of *brand* as being motivated.<br>emp_04 Employees enjoy working for *brand*. | 0.812 |
| Trust in the chain scale from Rubio et al. 2017 | emp_01 I have a feeling that employees like working for *brand*.<br>emp_02 The employees identify themselves with the *brand* brand.<br>emp_03 I perceive the employees of *brand* as being motivated.<br>emp_04 Employees enjoy working for *brand*. | 0.790 |
| Employee's passion scale modified from Fritz et al. 2017 | emp_01 I have a feeling that employees like working for *brand*.<br>emp_02 The employees identify themselves with the *brand* brand.<br>emp_03 I perceive the employees of *brand* as being motivated.<br>emp_04 Employees enjoy working for *brand*. | 0.864 |