

# The Determinants of Purchase Decision for Chinese Own Brand

## A Case of Shanghai Grocery Sector

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### Extended Abstract

Substantial studies on the determinants of own brand purchase decisions have been conducted in the Western retailing markets. From the existing literature, four major determinants have been identified: Lower price (Burton, Lichtenstein, Netemeyer, & Garretson, 1998); value for money (Lichtenstein, Ridgway, & Netemeyer, 1993; Burt, 2000); perceived quality and risk (Batra and Sinha, 2000), and the customer loyalty (Burton et al., 1998, Omar, 1995; Steenkamp and Dekimpe, 1997; Dick, Jain, & Richardson, 1996; Veloutsou, Gioulistanis, & Moutinho, 2004; Davies and Brito, 2004). However, it has not fully explored whether these factors are also applied to the non-Western markets, such as China.

This paper presents a study which was conducted in Shanghai, China in June 2007. The case study and triangulation approaches were selected for this study. This empirical study was designed to identify the main determinants of customer purchase decisions on Chinese own brand in the grocery sector of Shanghai, the largest commercial city in China. The main objective of this study was to gain a deeper understanding of the factors related to Chinese own brand purchase decision.

In this study, the main method adopted was semi-structured interviews coupled with store observations. The documentation analysis was a supplemental method for detecting/correcting the errors or mistakes from interviews and observation. The technique of the semi-structured interview focuses on the perception of informants allowing exploration of the research questions (Daymon and HoUoway, 2004).

A total of 30 regular grocery shoppers and 10 senior managers from six major supermarket chains (e.g., firms) in Shanghai were interviewed. The selection of these six chains was based on the recommendation made by the Shanghai Chain Store Association. Six interviews were carried out with the senior managers representing these six major retailers. In addition, 6 of the 30 grocery shoppers interviewed did not have own brand experiences and provided a source to explore the causes of not buying own brands. Two main research questions were sought:

1. Why do the Chinese customers purchase own brand?

## 2. Why do the Chinese customers not purchase own brand?

The findings have identified four possible reasons associated to Chinese own brand purchasing decisions: Low price, opportunistic benefit, higher quality, and making a better deal. The first reason for Chinese to purchase own brand is low price. The consumers, being low price seekers are prone to purchasing low priced own brand products as manufactures' brands are too expensive to afford. The second reason for Chinese consumers to purchase an own brand products is for "opportunistic benefit". These consumers are willing to take the risk and explore the possible "opportunistic benefit" to experience new things, such as own brands. The third reason for the consumers to purchase certain types of own brands is because they believe that the products are better than those of manufactures' brands due to the absence of certain product lines. These consumers are innovators who accept whatever quality is assured by the retailers. The fourth reason for the consumers to purchase own brand products is to gain a better deal through purchasing the products with reliable sources, for example, the own brands made by national brand manufacturers. These consumers are retired people who lead a conservative lifestyle and admire old brands but are also sensitive to the price.

Based on the interviews from the group of grocery shoppers who have not purchased Chinese own brand products, two main factors have been revealed: unfamiliarity with the own brand products and the brand consciousness influenced by Lianmian Guan tradition, i.e., showing face, (Qu, 1996). These two factors may explain why consumers do not buy own brand products.

The research has shown that unfamiliarity with own brands is one of the main reasons that consumers in developing markets have a lower level of own brand purchases (AC Nielson, 2005). The majority of Shanghai supermarket shoppers have not tried own brand products yet which counts over 95% of the total shoppers (Song, 2003). This can be attributed to Chinese own brand being a new phenomenon for consumers in that market. Two attributes may contribute to the unfamiliarity with own brands: the shorter period of own brand development and insufficient exposure to own brand information. Chinese own brand products were introduced to the market around 1995 (Chen, 2004), therefore the concept of own brand to the majority of those customers is still foreign and unfamiliar (Song 2003). Lianmian Guan is another factor to explain why Chinese do not buy own brands. Lianmian Guan is the Chinese phenomenon of "showing face" to other society members inherited from ancient Chinese tradition. It would be considered "losing face" (i.e., embarrassing) if buying unknown products, such as own brands. The study has asserted that Lianmian Guan phenomenon is very relevant to Chinese own brand purchase decision.

Although this study is exploratory in nature, its findings do suggest that there are commonalities between Chinese and Western markets. This study supports that low price and high quality are the most important factors for the consumers to make own brand purchase decisions. The study explicates that the factors of opportunistic benefits and making a better deal are the special versions of low price and high quality factors. The study recognizes that the rationale behind the factors of unfamiliarity with own brand and Chinese Lianmian Guan is a lack of own brand recognition. When own brand recognition and its image is improved, these China specific factors might be less significant to own brand purchase decision.

Western and Chinese retailers might have to consider a number of international and managerial implications when developing Chinese own brand products. First, the possibility of replicating or adapting the Western own brand strategic model in China's market exists; therefore, the route of advancing Chinese own brand development can be greatly shortened. Secondly, since low price and high quality are the crux of own brand buying decisions, then retailers might adopt the resource advantage strategy (Hunt, 2000); which provides the availability and feasibility to achieve low cost and differentiation simultaneously. Thirdly, own brand presentation rather than sales promotion may be vital in order to improve the level of awareness and familiarity of own brand in the mind of Chinese consumers. Finally, developing multi-tier own brand lines, especially premium lines, might be a preferred approach to fit into the Chinese brand consciousness and Lianmian Guan tradition while Chinese own brand recognition and its image continue to be enhanced in the market.

Single case design and the interviewees chosen being limited to one city are the main limitations of this study which may produce incomplete results considering that China has very diverse segments. Therefore further investigation in other parts of China's markets is highly recommended.

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